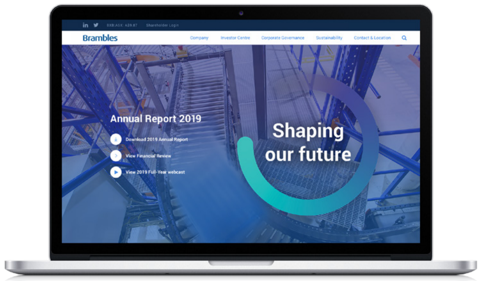
Brambles

Annual Report 2019

Shaping our future

brambles.com

Contents



To review the Group's online annual review for 2019, go to:

BRAMBLES.COM

Unless otherwise specified, page references are to pages in this report. All acronyms and terminology referred to in this report are defined in the Glossary on page 127.

Forward-Looking Statements

Certain statements made in this report are "forward-looking statements" – that is, statements related to future, not past, events. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", "will", "should", and similar expressions are intended to identify forward-looking statements. These forward-looking statements are not historical facts, but rather are based on Brambles' current beliefs, assumptions, expectations, estimates and projections. Forward-looking statements are not guarantees of future performance, as they address matters that are uncertain and subject to known and unknown risks, uncertainties and other factors that are beyond the control of Brambles, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Brambles cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the views of Brambles only as of the date of this report. The forward-looking statements made in this report relate only to events as of the date on which the statements are made – Brambles will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or events occurring after the date of this report, except as may be required by law or by any appropriate regulatory authority. Past performance cannot be relied on as a guide to future performance.

Brambles Limited
ABN 89 118 896 021

Brambles at a Glance

Brambles' purpose is to connect people with life's essentials every day.

Through its 'share and reuse' model, Brambles moves more goods to more people in more places than any other organisation.

What Brambles does:

As a pioneer of the sharing economy, Brambles is one of the world's most sustainable logistics businesses.

Its circular business model perpetuates the share and reuse of the world's largest pool of reusable pallets and containers.

This enables Brambles to serve its customers while minimising the impact on the environment and improving the efficiency and safety of supply chains around the world.

Brambles' platforms form the invisible backbone of global supply chains, primarily serving the fast-moving consumer goods, fresh produce, beverage, retail and general manufacturing industries.

The world's largest brands trust Brambles to help them transport life's essentials more efficiently, safely and sustainably.

As at 30 June 2019, Brambles:

Operated in...

~60

countries

Employed...

~11,000

people

Owned...

~330 million

pallets, crates and containers

Through a network of...

750+

service centres

How Brambles Creates Value

Brambles uses the power of its circular business model, network advantage and unique expertise to leverage the key capital inputs into its business to generate significant value for customers, shareholders and employees.

For customers, Brambles' end-to-end supply chain solutions deliver operational, financial and environmental efficiencies not otherwise available through one-way, single-use alternatives. Further details are available on page 9.

For shareholders, Brambles delivers sustainable growth at returns well in excess of the cost of capital and seeks to generate sufficient cash flow through the cycle to fund dividends and support reinvestment in growth, innovation and the development of its people. Further details are available on page 10.

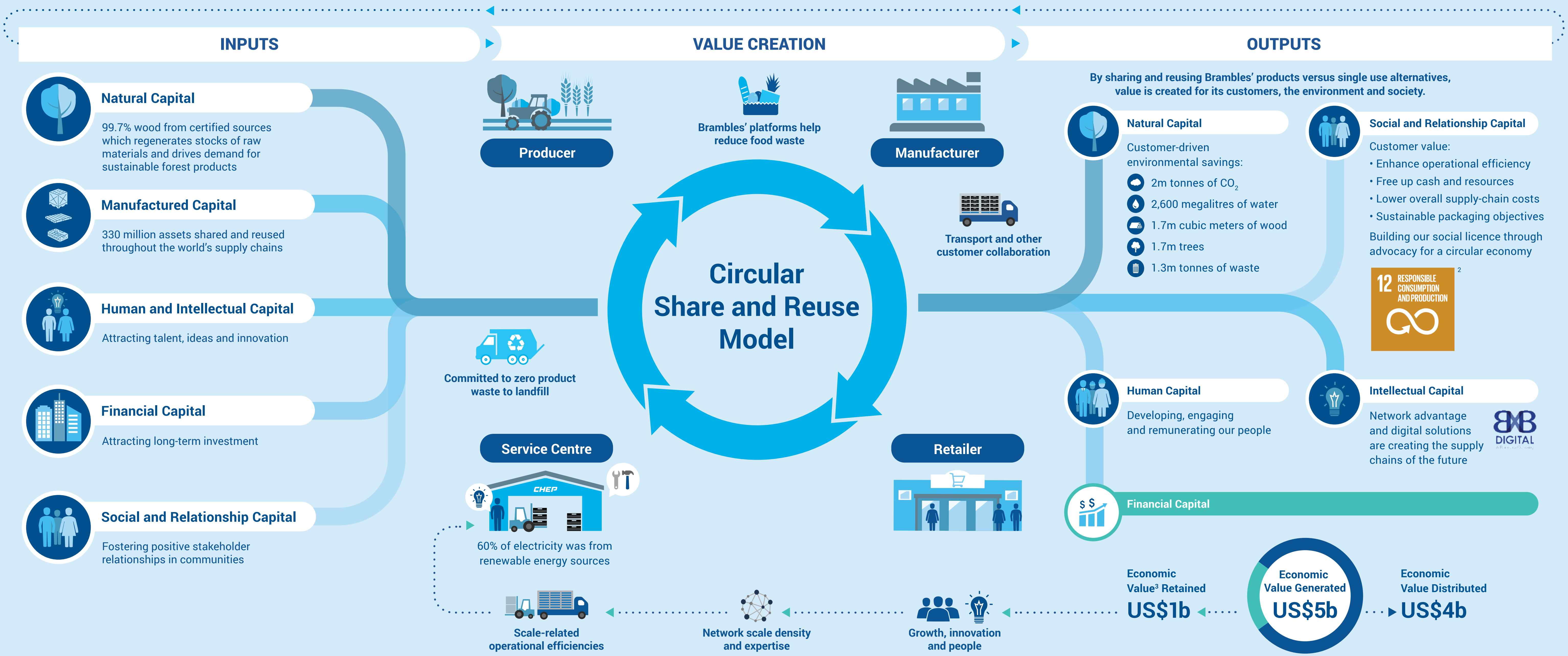
For employees, Brambles provides development and exciting career opportunities in approximately 60 countries. By fostering a culture of innovation and agility, Brambles seeks to attract and retain the talent which is integral to its success.

In a resource-constrained world, circular business models like that operated by Brambles are recognised as a critical economic evolution to enable the world to trade more responsibly. By regenerating what it extracts and by providing its products via a service, Brambles helps reduce both the constant pressure on natural resources and the waste production typical of conventional linear business models.

Brambles capitalises on its unique position in the supply chain to enable customer collaboration and address sustainable development challenges, such as optimising transport networks, addressing food waste and promoting sustainable use of the world's forests.

In this way, Brambles creates a circular economy, on a global scale.

Brambles has used the Integrated Reporting <IR> 'capitals' framework[1] to illustrate the interaction and interdependencies between its sources of value, business model and ability to create value over time.



[1] The International Integrated Reporting <IR> Framework. Integrated Reporting highlights the key resources and relationships used and affected by an organisation.

[2] United Nations Sustainable Development Goal 12 aligns with Brambles' circular business model. For more information see brambles.com/sustainability.

[3] Economic value is a measure of the broader financial benefit provided by an organisation.

Letter from the Chairman

2019 was a year of transition for Brambles as it positioned itself to deliver enhanced value for customers, employees and shareholders.

Following the sale of the IFCO RPC business in May this year, Brambles is now one streamlined business. This provides a significant opportunity to leverage our core pallet and container logistics expertise, lead industry initiatives and be more responsive to customers' needs and global supply chain challenges. As an organisation, this evolution is critical to the sustainability and competitiveness of our business, particularly as we look to a future characterised by rapid change and increasing customer demands for innovative, sustainable and cost-effective solutions.

It is within this context that the Board and management team are taking active steps to reshape Brambles for success into the 2020s and beyond. In addition to our ongoing commitment to the five core strategic priorities outlined on page 6, we are focused on becoming more customer-centric and deploying new physical and digital technologies to transform our service offerings and how we operate.

IFCO RPC sale and use of proceeds

On 31 May 2019, we completed the sale of our IFCO RPC business for an enterprise value of US$2.5 billion.

As previously communicated, we intend to return US$1.95 billion of the IFCO RPC sale proceeds to you, our shareholders, through two mechanisms. The first is an on-market share buy-back of up to US$1.65 billion which commenced on 4 June 2019 and is outlined in more detail on page 10.

The second is a pro-rata cash return of 29 AU cents per share. The cash return has two components: a capital return of 12 AU cents per share, which is subject to shareholder approval at this year's Annual General Meeting (AGM), and a special dividend of 17 AU cents per share. The tax treatment of the pro-rata cash return will be summarised in the explanatory notes set out in the Notice of Meeting for the 2019 AGM.

The residual net proceeds were used to pay down debt to maintain our strong balance sheet.

Dividend policy and capital structure

Following the completion of the IFCO RPC sale, the Board undertook a review of Brambles' dividend policy and capital structure.

In line with the outcomes of this review, Brambles will move to a payout ratio based dividend policy commencing with the 2020 interim dividend. Brambles' dividend policy is to target a payout ratio of 45-60% of Underlying Profit after finance costs and tax, subject to Brambles' cash requirements, with the dividend per share declared in US cents and converted and paid in AU cents.

The Board believes this dividend policy, while potentially creating increased volatility in Australian dollar terms, is appropriate to support future growth opportunities and the maintenance of a strong investment grade credit profile. Brambles intends to retain its current investment grade credit rating of BBB+ from Standard & Poor's and Baa1 from Moody's Investor Services.

As communicated at the time of our 1H19 result, Brambles' current progressive dividend policy will be maintained for the 2019 financial year, with a final dividend of 14.5 AU cents per share, franked at 30%. This will bring the total dividends for the Year to 29.0 AU cents per share. The Board has also determined to suspend the Dividend Reinvestment Plan at this time in view of the ongoing share buy-back programme.

Board Renewal

In light of my previously announced intention to step down as Chairman at the end of my current term, a Sub-Committee of the Nominations Committee, chaired by Tony Froggatt, was formed to conduct the process for the Board. This process remains on track to appoint a successor in advance of my retirement in 2020.

In addition to the Chairman succession process and in keeping with the Board's renewal plan, changes to the composition of the Board this year saw the retirement of Carolyn Kay at the 2018 AGM after 12 years of service and the recent appointment of Jim Miller as a Non-Executive Director in March 2019. With a career spanning senior executive roles at companies such as Amazon, Google, IBM and Cisco, Jim has extensive experience and detailed knowledge of digital technology and data analytics, and the value these can add to supply chains. His expertise will enhance the Board's skill matrix, particularly as we respond to the growth of e-commerce and continue to invest in digital innovation. Jim will stand for election at this year's AGM.

One of our long-standing Non-Executive Directors, David Gosnell, has decided not to stand for re-election at this year's AGM and will therefore retire at the conclusion of the meeting.

On behalf of the Board, I would like to welcome Jim and thank both David and Carolyn for their valuable contributions.

Tony Froggatt, who has been on the Board for 13 years has agreed to stand for re-election at this year's AGM to facilitate a smooth transition for the new Chairman and provide continuity and stability for the Board. If re-elected, he has indicated that he will retire within his three year term.

Non-Executive Director, George El-Zoghbi, who joined the Board in 2016, will also stand for re-election at this year's AGM.

Safety

Our people are our greatest asset and their safety is our most important responsibility. So, it is with great sadness that I inform you of a fatality at our Bellpuig plant in Spain in July 2019. The Board and management team are resolute in taking actions to turn our Zero Harm Charter into a reality so that all our people return home to their family and friends as healthy as when they started the day.

Looking Ahead

As we look to the future, Brambles is a focused business with scale unmatched by our competitors and a clear strategic direction. With actions in place to offset inflationary pressures which we have experienced in our major markets in recent years, continued investment in platform quality and a differentiated, value-enhancing service offering, Brambles remains well positioned to support its customers into the future, grow its business and strengthen its industry-leading position.

On behalf of the Board, I would like to thank our management team and staff for their efforts this year. It is their vision, expertise and commitment that make Brambles the global leader it is today.

Stephen Johns, Chairman

Sales Revenue[4]
US$4,595.3m
Up 7% at constant currency

Underlying Profit[4]
US$803.7m
Up 2% at constant currency

Total Dividends
29.0 AU cents per share
Final dividend of 14.5 AU cents per share

[4] Continuing operations

Letter from the CEO

The sale of our IFCO RPC business allows us to set a new ambitious direction for Brambles into the 2020s and beyond.

Over the past two years, we have worked on the fundamentals of our businesses to make sure they remain robust and sustainable. We have simplified our operating structure, refreshed our leadership talent and focused the company on our core high performing businesses.

Operationally, we have taken actions to address the cost performance of our core business, refocused the Group on asset control and efficiency as well as scaled up our efforts in digital and platform innovation.

With solid foundations in place, we have the opportunity to set a new ambitious direction for Brambles.

We are passionate about bringing more value to our customers, delivering innovative service offerings to meet more of their supply chain needs, and transforming the customer experience of doing business with Brambles. During the Year, we launched 'Zero Waste World', a new working collaboration for leading companies committed to creating smarter and more sustainable supply chains. Using our network capabilities and the power of our logistics platform, we are working with our customers to find new ways to address three critical industry challenges: eliminating waste; eradicating empty transport miles; and cutting out inefficiency.

Within our own operations, we are exploring new ways to deliver higher levels of efficiency in our service center network. We also continue our path towards a digital supply chain to deliver benefits for customers and Brambles.

Strategic Priorities

Our five strategic priorities continue to drive decision making across the Group and we are making good progress towards our financial objectives. Our market positions strengthened during the Year, with meaningful volume growth in both developed and emerging markets. We continued to invest in First and Last Mile Solutions, particularly in Europe, and have accelerated our efforts in material science and platform innovation, including plastic and hybrid pallets.

Operationally, we have successfully rolled out best-in-class automation and procurement initiatives in the US and facilitated best practice and expertise sharing across the Group. While we are yet to see the level of asset efficiency improvement we are seeking, we remain confident that the heightened focus on asset productivity across the Group will deliver cash flow benefits over the medium term.

Operating Environment

The operating environment in FY19 was characterised by macro-economic uncertainty and ongoing inflationary pressures.

The ongoing uncertainty surrounding Brexit and how it would be implemented impacted inventory levels across retail supply chains in the UK. We also experienced slower organic growth, particularly in Western Europe. Input cost inflation remained high by historical standards, although the rate of transport and lumber inflation started to moderate during the Year.

Competition in all markets was strong, but rational, while our customer base continues to adapt to changes in the retail landscape. These include omni-channel proliferation, the ongoing growth of e-commerce and increasing automation in the supply chain.

FY19 Results

In this operating context we delivered a solid FY19 result. Sales revenue growth was strong at 7%, reflecting ongoing customer conversions in all markets and increased price realisation in response to the high-inflation environment.

Underlying Profit growth of 2% was modest as ongoing cost pressures in CHEP Americas were only partly offset by price and supply chain initiatives in the region. We are making good progress with our US margin improvement initiatives and other initiatives in the Americas regions. We remain confident these actions will improve profitability over the medium-term.

Sustainability

Sustainability is integral to what we do and to the value we offer supply chains around the world. Our circular business model defines not just how we do things but who we are. It also provides our customers a proven circular foundation as they adapt to changing consumer expectations around the provision of more sustainable products.

As part of this endeavour, we have committed to responding to the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), commencing in FY19. In doing so, we seek to enable our shareholders to have a clear understanding of how Brambles will manage the financial risks and opportunities of climate change and provide confidence that we will continue to prosper over the long term.

We continued to make good progress towards our 2020 Sustainability Goals and have once again delivered year-on-year improvements in sustainable lumber procurement, and the adoption of more renewable energy takes us closer to our 2020 carbon emissions goals.

We are also proud to see increasing recognition of our sustainability credentials from industry, employees and investors during the Year, which are outlined on page 12.

Safety

Brambles is committed to Zero Harm, for our people and those we work with, for our customers and the communities we serve, and for the environment upon which we all depend. As such, the the loss of our colleague, José Luis Segura, in July 2019 has impacted us greatly and we are doing everything we can for his family and colleagues affected. A thorough investigation is underway, and we are determined to learn as much as we can to avoid such a tragedy in the future. This incident reminds us how important it is for us to drive a further step change in our safety performance to achieve a Zero Harm work environment. During the Year we launched the next phase of our Zero Harm strategy, 'Safety Differently'. This initiative seeks to address the residual risk present in our operations.

Outlook

Longer term, we continue to expect sales revenue growth to be in the mid-single digits at constant currency, as we continue to convert customers to our sustainable share and reuse solutions. Our strategic focus on operational, organisation and capital efficiencies is expected to deliver Underlying Profit leverage through the cycle and sufficient cash flow to fully fund dividends and reinvestment for growth, innovation and the development of our people.

Graham Chipchase, Chief Executive Officer

Cash Flow from Operations[4]

US$431.8m

Down US$293.0m

Return on Capital Invested[4]

19.5%

Down 0.6 percentage points at constant currency

Brambles Injury Frequency Rate (BIFR)

5.9

Up from 5.0 in FY18

Strategic Priorities

Brambles is committed to being the global leader in platform pooling solutions and insight-based solutions to fast-moving supply chains.

Brambles seeks to:

- Achieve and maintain number one positions in each region of operation;
- Lead the industry in customer service, innovation and sustainability; and
- Be an employer of choice through best-in-class safety, diversity and talent development programmes.

Brambles' five strategic priorities guide decision making across the Group and are integral to the delivery of superior value for customers, shareholders and employees over the long term.

Grow and Strengthen Network Advantage

Brambles' network advantage, comprising the scale and density of its customer and service centre network and its industry-leading asset management expertise, is a critical element of the Group's value proposition for both customers and investors.

Brambles continues to deepen its network advantage by growing in core businesses and rapidly scaling in newer markets. The increasing importance of sustainability in end-to-end supply chains further increases the value of Brambles' service offering to its customers.

Brambles is committed to improving the customer experience further through simpler processes, additional services and enhanced platform quality.

Deliver Operational and Organisational Efficiencies

Brambles seeks to offset the impact of cost inflation and competitive price pressures through efficiencies in areas such as procurement, plant automation and transport optimisation.

With a more focused portfolio there are increased opportunities to share best practices and simplify processes across the Group to build a leaner, more collaborative and effective organisation.

Disciplined Allocation of Capital and Improved Cash Flow Generation

Brambles allocates capital in a disciplined manner to maintain and grow its existing businesses, to drive innovation and to manage its portfolio of products and services. The Group pursues a focused strategy in relation to mergers and acquisitions.

A key strategic objective for the Group is to deliver strong and sustainable cash generation. Brambles aims to achieve this through an increased focus on improving asset utilisation, reducing equipment loss and lowering equipment damage rates.

Innovate to Create New Value

Brambles is committed to developing and maintaining an innovative portfolio of products and services to meet the evolving needs of current and future customers.

Brambles is constantly innovating in new materials and platforms that enable its customers to increase sales, gain greater market insights and improve operational efficiencies in a changing retail landscape.

Alongside innovation in physical products, Brambles is investing to transform information and digital insights into new sources of value for itself and for its customers. Brambles sees data and technology as core strengths and sources of future competitive advantage.

Develop World-Class Talent

Successfully attracting and retaining high calibre people is integral to Brambles' ongoing success and will become increasingly important as new skills are required in areas such as digital services and automated supply chains. Brambles' key priorities for its employees are safety, engagement and capability-building. The Group is committed to fostering a culture of agility, innovation and continuous improvement.

Operating Model

Brambles manages the world's largest pool of reusable pallets and containers.

As a pioneer of the sharing economy, Brambles promotes the shared use of its platforms among multiple supply chain participants under a circular 'share and reuse' model known as pooling.

Through its inherently sustainable operating model, superior network advantage and industry expertise, Brambles leads the market in smarter and more sustainable supply chains.

Inherently Sustainable Operating Model

Brambles' 'share and reuse' model follows the principles of the circular and sharing economies, creating more efficient supply chains by reducing operating costs and demand on natural resources. By promoting the share and reuse of assets among multiple parties in the supply chain, Brambles offers customers a more efficient and sustainable alternative to the use of disposable products or managing their own proprietary platforms.

Network Advantage and Supply Chain Expertise

Brambles' sustainable operating model is underpinned by its superior network advantage and industry-leading supply chain expertise, developed over 70 years of managing customers' supply chains around the world. With operations in approximately 60 countries, Brambles' network advantage comprises the scale and density of its service centre network and the strength of its customer relationships in every market in which it operates. This means Brambles can be faster and more responsive to customers' needs.

Sustainability Framework

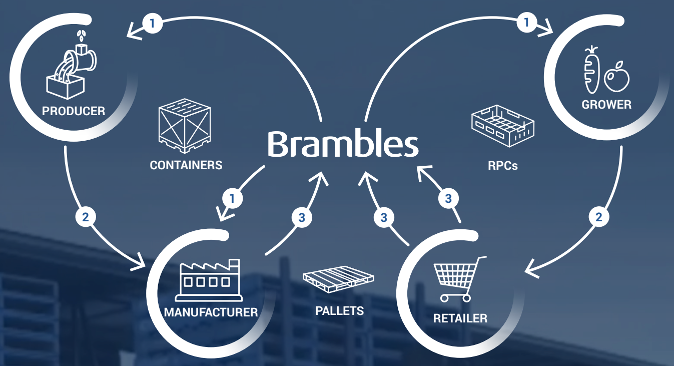
Brambles' sustainability framework organises the Group's sustainability activities and goals under three broad programmes: Better Business; Better Planet; and Better Communities.

The sustainability framework identifies input sourcing, particularly lumber, and safety as the Group's key material sustainability risks. Details of the Group's FY19 safety performance and material sourcing are detailed on pages 14 and 15, respectively. A full review of Brambles' sustainability risks and performance will be included in the 2019 Sustainability Review, which will be available on Brambles' website in September 2019.

The Group's 2020 Sustainability Goals are incorporated into this framework and address the material sustainability aspects of Brambles' value chain. These goals are also aligned to the United Nations Sustainable Development Goals (SDGs), in particular SDG 12: Responsible Consumption and Production, which aligns with Brambles' sustainable business model.

Brambles is currently undertaking a materiality process to develop its 2025 sustainability programme with the intention of announcing the new commitments in FY20. This preparatory work involves consultation with its key stakeholders including customers, investors, non-government organisations, thought leaders, industry bodies, management and employees.

Share and reuse: How it works



Using its network advantage and asset management expertise, Brambles seamlessly connects supply chain participants, ensuring the efficient flow of goods through the supply chain. By reducing transport distances and the number of platforms required to service the supply chain, Brambles delivers savings in which all participants share.

1. Brambles provides standardised pallets, crates and containers to customers from its service centres as and when the customer requires.
2. Customers use this equipment and Brambles' support services to transport goods through the supply chain.
3. Customers either arrange for the equipment's return to Brambles or transfer it to another participant for reuse.

Brambles retains ownership of its equipment at all times, inspecting, cleaning and repairing it in order to maintain appropriate quality levels.

Brambles generates sales revenue predominantly from rental and other service fees that customers pay based on their use of its platforms and services.

Customer Value Proposition

Brambles' pallets and containers form the invisible backbone of the global supply chain. This gives Brambles key insights that help customers meet evolving consumer demands while minimising their environmental impact and improving the safety and efficiency of their supply chains.

With a comprehensive suite of supply chain solutions, Brambles provides customers with operational, financial and environmental efficiencies not otherwise available through the use of disposable alternatives and proprietary models.

Supply Chain Solutions

Brambles is integral to customers' supply chains, working closely with all participants including manufacturers, producers, growers and retailers. With end-to-end involvement, Brambles has clear insights into what impacts the safe, efficient and sustainable operation of global supply chains.

By leveraging these insights and its unmatched expertise, Brambles offers customers comprehensive solutions that improve the performance of the supply chain. This helps address the challenges associated with the increasing complexity and rapid evolution of modern supply chains.

Platform Solutions

Brambles offers customers the widest range of supply chain platforms including: pallets (timber, plastic and display), Reusable Plastic Crates (RPCs), bins and specialised containers as well as unit-load containment and safe handling equipment.

By eliminating the need for customers to purchase and manage their own platforms, Brambles reduces the capital requirements and complexity of customers' operations while simultaneously reducing waste from their supply chains.

System-Wide Solutions

Brambles conducts in-depth studies of customers' supply chains to map the flow of goods, information and platforms to identify the causes of network inefficiencies and product damage.

By determining the optimal mix of platforms and processes for customers' individual supply chains, Brambles can mitigate network inefficiencies and ensure the safe and sustainable transportation of goods through the supply chain.

Transportation Solutions

Brambles' superior network scale provides a unique capability to coordinate collaboration between multiple supply chain participants to deliver transport efficiencies. This includes matching and eliminating empty transport lanes, sharing transport and contracting transport for and from customers.

Retail Store Solutions

Brambles works closely with customers to develop retail store solution strategies and consumer-facing platforms that improve the efficiency of the shared supply chain by increasing sales at lower costs to the supplier, retailer and consumer.

These merchandising and fulfilment solutions, which include full size and fractional display pallets, trays and RPCs, effectively reduce the time, labour and activity required to move goods from the point of production to the point of sale.

Manufacturing, Warehouse and Distribution Centre Solutions

Using its experience in managing platforms, optimising automated facilities and packaging performance testing, Brambles has developed solutions that improve the overall performance and efficiency of customers' facilities. These solutions include: customising customers' platform processes; optimising how customers configure, build and protect product loads; and providing higher quality platforms and engineering services to improve the performance of automated facilities.

Sustainability Solutions

Brambles creates value for customers by providing a sustainable alternative to single-use packaging, saving customers money and significantly reducing the environmental impact of their operations. In this way, Brambles presents a working circular model for customers to reference as they adapt to growing consumer awareness around sustainability issues in supply chains.

Zero Waste World

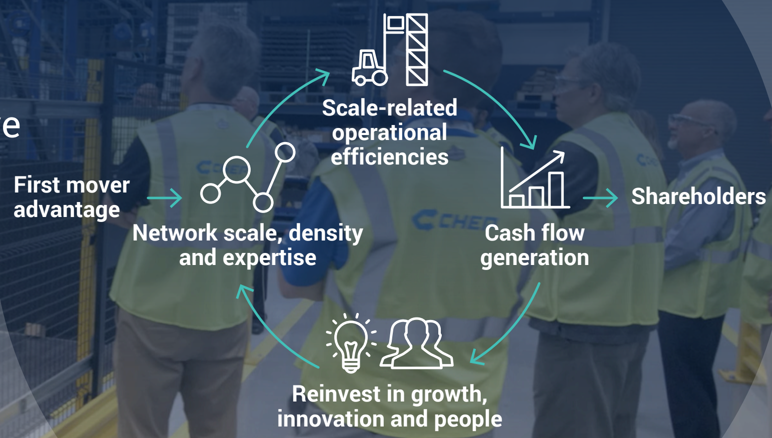
In FY19, Brambles launched its Zero Waste World initiative in North America and Europe to reinforce its commitment to collaborate with customers to create smarter and more sustainable supply chains – creating more value and using fewer resources. Through this initiative, Brambles seeks to use its unique position in the supply chain to help customers address three key industry challenges:

1. **Eliminating waste**
   by using its circular economy expertise to convert customers to more sustainable share and reuse solutions which save resources and reduce costs;
2. **Eradicating empty transport miles**
   by using its network scale and visibility to facilitate collaborative transport solutions, bringing manufacturers and retailers together to reduce the environmental impact of their operations and save money; and
3. **Reducing inefficiencies**
   by using its end-to-end supply chain solutions and BXB Digital technology to enhance customers' visibility of their supply chains so they can make better decisions.

Investor Value Proposition

Brambles generates value through a virtuous circle that leverages its scale, density and expertise to achieve superior operational efficiencies.

These efficiencies in turn generate cash flow that can either be returned to shareholders or reinvested in the business to fund growth, innovation and development of its people.



Long-Term Value Creation and Sustainable Shareholder Returns

Brambles shares the efficiencies generated by its scale, density and expertise with its customers, providing a compelling value proposition compared to alternatives. By providing customers with supply chain solutions in approximately 60 countries, Brambles offers shareholders exposure to geographically diversified earning streams, primarily from the global consumer staples sector.

The supply chains served by Brambles also provide a broad range of growth opportunities including: increasing penetration of core equipment-pooling products and services in existing markets; diversifying the range of products and services; entering new and adjacent parts of existing supply chains; and exploring the digitisation of supply chains.

Within this context, Brambles is committed to striking the right balance between growing its business and delivering sustainable shareholder returns over the long term. By focusing on its core drivers of value, Brambles expects to deliver:

Sustainable growth at returns well in excess of the cost of capital

- Sales revenue growth[5] in the mid-single digits;
- Underlying Profit growth[5] in excess of sales revenue growth through the cycle; and
- Strong Return on Capital Invested.

Cash generation to fund growth, innovation and shareholder returns

- Free Cash Flow sufficient to fully fund capital expenditure and dividends.

Dividend Policy and Payment

The Board has declared a final dividend for 2019 of 14.5 AU cents per share, in line with the previous interim and final dividends. The 2019 final dividend will be 30% franked and is payable on 10 October 2019 to shareholders on the Brambles register at 5.00pm on 12 September 2019. The ex-dividend date is 11 September 2019.

Total dividends for the Year were 29.0 AU cents per share, in line with the prior year. Brambles paid a 65% franked 2019 interim dividend of 14.5 AU cents per share on 11 April 2019.

Following the sale of its IFCO RPC business, the Brambles Board has reviewed Brambles' current progressive dividend policy. Under this policy, the Group seeks to maintain or increase dividends per share each year, in Australian cents, subject to its financial performance and cash requirements. From the FY20 interim dividend, Brambles will move to a payout ratio based dividend policy, targeting a payout ratio of 45-60% of Underlying Profit after finance costs and tax, subject to Brambles' cash requirements, with the dividend per share declared in US cents and converted and paid in Australian cents.

Capital Management Programme

On 25 February 2019, Brambles announced that it intended to use the proceeds from the sale of its IFCO RPC business to fund an on-market share buy-back of up to US$1.65 billion, a pro-rata return of cash of 29.0 AU cents per share and to pay down debt.

Completion of the sale of IFCO RPC was announced on 3 June 2019 and the on-market share buy-back commenced on 4 June 2019. Between that date and 21 June 2019, when it was paused for Brambles' scheduled trading blackout period, 6,039,299 ordinary shares were bought back and cancelled for a total consideration of US$54.1 million. The on-market buy-back is scheduled to recommence on 22 August 2019.

The pro-rata cash return compromises two components: a capital return of 12 AU cents per share which is subject to shareholder approval, which Brambles will seek at its 2019 AGM on 10 October 2019, and a special dividend of 17 AU cents per share.

On 5 July 2019, Brambles repaid the US$500 million April 2020 144A bond issue using the IFCO RPC sales proceeds.

Dividend Reinvestment Plan

Given the on-market share buy-back programme will continue into FY20, the Brambles' Board has decided to suspend the Dividend Reinvestment Plan.

[5] At constant-currency

The Broader Benefits of Brambles

Through its circular business model, network advantage and industry expertise, Brambles creates broader economic benefits for the communities in which it operates.

Economic Value Retained
US$1b

Economic Value Generated
US$5b

Economic Value Distributed
US$4b

$0.3b Dividends paid to shareholders
$0.7b Employee costs including taxes
$0.2b Income taxes paid
$0.1b Interest paid on loans
$2.7b Payments to suppliers

Brambles generates both direct and indirect economic value and delivers significant environmental benefits through its sustainable 'share and reuse' model. Direct economic benefits include: employment opportunities and associated financial and non-financial benefits for Brambles' ~11,000 employees; taxes paid to governments[6]; payments to local suppliers; and financial donations to community groups.

Indirectly, Brambles' requirement for sustainable forestry certification supports communities connected to forestry operations while conserving the ecological functions of the forest[7]. In addition, Brambles has strategic partnerships with organisations such as the Arbor Day Foundation in the US and Landcare Australia, whose objectives are to restore and regenerate degraded natural habitats at scale, while also providing opportunities for Brambles' employees to volunteer.

Brambles' long standing partnership with the Global Foodbanking Network and over 300 Foodbanks around the world makes it a critical partner in the battle against food waste and providing meals for those in need. Brambles' in-kind equipment donations facilitate extensive food rescue and food donation services as well as encouraging employees to participate in local Foodbanking volunteering initiatives.

Brambles and Foodbank Partnership

In 2016, Brambles signed a three-year agreement with the Global Foodbanking Network (GFN), an international non-profit organisation that fights world hunger by creating, supporting and strengthening Foodbanks in more than 30 countries.

In North America, Foodbanks Canada is now part of the CHEP Canada network. "This collaboration is a natural one; both CHEP and Foodbanks Canada are working to create a seamless supply chain from the manufacturer and retailer to Foodbanks Canada that will help us get more of the available surplus food to more people in need," said Chris Hatch, chief executive officer, Foodbanks Canada.

Brambles' environmental restoration volunteering events

Globally, Brambles employees volunteer to participate in environmental restoration programmes.

In July 2019, 80 Australian employees participated in Landcare Australia volunteering events. They worked on a range of activities such as planting and weeding to help protect the natural resources and support a sustainable environment.

"The volunteer day was fantastic; it was great being outdoors and getting to know colleagues from other parts of our business." Sharon, Brambles employee.

[6] See Brambles' Tax Report on brambles.com.

[7] More information on Brambles' approach to sustainable forestry including certification is available in the 2019 Sustainability Review, which will be available in September 2019.

Brambles’ Approach to Climate Change

Brambles’ sustainable ‘share and reuse’ model places the business in a strong position to face the challenges of climate change.

Brambles’ business model enables its customers’ access to the circular economy by enabling a virtuous cycle of sharing and reusing its platforms, allowing them to deliver life’s essentials more sustainably. In this way, Brambles helps customers optimise transport, reduce waste and demand on natural resources while reducing carbon emissions.

Brambles recognises that climate change poses risks and presents opportunities for its operating model that could have financial implications on the business.

Within this context, the Brambles Board and management team have committed to responding to the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD), commencing in FY19. The TCFD asks organisations to assess and disclose both the risks and opportunities of climate change, so that capital can be effectively allocated to achieve long-term value creation.

In responding to the recommendations, Brambles is seeking to enable shareholders to have a clear understanding of how the business will manage the financial risks and opportunities of climate change while providing confidence that Brambles will continue to prosper over the long term.

Climate-related risks and opportunities could be both physical and transitional. Physical risks to the business could include severe weather events and long-term changes in regional climatic conditions. Transitional risks include those arising from shifts in policy, regulation, technology or public perception of Brambles’ business due to climate change. Opportunities include society facilitating a faster zero carbon future, which may encourage supporting new businesses to move towards Brambles’ share and reuse circular model and away from single-use pallets.

The severity of climate-related risks and opportunities is linked to different trajectories of global average temperature increases referred to as climate-change scenarios.

Brambles’ dependency on natural resources, in particular wood, and its presence in approximately 60 countries requires diligent planning across different climate-change scenarios in each region, as well as assessment of and responses to potential outcomes, to ensure the business and its value chain remain resilient over the long term.

Brambles is undertaking climate-related scenario analysis in line with the recommendations of the TCFD across its main regions of operation, with the Asia-Pacific region assessed in FY19.

The rapid low carbon transition scenario presents substantial opportunities for Brambles and its customers that have exposures to carbon pricing. In a climate-related scenario where the planet continues to warm due to sustained releases of greenhouse emissions into the atmosphere, Brambles and its customers, are likely to face increasing physical risks. These could be severe, impacting the availability of wood supply or decreasing the yield from the agricultural sectors, for example.

Brambles is well placed to mitigate the disruption caused by climate change, using comprehensive logistics knowledge to rebalance the pool of assets ensuring customers always have pallets to support their supply chain requirements.

The ability to adapt is inherent in Brambles’ network advantage, including the extensive pool of reusable platforms geographically distributed amongst many supply chain participants.

Brambles’ TCFD roadmap is provided below, outlining the key actions for each business quarter. Brambles has engaged the services of KPMG to assist in responding to the recommendations of the TCFD.

Brambles’ TCFD Roadmap

1
Q4, FY19
Starting the journey
- TCFD roadmap
- Scenario analysis workshop #1 Asia-Pacific

2
Q1, FY20
Scenario analysis
- FY19 Annual Report disclosure
- Process gap analysis

3
Q2 - Q3, FY20
Aggregate and integrate
- Scenario analysis workshops (Europe, IMETA and Americas)
- Aggregate / verify regional climate risks & opportunities

4
Q4, FY20
Brambles’ climate strategy
- Review metrics and targets
- Climate-related risks and opportunities integrated into financial processes and strategy

5
Q4, FY20
Disclose and deliver
- Climate change action plan
- FY20 - Full TCFD disclosure

ESG Recognition

Third-party Environmental, Social and Governance (ESG) investor research consistently recognises Brambles’ strong governance processes and the long-term sustainability of its business model and strategies. In 2019, Brambles continues to be placed amongst the leading companies in the global industrial services sector by the following ESG research firms:

ROBECOSAM We are Sustainability Investing. | MSCI | SUSTAINALYTICS | CDP DRIVING SUSTAINABLE ECONOMIES | BARRON’S

Financial Position and Financial Risk Management

Capital Structure

Brambles manages its capital structure to maintain a solid investment grade credit rating. During FY19, Brambles held investment grade credit ratings of BBB+ from Standard & Poor's and Baa1 from Moody's Investors Service.

In determining its capital structure, Brambles considers the robustness of future cash flows, the potential funding requirements of its existing business, growth opportunities and acquisitions, the cost of capital, and ease of access to funding sources.

Initiatives available to Brambles to achieve its desired capital structure include: adjusting the amount of dividends paid to shareholders; returning capital to shareholders; buying back share capital; issuing new shares; selling assets to reduce debt; varying the maturity profile of borrowings; and managing discretionary expenses.

On 31 May 2019, Brambles divested its IFCO RPC business, generating cash proceeds of US$2,480 million before transaction costs. The 'Capital Management' section on page 10 and the 'Funding and Liquidity' section below outlines the capital management programme in relation to those proceeds.

Treasury Policies

Key treasury activities include: liquidity management; interest rate and foreign exchange risk management; and securing access to short and long-term sources of debt finance at competitive rates. These activities are conducted on a centralised basis in accordance with Board policies and guidelines, through standard operating procedures and delegated authorities.

These policies provide the framework for the treasury function to arrange and implement lines of credit from financiers, select and deal in approved financial derivatives for hedging purposes, and generally execute Brambles' financing strategy.

The Group uses standard financial derivatives to manage financial exposures in the normal course of business. It does not use derivatives for speculative purposes and only transacts derivatives with relationship banks. Individual credit limits are assigned to those relationship banks, thereby limiting exposure to credit-related losses in the event of non-performance by any counterparty. During FY19, Brambles entered into various foreign exchange products to hedge foreign exchange exposure arising from the IFCO RPC sale.

Funding and Liquidity

Brambles generally sources borrowings from relationship banks and debt capital market investors on a medium-to-long-term basis. Bank borrowing facilities were either maintained or renewed throughout the Year. These facilities are generally structured on a multi-currency, revolving basis with maturities ranging to 2024. Borrowings under the facilities are floating-rate, unsecured obligations with covenants and undertakings typical for these types of arrangements. Borrowings are also raised from debt capital markets by the issue of unsecured fixed interest notes, with interest paid either annually or semi-annually. At balance date, loan notes on issue totalled US$2,168 million and had maturities out to October 2027.

During June 2019, Brambles used the IFCO RPC sale proceeds to repay bank debt and place funds into short term deposits and cash management accounts with its banks. Redemption notices were also issued in respect of the US$500 million 144A 5.35% April 2020 bond, which was repaid on 5 July 2019.

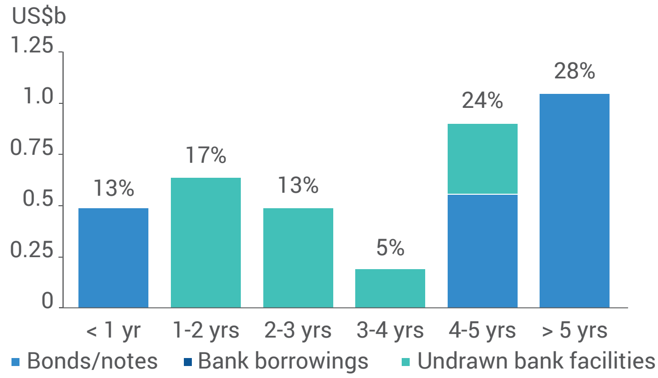
Net Debt and Key Ratios

US$m	June 2019	June 2018	Change
Current debt	556.8	91.2	465.6
Non-current debt	1,643.4	2,397.1	(753.7)
Gross debt	**2,200.2**	**2,488.3**	**(288.1)**
Less: cash and cash equivalents	(1,691.3)	(180.2)	(1,511.1)
Less: term deposits	(411.2)	-	(411.2)
Net debt	**97.7**	**2,308.1**	**(2,210.4)**
Key ratios[8]	FY19	FY18	
Net debt to EBITDA	0.08x	1.46x	
EBITDA interest cover	14.6x	15.0x	

Brambles' financial policy is to target a net debt to EBITDA ratio less than 1.75 times. Brambles proposes to align this financial policy with the financial reporting requirements under the new lease accounting standard (AASB 16), which became effective from 1 July 2019. See Note 1G to the Financial Statements on page 63.

30 June 2019 key financial ratios reflect the cash proceeds from the IFCO RPC sale. The ratios remain well within the financial covenants included in Brambles' major financing agreements.

Maturity Profile of Committed Borrowing Facilities and Outstanding Bonds (% of total committed credit facilities)



As at 30 June 2019, Brambles' total committed credit facilities were US$3.8 billion.

The average term to maturity of Brambles' committed credit facilities as at 30 June 2019 was 4.0 years (2018: 4.5 years).

In addition to these facilities, Brambles has entered into operating leases for office and operational locations and certain plant and equipment to achieve flexibility in the use of its assets. The estimated value of these leases to be recognised as a lease liability on Brambles' balance sheet as at 1 July 2019 is between US$740 - US$760 million. The rental periods vary according to business requirements.

[8] FY19 based on Continuing operations. FY18 based on reported financials.

Key Performance Drivers and Metrics–Continuing Operations

Brambles monitors its performance and value creation through a number of financial and non-financial metrics. These include:

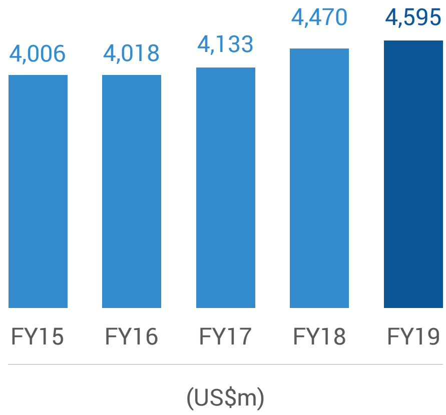
Sales Revenue Growth[9]

Key Drivers

- Like-for-like volume growth in line with economic/industry trend
- Expansion with new and existing customers
- Movements in pricing and changes in product/customer mix

5-Year Performance

Sales revenue of US$4,595.3 million in FY19 reflected a five-year compound annual growth rate of 6% at fixed 30 June 2018 FX rates. Growth reflects continued expansion with both new and existing customers, new market entry, expansion of the core product offering and price realisation in both mature and emerging markets in response to increased inflation and a higher cost-to-serve.



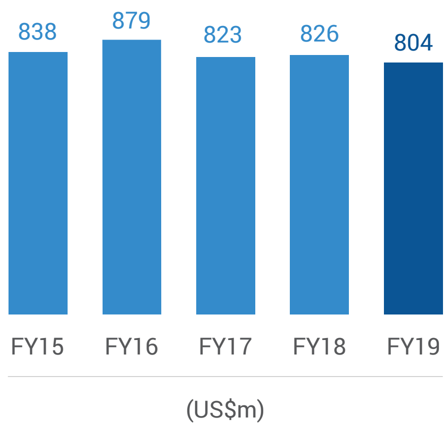
Underlying Profit[9]

Key Drivers

- Transport, logistics and asset management costs (including external factors such as third-party logistics and fuel prices)
- Plant operating costs in relation to management of service centre networks and the inspection, cleaning and repair of assets (including labour costs and raw material costs)
- Other operational expenses (primarily overheads such as selling, general and administrative expenses)
- Depreciation as well as provisioning for irrecoverable pooling equipment

5-Year Performance

Underlying Profit of US$803.7 million in FY19 reflected a five-year compound annual growth rate of 1% at fixed 30 June 2018 FX rates. While sales growth was a strong contributor to profit growth, Underlying Profit growth was below the rate of sales growth due to continued direct cost pressures in the CHEP business, and increased investment in BXB Digital.



Safety

Brambles' Zero Harm Charter states that everyone has the right to be safe at work and to return home as healthy as they started the day.

5-Year Performance

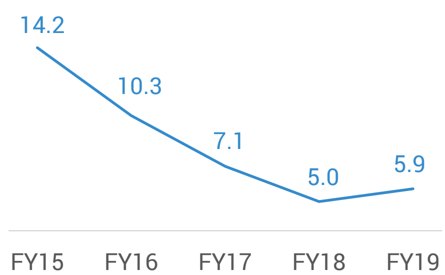
Brambles gauges its safety performance through the Brambles Injury Frequency Rate (BIFR), which measures work-related incidents resulting in fatalities, lost time, modified duty or medical treatment per million hours worked.

In FY19, Brambles missed its year-on-year improvement target, recording a BIFR of 5.9 with no work-related fatalities. This increase in BIFR is the result of a renewed emphasis on full reporting and more accurate incident classification, as opposed to an indication of greater risk.

To drive a step change in its safety performance, Brambles has launched an updated strategy called "Safety Differently", which seeks to address the residual risks across its operations.

In July 2019, Brambles recorded a fatality at its Bellpuig plant in Spain. A thorough investigation is being undertaken and key findings will be used to enhance Brambles' safety processes and procedures.

Brambles' Zero Harm Charter and safety targets align with SDG 3: Good Health and Wellbeing.



[9] Note - Corporate costs for all years have been adjusted to reflect the impact of the IFCO divestment. FY15-FY17 exclude the impact of new accounting standards AASB 9 Financial Instruments and AASB 15 Revenue from Contacts with Customers.

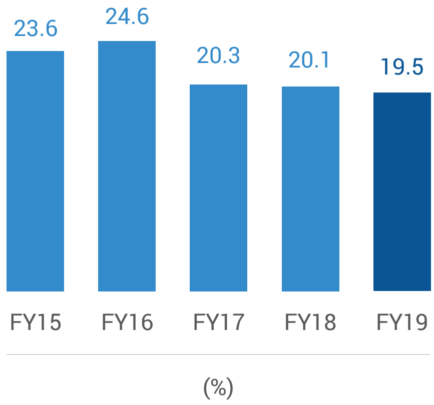
Return on Capital Invested (ROCI)[9]

Key Drivers

- Underlying Profit performance
- Capital expenditure on pooling equipment to support growth in the business, which is primarily dependent on the rate of sales growth. Brambles' main capital cost exposures are raw materials, primarily wood
- Asset control factors i.e the amount of pooling equipment not recoverable or repairable each year (and therefore requiring replacement)
- Frequency with which customers return or exchange pooling equipment

5-Year Performance

The trend in Brambles' ROCI metric over the five-year period reflects the Underlying Profit performance and increased Average Capital Invested, largely to support growth and supply chain efficiency initiatives including the US accelerated automation and lumber procurement programmes.



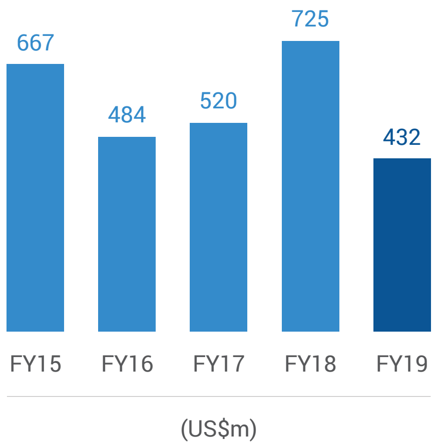
Cash Flow from Operations[9]

Key Drivers

- Profitability
- Capital expenditure
- Movements in working capital

5-Year Performance

The five years to FY19 was a period of solid overall EBITDA growth, supported by significant investment in capital expenditure to support growth, as well as improved working capital management and increased collections of asset compensations. FY16 performance was impacted by a one-time change to payment processes that increased working capital, as well as increased capital expenditure to support high levels of growth in that year. The strong FY18 performance included strong working capital management initiatives and US$150 million cash inflow related to the repayment of the HFG joint venture shareholder loan. FY19 cash flow includes increased capital investment to support strong top line growth and to deliver on a number of efficiency programmes – including the US automation and procurement programmes with over US$70 million of cash outflows.



Material Sourcing

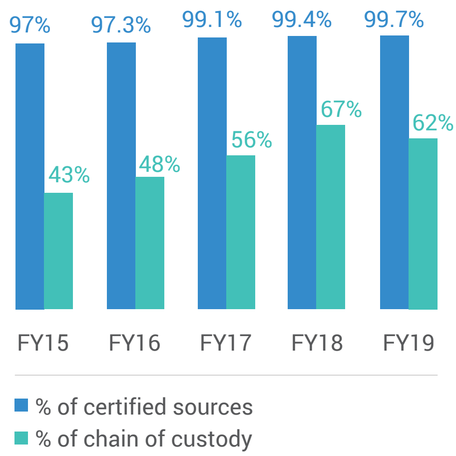
Ongoing secure supply of materials for the production and repair of pooling equipment, in particular wood used for pallets, is critical to Brambles.

5-Year Performance

Brambles aims to source 100% of timber from certified sources by 2020. For the FY19 period, 99.7% of wood purchased was from third-party certified sources, representing a small but important 0.3% improvement towards its goal compared to FY18 results. The remaining 0.3% of lumber purchases were subject to Brambles' stringent 24-step due diligence process confirming that harvesting operations did not contribute to deforestation or that lumber was not purchased from controversial regions or sources.

Brambles believes that increasing the volume of wood purchased under the Chain of Custody (CoC) certification helps improve the transparency of forestry supply chains. Currently CoC is not available in all regions; therefore Brambles' aim is to increase CoC volumes each year as the programme expands. In FY19, CoC result dropped from 67% in FY18 to 62.3%, due to a supplier in LATAM whose CoC certificate lapsed. The supplier's certificate has been reinstated ensuring that FY20 volumes meet CoC requirements.

Brambles' sustainable sourcing objectives seek to preserve and enhance the Group's key resource dependency and are directly linked to SDG 15: Sustainable Use of the World's Forests and SDG 13: Climate Action.



Strategic and Operating Risks

Brambles' risk management framework incorporates effective risk management into its strategic planning processes and requires business operating plans to effectively manage key risks. The key risks to Brambles' ability to achieve its financial and strategic objectives and respective mitigating actions are:

Risk	Implication	Mitigating actions
Macro-economic conditions	Macro-economic conditions, or economic conditions affecting the supply chain or industries in which Brambles' customers operate, may affect demand for Brambles' services and/or its financial performance	• Continued focus on driving growth through investment in expanded customer value proposition, targeted diversification in opportunities with attractive long-term characteristics and the adoption of plant and automation project in CHEP Americas • Adoption of pricing and cost-recovery strategies to mitigate the impact of cost inflation
Industry trends in the retail, grocery and consumer goods supply chains	Industry trends (e.g. fragmentation of the retail supply chain, growth of e-commerce and hard discounters, demand for different pooling equipment materials or designs) could affect demand for Brambles' current service offerings, the value of its existing assets, and/or its financial performance	Ongoing programmes to: • Drive customer intimacy throughout the supply chain and uncover opportunities to leverage the Group's unique global scale and value proposition • Create new products and service lines to meet customers' requirements
Maintaining the quality of pooled equipment in line with customer needs	A failure to maintain adequate quality standards may result in reduced customer satisfaction, additional costs and affect the Group's financial performance	• Strict adherence to equipment quality standards, including continuous monitoring of critical-to-quality metrics to assess and ensure quality of products issued to customers
Maintaining control of pooling equipment	The loss of pooled equipment is inherent in Brambles' business model. Failure to maintain appropriate asset control and recovery processes may result in additional costs and affect the Group's financial performance	• Dedicated asset control teams across all business units and the creation of a comprehensive system of processes to increase the timely collection of assets • Regular schedule of customer equipment inventory audits to assess key asset recovery metrics and identify potential control issues
Network capacity	The scale and strength of Brambles' network of service centre locations is inherent to its value proposition for customers and other stakeholders. A lack of capacity within the network in a major market could adversely impact service delivery, competitive position and financial performance	• Adoption of the plant automation project in CHEP Americas and plant network optimisation projects in major markets
Competitors	Brambles operates in competitive markets. Increasing intensity of competitor activity could affect Brambles' market penetration and financial performance	• Leverage Brambles' unique global scale, network advantage and sustainable business model to deliver customer value and strengthen relationships • Adoption of an innovation programme to enhance existing/develop new products and services • The establishment of BXB Digital to explore the role of technology in Brambles' business and customer offering and to engage in innovation of products and services in the digital space

Risk	Implication	Mitigating actions
Retailer acceptance of pooled solutions	Retailers are integral to Brambles' operating model. A reduction or loss of retailer support for pooled solutions in their supply chains could result in a loss of customers and/or market penetration and adversely impact Brambles' financial performance	• Dedicated teams with executive-level responsibility for strengthening retailer relationships, identifying retailer-specific product requirements and ensuring retailers understand Brambles' value proposition • Improving the value proposition for retailers through the implementation of joint business plans • Implementation of programmes to facilitate manufacturer advocacy of Brambles' pooled solutions
Cyber security	The unauthorised access to or use of Brambles' IT systems could adversely impact Brambles' ability to serve its customers or compromise customer or employee data, resulting in reputational damage, financial loss and/or adverse operational consequences	• Brambles has implemented an IT security strategy which utilises technologies and processes to protect systems and to detect and promptly respond to unauthorised or inappropriate activities. These controls include, but are not limited to, e-mail and internet filtering, anti-virus software, multi-factor authentication, dedicated security architect personnel, security awareness and training, as well as the use of penetration testing across its network • Brambles uses the National Institute of Standards and Technologies Cyber Security Framework to monitor, track, and report progress to senior management
IT data governance	Brambles relies on its IT systems, and the data stored on those systems, to operate its business. The identification and classification of Brambles' key data assets is a key component of its capacity to effectively carry on its businesses and to its cyber security strategy. The proper identification and classification of data assets allows Brambles to prioritise security technology implementations that offer targeted and appropriate protection. Incomplete or unsuitable identification and classification of key data assets could result in the misuse, loss of or unauthorised access to sensitive data due to incorrect storage, processing or disposal procedures. This, in turn, could result in financial loss, operational disruption and/or reputational damage	• During the Year, Brambles adopted a Data Classification and Handling Policy supported by mandatory training. The policy includes guidelines on the types of data and protection protocols for each type • Preventative controls are also in place to mitigate the risk of loss or misuse of data. These controls include the encryption of laptops, e-mail data retention controls and the ability to store data in secure drives
Hard Brexit	During the Year, the risk of the United Kingdom exiting the European Union (EU) without reaching an agreement with the EU on the terms of that exit (known as a "Hard Brexit") has increased. A Hard Brexit could result in Brambles incurring increased capital and operating expenses relating to asset efficiency, heat treatment of pallets, raw materials, transport and customers' clearance costs as well as disruption to both Brambles' and its customers' businesses in Europe	• In FY18, Brambles established a Brexit Taskforce reporting to a Brexit Steering Group to identify risks associated with Brexit and steps which should be taken to mitigate those risks • Mitigation plans have been put in place and, where necessary, budgeted for, to manage those risks
Timber Supply	Access to sustainably certified sources of timber is essential for Brambles to carry on its businesses. A concentration of timber suppliers in any region, or a shortage of available certified sources of timber, could adversely impact Brambles' ability to maintain its timber pallet pool at levels that will enable it to meet customer demand for those products. This could result in loss of customers and/or market penetration and adversely impact Brambles' financial performance	• Adoption of regional and global dedicated timber procurement teams to manage timber procurement and to mitigate timber supply risks

Strategic and Operating Risks continued

Risk	Implication	Mitigating actions
Regulatory compliance	Brambles operates in a large number of countries with widely differing legal regimes, legislative requirements and compliance cultures. A failure to comply with regulatory obligations and local laws could adversely affect Brambles' operational and financial performance and its reputation	• A Code of Conduct which provides a framework for detailed policies addressing regulatory compliance • Adoption of Group-wide online compliance training programmes to supplement face-to-face training • Dedicated Chief Compliance Officer responsible for monitoring the implementation and ongoing application of compliance management systems
Attraction and retention of talent	A failure to attract, develop and retain high performing individuals could adversely impact Brambles' ability to implement and manage its strategic objectives	• Detailed talent management and succession planning processes to identify high potential employees and prepare successors for senior executive positions • Adoption of development programmes for management, leadership and functional expertise through all employment levels • Formal mentoring programmes offered to all employees
Digital disruption	The development of cost effective digital supply chain solutions has the potential to materially change supply chain dynamics. If a third party were to develop such solutions before Brambles, it could adversely impact Brambles' business models. This could result in loss of customers and/or market penetration and adversely impact Brambles' financial performance	• Brambles is innovating, developing, testing and refining digital solutions which have the potential to provide commercial digital services to its customers and to assist its businesses to more effectively and efficiently manage equipment losses and asset efficiency
Safety	Brambles is subject to inherent operational risks, including industrial hazards, road traffic or transportation accidents, that could potentially result in serious injury or fatality of employees, contractors or members of the public	• A Zero Harm Charter, which states that everyone has the right to be safe at work and to return home as healthy as they started the day • Safety management systems adopted at all workplaces • Use of safety metrics which measure work-related injuries, lost time, modified duties and incidents requiring medical treatment • Regular reporting and monitoring by the Brambles Board

Managing climate-related risks at Brambles

Brambles recognises its external operating context has and is changing in response to climate-related issues.

During 2019, Brambles commenced the process of assessing its exposure to climate-change risks by reference to the recommendations of the Financial Stability Board's TCFD. Subsequent to commencing this work, the 4th Edition of the ASX Corporate Governance Principles and Recommendations was issued and included new commentary on Recommendation 7.4 suggesting that listed entities should consider reporting their exposure to climate-change risk by reference to the TCFD.

As part of this process, climate-related risk has been identified as a stand-alone risk and will be reassessed using Brambles' risk management framework and approach. In addition, Brambles is evaluating existing strategic and operating risks in the context of climate-related risk in its external operating environment. Further details on Brambles' approach to climate-related risks are set out on page 12.

Operating & Financial Review

1. Financial Review

1.1 Group Overview

1.1.1 Summary of 2019 Financial Results

US$m			Change	
(Continuing operations)	FY19	FY18	Actual FX	Constant FX
CHEP Americas	2,287.8	2,179.3	5%	7%
CHEP EMEA	1,849.1	1,815.9	2%	8%
CHEP Asia-Pacific	458.4	475.1	(4)%	3%
Sales revenue	**4,595.3**	**4,470.3**	**3%**	**7%**
CHEP Americas	298.4	334.6	(11)%	(9)%
CHEP EMEA	441.8	445.6	(1)%	5%
CHEP Asia-Pacific	118.3	111.7	6%	14%
Corporate	(54.8)	(65.8)	17%	13%
Underlying Profit	**803.7**	**826.1**	**(3)%**	**2%**
Significant Items	(62.8)	(47.4)		
Operating profit	**740.9**	**778.7**	**(5)%**	**0%**
Net finance costs	(88.5)	(103.4)	14%	10%
Tax expense	(198.3)	(121.8)	(63)%	(68)%
Profit after tax from continuing operations	**454.1**	**553.5**	**(18)%**	**(13)%**
Profit from discontinued operations	1,013.6	139.2		
Profit after tax	**1,467.7**	**692.7**	**112%**	**120%**
Average Capital Invested	4,130.6	4,115.4	0%	5%
Return on Capital Invested	**19.5%**	**20.1%**	**(0.6)pp**	**(0.6)pp**
Weighted average number of shares (m)	1,593.4	1,591.2		
Basic EPS (US cents)	**92.1**	**43.5**	**112%**	**119%**
Basic EPS from continuing operations (US cents)	**28.5**	**34.8**	**(18)%**	**(13)%**

Note on FX: The variance between actual and constant FX performance reflects the strengthening of Brambles' reporting currency, the US dollar, relative to other operating currencies, particularly the Euro, British pound and Australian dollar.

IFCO divestment: In May 2019, Brambles completed the US$2.5 billion sale of its IFCO RPC business. The post-tax gain on sale of US$945.7 million and IFCO's FY19 and FY18 results have been recognised in discontinued operations.

Sales revenue from continuing operations of US$4,595.3 million, increased 7% at constant currency and exceeded the Group's stated objective of annual revenue growth in the mid-single digits, with strong volume growth being achieved despite higher pricing across the Group.

Expansion with new and existing customers delivered volume growth of 4%, with strong contributions from net new business wins in Europe and the US pallets business. Like-for-like volume growth moderated in the second half of the Year, with the slowdown particularly evident in the European pallet and automotive businesses.

Price realisation delivered 3% revenue growth across the Group driven by pricing initiatives in response to high levels of input-cost inflation, particularly third-party transport, and cost-to-serve increases.

Underlying Profit of US$803.7 million increased 2% at constant currency as the sales contribution to profit and productivity gains were partially offset by Group-wide inflationary pressures and higher costs in CHEP Americas.

Transport costs increased in both Europe and the US, in FY19, with the rate of increase moderating in the second half of the Year following high levels of inflation in the second half of FY18.

In addition to inflationary cost pressures across the Group, the CHEP Americas segment continued to be impacted by broader cost challenges in each major business:

- In the US, the business experienced higher transport and pallet repair costs associated with changes in retailer and customer behaviour, inefficiencies related to network capacity constraints and US pallet quality investment. The US accelerated automation and lumber procurement programmes remain on track to deliver progressive efficiency benefits over FY20, FY21 and FY22;
- In Canada, the conversion to a mixed stringer and block pallet pool resulted in additional pallet repair and

transport costs as well as higher ongoing operating costs; and

- In Latin America, profitability was impacted by increased costs to recognise a higher risk of loss in the region, notwithstanding improved asset management and a reduction in the capital intensity of the business during the Year. To address this higher cost-to-serve, the business has implemented pricing initiatives and invested in resources to support a new asset management framework focused on increased collections, improved asset controls and the active reduction in flows to high-risk areas of the supply chain.

Operating profit from continuing operations of US$740.9 million was in line with the prior year as growth in Underlying Profit was offset by a US$15.4 million increase in pre-tax Significant Items expense.

Current-Year Significant Items of US$62.8 million included US$42 million of IFCO-related restructuring and other costs, and a US$21 million expense associated with asset write-offs in Latin America, reflecting assets transferred to higher-risk supply chains in prior years which are now considered at risk of being irrecoverable.

IFCO-related items included restructuring costs of US$30 million and early debt repayment costs of US$12 million related to the US$500 million 144A April 2020 bond, which was repaid with IFCO sale proceeds in July 2019. The interest expense benefits and cash outflows associated with this early repayment will be recognised in FY20.

Profit after tax from continuing operations of US$454.1 million decreased 13% at constant FX as higher tax expense more than offset a reduction in net finance costs, largely driven by 2018 debt refinancing at lower interest rates.

Tax expense of US$198.3 million increased 68% at constant currency, reflecting the cycling of a US$65.2 million one-off credit in the prior year relating to US tax reform which was reported as a Significant Item. FY19 tax expense includes higher charges related to the introduction of the US Base Erosion and Anti-Abuse Tax (BEAT), which was also a key driver of the increase in the Group's effective tax rate on Underlying Profit from 27.4% in FY18 to 29.0% in FY19.

Net finance costs of US$88.5 million decreased by US$14.9 million, reflecting the lower coupon rate on the €500m European medium-term note (EMTN) issued in 1H18 and lower debt balances following the divestments of HFG, CHEP Recycled and IFCO. These decreases were partly offset by lower interest income following the repayment of the HFG shareholder loan in 2H18.

Basic earnings per share from continuing operations was US28.5 cents, down 18%, or 6 cents at actual FX rates, reflecting the US$65.2 million Significant Items tax credit in the prior year which accounted for 4 cents of the decline. The balance of the decrease largely related to foreign exchange movements. In constant currency terms, the decline was 13% as higher Significant Items expenses offset earnings growth in the current fiscal year.

Average Capital Invested (ACI) of US$4,130.6 million increased 5% at constant currency, largely due to capital expenditure in the year to support: volume growth in pallets and the European automotive business; Brexit-related increases in retailer inventory levels; and ongoing investment in supply chain programmes including the US automation and lumber projects funded by FY18 asset actions.

These increases in capital expenditure were partially offset by a reduction in ACI following the exit of the HFG JV and repayment of the HFG shareholder loan in 2H18.

Return on Capital Invested was 19.5%, a reduction of 0.6 percentage points at constant currency, reflecting the Underlying Profit performance and ACI balance increases in the current Year.

Cash Flow Reconciliation

US$m	FY19	FY18	Change
Underlying Profit	803.7	826.1	(22.4)
Depreciation and amortisation	484.3	464.3	20.0
EBITDA	**1,288.0**	**1,290.4**	**(2.4)**
Capital expenditure	(989.4)	(935.6)	(53.8)
US supply chain investment	(73.0)	(17.0)	(56.0)
Proceeds from HFG joint venture loan	-	150.0	(150.0)
Proceeds from sale of PP&E	102.5	103.7	(1.2)
Working capital movement	(13.2)	46.1	(59.3)
IPEP expense	127.1	101.9	25.2
Other	(10.2)	(14.7)	4.5
Cash Flow from Operations	**431.8**	**724.8**	**(293.0)**
Significant Items	(10.8)	(22.2)	11.4
Discontinued operations	135.4	164.0	(28.6)
Financing costs and tax	(317.9)	(312.2)	(5.7)
Free Cash Flow	**238.5**	**554.4**	**(315.9)**
Dividends paid	(328.1)	(352.0)	23.9
Free Cash Flow after dividends	**(89.6)**	**202.4**	**(292.0)**

Free Cash Flow after dividends was a deficit of US$89.6 million, reflecting a US$73 million investment in US supply chain efficiency programmes (including accelerated automation and lumber procurement initiatives) which was funded by FY18 asset actions and the impact of only 11 months of IFCO cash flows.

Compared to the prior year, FY19 cash flow decreased US$292.0 million. US$206 million of this decrease reflected proceeds from the HFG shareholder loan repayment of US$150 million included in the FY18 cash flow, and an incremental investment in US supply chain efficiency programmes of US$56 million. An additional US$60 million of the year-on-year decline relates to the reversal of FY18 working capital timing benefits as previously advised to the market at the FY18 result.

Capital expenditure (cash basis and including US supply chain investment) of US$1,062.4 million increased US$109.8 million, partly driven by the timing of capital payments.

On an accruals basis, capital expenditure increased US$91.2 million at constant currency, notwithstanding US$34 million of benefits from improved asset efficiency. The increase reflects:

- US$63 million of additional capital expenditure to support volume growth, particularly in the EMEA automotive business;
- US$18 million of additional capital expenditure to support Brexit-related retailer stocking;
- US$37 million increase in non-pooling capex driven by accelerated investment in the US automation and lumber procurement projects, partly offset by lower spend across the Group; and
- US$8 million increase in unit pallet costs due to lumber inflation.

The US$23.9 million decrease in dividend payments, driven by a weaker Australian dollar, and the US$11.4 million decrease in Significant Items outflows collectively offset:

- A US$28.6 million decrease in cash inflows from discontinued operations reflecting 11 months of IFCO trading results in the current year compared to a 12-month contribution in FY18; and
- A US$5.7 million increase in financing and tax outflows as a higher Australian tax instalment rate and the loss of interest income following the repayment of HFG shareholder loan in FY18 offset interest expense savings following favourable debt refinancing in FY18.

Segment Analysis

1.1.2 CHEP Americas

US$m			Change	
	FY19	FY18	Actual FX	Constant FX
Sales revenue	**2,287.8**	**2,179.3**	**5%**	**7%**
Underlying Profit	**298.4**	**334.6**	**(11)%**	**(9)%**
Average Capital Invested	1,942.6	1,897.0	2%	5%
Return on Capital Invested	**15.4%**	**17.6%**	**(2.2)pp**	**(2.2)pp**

Sales revenue

Pallets sales revenue of US$2,228.9 million increased 7% at constant currency, reflecting strong volume and pricing growth across the region.

US pallets sales revenue of US$1,651.1 million increased 5%:

- Pricing growth of 3% was driven by pricing actions to recover higher costs-to-serve. Effective price, which includes transport and lumber surcharges that are recognised as an offset to costs, increased by 4%;
- Like-for-like volume growth of 1% was driven by the grocery and beverage sectors and reflected a moderation in growth during the second half of the Year; and
- Net new business growth of 1% was primarily driven by new customer contracts won in the second half of FY19.

Canada pallets sales revenue of US$265.0 million increased 5% at constant currency, reflecting both strong price realisation and expansion with new and existing customers.

Latin America pallets sales revenue of US$312.8 million increased 17% at constant currency, driven by volume growth across the region and pricing actions taken primarily in the fourth quarter of the Year to cover a higher cost-to-serve, particularly in Mexico.

Containers sales revenue was US$58.9 million, up 10% at constant currency, driven by continued growth in the North American IBC and automotive businesses.

Profit

Underlying Profit of US$298.4 million declined 9% at constant currency as the US$88 million sales contribution to profit was more than offset by:

- Net transport cost increases of US$30 million, largely driven by inflation and additional transport miles associated with changes in customer and retailer behaviour and increased relocations driven by network capacity constraints;
- Net plant cost increases of US$34 million, reflecting higher pallet repair and handling costs due to inflation, investments in US pallet quality and the impact of the stringer-to-block pallet transition in Canada, which reflects a higher damage rate on the block pallet pool;
- Depreciation cost increases of US$16 million, in line with growth of the pallet pool and investments in US supply chain programmes; and
- Other cost increases of US$37 million, mainly reflecting IPEP increases of US$18 million predominantly in Latin America and investment in additional resources across the region to support growth, network efficiencies and improved commercial and asset management outcomes.

Return on Capital Invested

Return on Capital Invested of 15.4% decreased 2.2 percentage points at constant currency due to lower profitability in the region and increased capital investments to support volume growth and US supply chain programmes.

1.1.3 CHEP EMEA

US$m			Change	
	FY19	FY18	Actual FX	Constant FX
Sales revenue	**1,849.1**	**1,815.9**	**2%**	**8%**
Underlying Profit	**441.8**	**445.6**	**(1)%**	**5%**
Average Capital Invested	1,776.4	1,689.7	5%	12%
Return on Capital Invested	**24.9%**	**26.4%**	**(1.5)pp**	**(1.7)pp**

Sales revenue

Pallets sales revenue of US$1,558.9 million increased 7% at constant currency, reflecting the impact of prior and current year customer wins in Europe and inflation-related pricing actions across the region.

Europe pallets sales revenue of US$1,353.2 million increased 5% at constant currency:

- Net new business growth of 4% reflected strong contributions of current and prior year wins particularly in Southern Europe and Central and Eastern Europe;
- Price growth of 1% was driven by annual contract indexation across the region and an out-of-cycle surcharge in the second half of the Year to recover ongoing transport cost increases; and
- Like-for-like volumes were in line with prior year, reflecting a slowdown in macroeconomic conditions across the region in the second half of the Year.

India, Middle East, Turkey and Africa (IMETA) pallets sales revenue of US$205.7 million, an increase of 14%, reflecting strong price and volume growth in the region.

RPC and Containers contributed US$290.2 million to sales revenue, up 13% at constant currency, largely due to strong volume growth in the automotive and Kegstar businesses driven by new business wins. Like-for-like volume growth in the automotive business moderated in the second half of the Year in line with broader automotive industry trends.

Profit

Underlying Profit was US$441.8 million, up 5% at constant currency, as the strong contribution from revenue growth to profit of US$73 million was partially offset by:

- Net transport cost increases of US$12 million, reflecting third-party transport inflation and additional relocation costs due to Brexit-related pallet pool inefficiencies;
- Net plant cost increases of US$9 million as higher pallet repair and handling costs were only partly offset by efficiency savings;
- Depreciation increases of US$18 million to support volume growth and Brexit-related retailer stocking; and
- Other indirect cost increases of US$14 million due to higher IPEP charges, reflecting higher unit pallet costs and increased losses in the IMETA region.

Return on Capital Invested

Return on Capital Invested was 24.9%, down 1.7 percentage points at constant currency, largely reflecting the impact of macroeconomic conditions on operating costs and increased investment to support growth and Brexit-related retailer stocking.

1.1.4 CHEP Asia-Pacific

US$m			Change	
	FY19	FY18	Actual FX	Constant FX
Sales revenue	**458.4**	**475.1**	**(4)%**	**3%**
Underlying Profit	**118.3**	**111.7**	**6%**	**14%**
Average Capital Invested	424.5	437.8	(3)%	3%
Return on Capital Invested	**27.9%**	**25.5%**	**2.4pp**	**2.8pp**

Sales revenue

Pallets sales revenue was US$343.2 million, up 4% at constant currency, reflecting solid pricing and like-for-like volume growth in the Australian pallet business.

RPC and Containers contributed US$115.2 million to sales revenue, up 2% at constant currency. Growth was driven by the Australian and New Zealand RPC business, which delivered solid price and volume growth.

Profit

Underlying Profit of US$118.3 million increased 14% at constant currency driven by sales mix benefits, effective cost control, and a number of one-off items including a government infrastructure grant in Asia of US$1 million and the benefits of asset recovery outcomes more than offset transport and wage inflation across the region.

Return on Capital Invested

Return on Capital Invested was 27.9% up 2.8 percentage points at constant currency, reflecting the improvement in the Underlying Profit margin.

Board & Executive Leadership Team

Board of Directors

Stephen Johns Non-Executive Chairman (Independent)

Chairman of the Nominations Committee and member of the Remuneration Committee

Joined Brambles as a Non-Executive Director in August 2004 and was appointed Chairman in September 2014. Stephen is a Non-Executive Director of Goodman Group, a former Chairman and a Non-Executive Director of Leighton Holdings and Spark Infrastructure Group, and a former Executive and Non-Executive Director of Westfield Group. Stephen had a long executive career with Westfield where he held a number of senior positions including that of Finance Director from 1985 to 2002. He is also a Director of the Garvan Institute of Medical Research. He has a Bachelor of Economics from the University of Sydney and is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors.

Graham Chipchase Chief Executive Officer

Chairman of the Executive Leadership Team

Joined Brambles at the beginning of January 2017 as Chief Executive Officer Designate and became Chief Executive Officer on 20 February 2017. Prior to Brambles, Graham was Chief Executive Officer of Rexam plc, one of the world's largest consumer packaging companies, from 2010 to June 2016. Graham had first joined Rexam in 2003 as Group Finance Director before moving to Group Director of Plastic Packaging. Graham left Rexam in June 2016, after Rexam was successfully acquired by Ball Corporation. He is also a Non-Executive Director of AstraZeneca plc, chair of its Remuneration Committee and its Senior Independent Director. He holds an MA (Hons) Chemistry from Oriel College, Oxford, and is a Fellow of the Institute of Chartered Accountants in England and Wales.

George El-Zoghbi Non-Executive Director (Independent)

Member of the Nominations and Remuneration Committees

Joined Brambles as a Non-Executive Director in January 2016. George has extensive international consumer packaged goods and supply-chain experience. He is based in Chicago, USA, and is currently a Special Advisor to and a Director of Kraft Heinz Company and a Strategic Advisor to Altimetrika, a US based digital and IT solutions company. He previously served as Chief Operating Officer of US commercial businesses for Kraft Heinz Company from the merger of Kraft Foods Group and H.J. Heinz in July 2015 until October 2017. Prior to that merger, George held a number of key leadership roles at Kraft including Chief Operating Officer. Prior to joining Kraft in 2007, he held a number of executive roles with Fonterra Cooperative and various managerial and sales roles with Associated British Foods. He holds a Diploma of Business, Marketing, as well as a Masters of Enterprise from the University of Melbourne and has also completed an Accelerated Development Programme at MC London Business School in the United Kingdom.

Elizabeth Fagan Non-Executive Director (Independent)

Member of the Audit Committee

Joined Brambles as a Non-Executive Director in June 2018. Elizabeth has extensive experience in the international retail sector. She is currently Non-Executive Chairman of Boots UK & Ireland. Previously, she was Senior Vice President and Managing Director of Boots, leading all Boots businesses across the UK and the Republic of Ireland. Prior to that, Elizabeth was Senior Vice President, Managing Director, International Retail for Walgreens Boots Alliance, from the Company's creation in December 2014 to 2016, Marketing Director of Boots and Managing Director of Boots Opticians, and previously worked for Boots as Group Buyer from 1983 to 1991. Before re-joining the Boots business in 2006, Elizabeth worked for DSG International Plc for 10 years, where she held a number of senior positions, including Marketing Director, Group Marketing Director and Managing Director of The Link. She holds a Bachelor of Science, Biochemistry from Strathclyde University.

Board & Executive Leadership Team – continued

Tony Froggatt Non-Executive Director (Independent)

Chairman of the Remuneration Committee and member of the Nominations Committee

Joined Brambles as a Non-Executive Director in June 2006. He is Chairman of Foodbank Australia. Previously, Tony was a Non-Executive Director of Coca-Cola Amatil, AXA Asia Pacific Holdings and Billabong International and was Chief Executive Officer of Scottish & Newcastle plc from May 2003 to October 2007. He began his career with the Gillette Company and has held a wide range of sales, marketing and general management positions in many countries with major consumer goods companies including H.J. Heinz, Diageo and Seagram. He holds a Bachelor of Law from Queen Mary College, London, and a Master of Business Administration from Columbia Business School, New York.

David Gosnell Non-Executive Director (Independent)

*Member of the Audit and Nominations Committee*s

Re-joined Brambles as a Non-Executive Director in December 2011. David was a Non-Executive Director of Brambles from June 2006 until March 2010, when he retired due to his other commitments at that time. He is a Non-Executive Director of Coats Group and Chairman of The Old Bushmills Distillery. David retired from his role as President of Global Supply & Procurement for Diageo plc on 31 December 2014. In that role, he led a global team of 9,000 people across manufacturing, logistics and technical operations as well as managing Diageo's multi-billion pound procurement budget. Prior to joining Diageo in 1998, David spent 20 years at H.J. Heinz, where he served on the UK board and held various European operational positions. He holds a Bachelor of Science in Electrical & Electronic Engineering from Middlesex University and is a Fellow of the Institute of Engineering and Technology, England.

Tahira Hassan Non-Executive Director (Independent)

Member of the Remuneration Committee

Joined Brambles as a Non-Executive Director in December 2011. Tahira is a Non-Executive Director of Canada Pension Plan Investment Board and was previously a Non-Executive Director of Recall Holdings. She had a distinguished 26-year career with Nestlé. From 2003 to 2006, she was Senior Vice President & Head of Global Supply Chain. Based in Switzerland, this was a new role created to lead the reshaping of Nestlé's global approach to supply chain management. Her other roles included Senior Vice President & Global Business Head for Nescafé Ready To Drink from 2006 to 2009, and Vice President, Deputy Operations, Zone Americas from 2001 to 2003. Previously, Tahira held various leadership positions in Nestlé Canada including President, Ice Cream and Executive Vice President, Consumer Demand Chain & Information Services. Tahira is a Fellow of the Chartered Institute of Management Accountants, UK, and a Certified Member of the Society of Management Accountants of Canada.

Brian Long Non-Executive Director (Independent)

Chairman of the Audit Committee

Joined Brambles as a Non-Executive Director in July 2014. He is a Non-Executive Director of OneMarket Limited. Previously, Brian was a Non-Executive Director of Commonwealth Bank of Australia, at which he was Chairman of its Audit Committee. He was a senior Australian audit partner at EY, retiring in 2010 after 29 years with that firm, at which he was Chairman of both the Global Advisory Council and the Oceania Area Advisory Council (respectively, its worldwide and regional partner governing bodies). Brian is a Fellow of the Institute of Chartered Accountants in Australia and has been a member since 1972.

Jim Miller Non-Executive Director (Independent)

Member of the Remuneration Committee

Joined Brambles as a Non-Executive Director in March 2019. Jim has extensive operational and cross functional supply-chain experience in digital technology. He is currently a Non-Executive Director of Wayfair Inc. He has taken a role as interim Chief Technology Officer with Wayfair pending the appointment of a full-time person in that role, which is expected to take place in four to six months' time. In addition, Jim is currently a Non-Executive Director of The RealReal, Inc., also a US e-commerce company. Jim has held a number of senior executive roles including Vice President, Worldwide Operations for Google Inc from 2010 to 2018, where he was responsible for global operations, planning, supply chain and new product introduction for Google's IT infrastructure and Google Fiber. Previously, he was Executive Vice President, Industrial, Automotive and Multi-Media for Sanmina Corporation from 2009 to 2010, where he was responsible for its industrial, clean tech, multimedia and automotive businesses. Prior to that, he held various executive roles for Cisco Systems, Vice President Global Supply Chain for Amazon where he was responsible for the inception of its supply-chain organisation. He has also held various executive roles at IBM and Intel. Jim holds a Bachelor of Science, Aerospace Engineering from Purdue University and a Master of Science and Engineering and a Master of Science and Management from the Massachusetts Institute of Technology.

Nessa O'Sullivan Chief Financial Officer

Joined Brambles in October 2016 and was appointed to the role of Chief Financial Officer on 17 November 2016. She became an Executive Director of Brambles in April 2017. Prior to joining Brambles, Nessa worked for ten years at Coca-Cola Amatil in a number of senior financial and operating roles, including Group Chief Financial Officer from 2010 to May 2015. She was also Group Chief Financial Officer for Operations and Chief Financial Officer for Australia and New Zealand. Nessa began her career working as an auditor at Price Waterhouse in Dublin, New York and Sydney. She spent two years at Tyco Grinnell Asia Pacific before joining PepsiCo/Yum! Restaurants in 1995. Over a 10-year period at Yum! Restaurants International, she held a number of senior finance, IT and strategy roles, including five years as Chief Financial Officer for the South Pacific Region. Nessa is a Fellow of the Institute of Chartered Accountants in Ireland. She holds a Bachelor of Commerce from University College Dublin and is a graduate of the Australian Institute of Company Directors.

Scott Perkins Non-Executive Director (Independent)

Member of the Audit Committee

Joined Brambles as a Non-Executive Director in June 2015. Scott is a Non-Executive Director of Woolworths Group Limited and Origin Energy and was a Director of Meridian Energy from 1999 to 2002. He is a Director of the Museum of Contemporary Art and is active in the charity and public policy sector as the founder or director of a number of organisations. Scott has extensive experience in corporate strategy, capital markets and investment banking. He held senior executive leadership positions at Deutsche Bank from 1999 to 2013, including as Managing Director and Head of Corporate Finance for Australia and New Zealand and as a member of the Asia-Pacific management committee.

Board & Executive Leadership Team – continued

Executive Leadership Team

Graham Chipchase Chief Executive Officer

Chairman of the Executive Leadership Team

(See biography on page 23.)

Carmelo Alonso-Bernaola Senior Vice President, Global Supply Chain

Joined Brambles in 1992 and was appointed Senior Vice President Supply Chain for CHEP's global operations in February 2011. At Brambles, Carmelo has served in a range of supply chain roles, ranging from Quality Manager in Iberia; Logistics Director for South Europe; Vice President Logistics Europe; Senior Vice President Supply Chain Europe and his current global role in Supply Chain. Carmelo is a Spanish citizen, and holds an Agro-Industrial Engineering degree from the Universidad Politécnica of Madrid. He also holds a Master of Business Administration from IE Business School, Madridm and a Diploma of Manufacturing and Production Management.

Phillip Austin President, CHEP Asia-Pacific

Joined Brambles in 1989 and became President CHEP Asia-Pacific in October 2014, having previously held the positions of President CHEP Australia and New Zealand and President CHEP Australia. Phillip has held a variety of senior roles across Brambles including Chief Financial Officer of the Brambles Transport Group; Chief Financial Officer of CHEP Australia; Operations Manager for Wreckair Hire; and executive roles in the CHEP Australia business responsible for sales, asset management and business development. Phillip is a board member of Enactus Australia and an Ambassador for the National Association for Women in Operations (NAWO). He holds a Bachelor of Economics and a Masters of Logistics Management, both from the University of Sydney.

Patrick Bradley Group Senior Vice President, Human Resources

Joined Brambles in 2018 as Group Senior Vice President, Human Resources. Before joining Brambles, Patrick was the Human Resources Director at BT Group, the UK's largest fixed communications network, responsible globally for employee relations, reward, pensions, organisational design and efficiency. Prior to that, he was the Chief Human Resources Officer at EE, the UK mobile telecommunications operator, when it was acquired by BT. He has also held human resources leadership roles at Lloyds Banking Group and Atos Origin. He has led multiple workforce and human resources programmes to improve customer service capabilities, organisational culture and employee engagement. He holds a Bachelor of Law from the University of Leeds.

David Cuenca President, CHEP Latin America

Joined Brambles in 2000 and was appointed President, CHEP Latin America in 2018. At Brambles, David has held several leadership roles, ranging from Country General Manager of CHEP in Central Europe; Vice President and Country General Manager in CHEP Spain and Portugal; Vice President of CHEP Southern Europe; and his current role in Latin America. David is a Spanish citizen, and holds a Business Studies degree from the University of Barcelona (UB). He has also completed a General Management Programme at the IESE Business School.

Board & Executive Leadership Team – continued

Robert Gerrard Group Vice President, Legal and Secretariat

Joined Brambles in 2003 as Senior Counsel, Brambles Group, was appointed Group Company Secretary in February 2008 and Group Vice President, Legal and Secretariat in February 2017. Prior to joining Brambles, he was General Counsel and Company Secretary of Roc Oil Company Limited; Group Legal Manager, Cairn Energy plc; General Counsel and Company Secretary of Command Petroleum Limited; and a solicitor and senior associate with Allen Allen & Hemsley. He holds a Masters of Law from the University of Sydney and a Bachelor of Science and a Bachelor of Law from the University of New South Wales. He is a Solicitor of the Supreme Court of New South Wales.

Alasdair Hamblin Senior Vice President, Strategy and Innovation

Joined Brambles in March 2018 as Senior Vice President, Group Strategy and became Senior Vice President, Strategy & Innovation in February 2019. Prior to Brambles, Alasdair held a number of leadership roles at General Electric from 2011 to 2018, including Strategic Marketing Director for GE Oil & Gas and leading revenue synergies for its merger with Baker Hughes to form BHGE. He was previously an Associate Partner at McKinsey & Company and began his career in systems engineering with Accenture. He holds an MA in Modern History from Balliol College, Oxford, and a Master of Business Administration from INSEAD.

Rodney Hefford Chief Information Officer

Joined Brambles in June 2017 as Chief Information Officer. Before joining Brambles, Rod was Vice President, Information Technologies and Services at Ball Corporation, where he integrated the IT elements of Ball's acquisition of Rexam and led the development of an IT strategy for the combined entity. Prior to that, he was Group CIO for Rexam and held several CIO roles at Unilever. He holds a Bachelors' of Materials Engineering from Monash University, Australia, and a Master of Business Administration from Warwick Business School in the UK.

Craig Jones President, CHEP India, Middle East, Turkey and Africa

Joined Brambles in December 2017 as Vice President, EMEA Emerging Markets and was appointed to his current position of President CHEP IMETA (India, Middle East, Turkey and Africa) in February 2019. Before joining Brambles, Craig worked for Rexam plc, a UK listed consumer packaging company. Craig led the Africa, Middle East & Asia region for Rexam and also spent time leading their Russian business. Craig joined Rexam in 2001 and held a number of senior finance roles across a variety of geographies. Craig holds a BA (Hons) Business Studies from Cardiff University and is a Fellow (FCMA) of the Chartered Institute of Management Accountants.

Laura Nador President, CHEP North America

Joined Brambles in 2003. Laura became President, CHEP North America in January 2018, after holding a number of leadership positions within Brambles. Laura was successively Director, Distributor Sales, CHEP Europe; Vice President, RPCs, Europe; Country General Manager, CHEP Iberia; and Vice President, Supply Chain, CHEP Latin America. In July 2016, she was appointed Senior Vice President of the CHEP USA Pooled Pallets business and then President, CHEP USA in March 2017, when she took on additional responsibilities for the CHEP Recycled, Pallecon and automotive businesses in the USA. CHEP Canada was added to her responsibilities in January 2018. Prior to Brambles, Laura worked for a number of years at the Fortune 500 logistics company, Ryder. Laura holds a Master of Engineering from the University of Buenos Aires and a Master of Business Administration from the London Business School.

Board & Executive Leadership Team – continued

Nessa O'Sullivan Chief Financial Officer

(See biography on page 25.)

Sarah Pellegrini Vice President, Internal Communications

Joined Brambles in 2018 to lead Group-wide internal communications, and was appointed to the Executive Leadership Team in 2019. Before joining Brambles, Sarah oversaw employee communications for Qantas' global operations, and has held corporate communications roles in international businesses including Arrium and Foster's Group in Australia and Rexam plc, SABMiller and BBC Worldwide in the UK. Sarah began her career as a journalist for News Limited after gaining a Bachelor of Arts (Journalism) from RMIT University.

Michael Pooley President, CHEP Europe

First joined Brambles in 2002. Michael became President CHEP EMEA in February 2017, having previously held the following positions within Brambles: President CHEP Europe; Senior Vice President Sales and Customer Operations, CHEP USA; Managing Director, CHEP UK & Ireland; and Vice President European Key Accounts. Before re-joining Brambles in 2016, Michael held management roles within the BOC Group and, between 2013 and 2015, he worked for Exova Group Plc as Managing Director Europe and was a member of its executive leadership team that took the company through an IPO on the London Stock Exchange in 2014. Michael is a Chartered Mechanical Engineer and has a Master of Business Administration from Henley Management College in the UK.

Prasad Srinivasamurthy President, BXB Digital

Joined Brambles in March 2016 as the President of Brambles' new Silicon Valley-based business, BXB Digital. Before joining Brambles, Prasad was Senior Vice President of Internet of Things and Customer Innovation at SAP, where he led a global organisation in building and commercialising new digital innovations. Prior to that, Prasad held a variety of executive roles through which he created and scaled new revenue streams for innovative software products in customer relationship management and supply chain management. He holds a Masters in Computer Science from University of Southern California and a Master of Business Administration from the University of California, Berkeley.

Directors' Report – Remuneration Report

Executive Summary

Business Performance

Remuneration for senior executives for the financial year ended 30 June 2019 (Year) reflected Brambles' results and continued execution of Brambles' business strategy, as detailed in the Operating & Financial Review on pages 6 to 22.

Annual Short-Term Incentive

Based on the financial results reviewed by the Audit Committee and approved by the Board, the annual Short-Term Incentive (STI) cash awards for senior executives ranged from 23.8% to 59.6% of base salary. These STI outcomes were driven by Brambles' financial performance and by executives' achievement of specific personal objectives.

Long-Term Incentive

The Long-Term Incentive (LTI) share awards granted during September 2016 had a three-year performance period ending 30 June 2019. Performance against the conditions to which they were subject were:

- Brambles' total shareholder return (TSR) was below the median company in the ASX100, resulting in 0.0% vesting for this component; and
- Brambles' sales revenue compound annual growth rate (CAGR) was over 5.0% but Brambles Value Added (BVA) was below the US$950 million threshold, resulting in 0.0% vesting for this component.

Accordingly, 0.0% of total LTI awards granted in FY17 vested.

Executive Salaries

The base salaries of the Executive Leadership Team (ELT) were determined in accordance with the Company's Remuneration Policy described in Section 2. The average base salary increase for Executive Directors was 2.5%. The average increase for ELT members for the Year was 3.1%, ranging from 2.4% to 4.8%. As a part of retention arrangements for IFCO executives as a result of the IFCO separation, a separate increase was provided to Mr Orgeldinger. The average increase across the broader employee population was 3.0%. Details of the salaries of key management personnel are set out in Section 6.

Non-Executive Directors' Fees

There has been no increase in Chairman and Non-Executive Director fees since 1 July 2016. There will not be any increase in base fees for the Chairman or Non-Executive Directors for FY20.

The annual review of Non-Executive Directors' fees carried out during the Year did, however, indicate that supplementary fees for Committee membership had fallen below the Australian market.

Accordingly, the review recommended an increase in the fee supplement for members of the Audit and Remuneration Committee from A$10,000 to A$25,000. The increase was effective from 1 July 2019 and brings the payment in line with the Australian market.

Non-Executive Director fees are detailed in Section 7.1. The next fee review will be carried out during FY20. Any fee increase arising from that review will take effect from 1 July 2020.

Remuneration Strategy

The Remuneration Committee carries out annual reviews of Brambles' remuneration strategy, structure and policy, including share-based incentive plans. These reviews are undertaken in order to determine that the current approach continues to strongly align executives' interests with those of the Company and its shareholders. A key focus of the annual review is to provide confirmation that the Company's remuneration structure and policy continue to provide alignment with the Company's strategic and business objectives.

Two remuneration policy changes have been identified and, although not required, these will be submitted for shareholder approval at the 2019 AGM. The changes will, subject to that approval, take effect for STI and LTI share awards granted after the AGM and are detailed in Section 2.1 of this report. They include:

- The introduction of a one-year holding lock on the LTI share awards commencing from the date such awards vest. As these awards have a three-year performance period, the effect of the holding lock is that executives will not receive the full benefit of those awards for a four-year period from the date they are granted; and
- Holders of STI share awards will receive the equivalent of dividends, which would otherwise accrue to the underlying shares, subject to those awards vesting.

Contents

Directors' Report – Remuneration Report

1. Background

This Remuneration Report provides information on Brambles' Remuneration Policy, the link between that policy and the Group's business strategy and performance. This report also provides remuneration information about Brambles' Key Management Personnel. Brambles' Key Management Personnel are its:

1. Non-Executive Directors;
2. Executive Directors; and
3. Group executives who have authority and responsibility for planning, directing and controlling the Group's activities. The executives who fall within this definition are those set out in Section 6.

In this report, executives falling within points 2 and 3 above are called Disclosable Executives.

This report includes all disclosures required by the *Corporations Act 2001* (Cth) (the Act), regulations made under the Act and the Australian Accounting Standard *AASB 124: Related Party Disclosures*. The disclosures required by section 300A of the Act have been audited. Disclosures required by the Act cover both Brambles Limited and the Group.

1.1 Basis of Valuation of STI and LTI Share Awards

Unless otherwise specified, the fair values of the STI and LTI share awards included in the tables in this report have been estimated by EY Transaction Advisory Services in accordance with the requirements of *AASB 2: Share-based Payments*, using a binomial model. Assumptions used in the evaluations are outlined in Note 20 on pages 96 and 97 of the financial statements.

This fair value is not used to calculate the number of STI and LTI share awards granted to executives. The number of share awards granted is based on the market value of Brambles shares calculated on a five-day volume weighted average share price prior to the grant date. This is termed a "face value approach".

2. Remuneration Policy and Framework

The Board has adopted a Remuneration Policy for the Group. This policy requires remuneration to be consistent with Brambles' strategic business objectives, to attract and retain high-calibre executives, align executive rewards with the creation of shareholder value, and motivate executives to achieve challenging performance targets.

Section 3.4 sets out how Brambles' Remuneration Policy is directly linked to the Company's financial performance, the creation of shareholder wealth and the delivery of strategy.

Financial and strategic personal objectives are agreed at the start of the financial year and approved by the Board Remuneration Committee (Committee). The Committee reviews progress against the objectives during the financial year and assesses performance at year end following a detailed review of Group, Business Unit and individual executive performance.

The Group's Remuneration Policy is to set pay opportunity around the median level of remuneration (the comparator group of companies is set out in the next paragraph) but with upper-quartile total potential rewards for outstanding performance and proven capability.

Brambles' global remuneration framework, which applies to all salaried employees, is underpinned by its banding structure. This classifies roles into specific bands, each incorporating roles with broadly equivalent work value. Pay ranges for each band are determined under the same framework globally and are based on the local market rates for the roles falling within each band. Comparative companies used to set pay ranges are major listed companies in the USA, Australia, UK and Germany, with sales revenue and market capitalisation between 50% and 200% of Brambles' 12-month average at year end. This approach provides a sound basis for delivering a non-discriminatory pay structure for all Group employees.

Each year, the Committee conducts a review of the Company's remuneration structure and policy to provide alignment with the Company's strategic and business objectives. As a result of the review carried out in FY19, a number of changes are proposed to the remuneration structure. These changes are detailed below and will be presented for shareholder approval at Brambles' 2019 Annual General Meeting and implemented for FY20.

2.1 Proposed Changes to Remuneration Policy

2.1.1 LTI Plan

Brambles' LTI share awards have a three-year Performance Period, with performance hurdles as defined in Section 3.3. Currently, subject to the satisfaction of those hurdles, the awards vest three years from the date of grant and the holders of those awards can then exercise and sell the underlying shares that are the subject of those awards.

As a result of the remuneration strategy review, Brambles has decided to implement a one-year holding lock on any vested LTI share awards. The holding lock will commence on the vesting date. LTI share awards will continue to be subject to the performance hurdles defined in Section 3.3.2. If LTI share awards vest, they will become available for executives to exercise and receive dividends. However, they will not be able to sell the underlying shares (other than to pay any tax which is levied due to LTI share awards vesting or being exercised) until one year after vesting. The practical effect of the introduction of the one-year holding lock is that executives will not receive the full benefit of their LTI share awards for a period up to four years, which brings the LTI plan in line with general practices in the UK and some major Australian companies.

In accordance with Brambles' Performance Share Plan (PSP) provisions, unvested STI and LTI share awards are subject to clawback in certain circumstances. Clawback will apply to any vested LTI share awards post vesting during the holding lock period.

2.1.2 Dividends on Deferred STI Share Awards

The Committee supports the concept of deferral of part of STI share awards to create continuing alignment of executive and shareholder interests.

To facilitate this alignment, executives are required to hold half of their annual STI award by way of STI share awards which vest two years from the date of grant. The effect of these "deferred" STI share awards is that executives do not receive the benefits which would otherwise accrue to underlying shares (e.g. the receipt of dividends), notwithstanding that they have, in effect, earned those shares.

Consequently, subject to shareholder approval, Brambles is proposing to provide the equivalent of dividends for deferred STI share awards granted after the 2019 AGM. This will be achieved through a top-up of STI share awards at the end of the two-year vesting period to the value of the dividends which would have accrued during that period on the underlying shares. Where securities law prevents the use of share awards in this manner, the value of the dividends will be provided through a cash equivalent.

3. Remuneration Structure

3.1 Introduction

Remuneration is divided into those components not directly linked to performance (Fixed Remuneration) and those components which are variable and directly linked to Brambles' financial performance and the delivery of personal strategic objectives (At Risk Remuneration).

Fixed Remuneration generally consists of base salary, benefits and superannuation contributions.

A significant proportion of Disclosable Executives' total reward is required to be At Risk. An individual will achieve maximum remuneration only when they meet challenging objectives in terms of Brambles' overall financial performance, returns for shareholders and strategic objectives. The proportion of Disclosable Executives' total remuneration comprising At Risk Remuneration is illustrated in Chart 3.5.1 in Section 3.5.

Brambles' At Risk Remuneration is provided by way of three types of annual incentive awards: an STI cash award, an STI share award and an LTI share award. The market value (using the "face value approach" described in Section 1.1) at the date of grant of all STI and LTI share awards made to any person in respect to any financial year would not normally exceed two and a half times their base salary.

STI and LTI share awards are governed by the Brambles PSP rules, which have been approved by shareholders.

No Brambles shares were purchased on market during the Year to satisfy the entitlements of holders of STI share awards or LTI share awards.

The remuneration structure and the key features of Fixed and At Risk Remuneration are summarised in Sections 3.2 and 3.3 and Table 3.3.3. The application of the At Risk element of remuneration is further described in Section 4.

3.2 STI Cash and Share Awards

Each year, Disclosable Executives are eligible to receive an STI award, with 50% of the award being paid in cash and 50% being deferred into STI share awards that vest two years after grant. The Remuneration Committee sets annual STI cash award performance objectives. Financial objectives comprise 80% of the value of an STI cash award and are set at a "threshold" (the minimum necessary to qualify for the awards), "target" (when the performance target is met) and "maximum" (when targets have been significantly exceeded and the award has reached its upper limit) level. The Committee approves these financial targets every year. A key principle is that "threshold" is set at or above the prior year's outcome. Personal objectives comprise 20% of the value of an STI cash award. Details of the financial and personal strategic objectives for the FY19 STI cash award are set out in Table 3.3.3 and the achievement of those objectives for FY19 are set out in Section 4.2.

Disclosable Executives are also eligible to receive an annual STI share award. The value of the STI share award (calculated using the "face value approach" referred to in Section 1.1) is equal to the value of the STI cash award and vests two years from the date of grant, provided the relevant Disclosable Executive remains an employee of the Group during that period.

The financial objectives for STI cash awards and the reasons why those objectives were adopted are set out in Table 3.3.3.

3.3 LTI Share Awards

Disclosable Executives are also eligible to receive an annual grant of LTI share awards. Vesting of these awards occurs three years from the date the award is granted and is subject to satisfaction of service and performance conditions over a three-year performance period (Performance Period). The service and performance conditions are measured at the end of the three-year Performance Period.

3.3.1 LTI Share Awards to 2017

LTI share awards granted for FY17-19 Performance Period consist of two components: half are subject to a relative TSR measure based on the ASX100 and half on a sales revenue CAGR with a BVA hurdle. The matrix for this Performance Period was set out in the 2017 Remuneration Report.

3.3.2 LTI Share Awards from 2018 Onwards

LTI share awards granted from FY18 onwards continue to consist of two components. The relative TSR component continues to comprise half of the LTI award but will be split across two metrics:

- Half is based on Brambles' TSR against the ASX100; and
- The other half is based on Brambles' TSR against the MSCI World Industrials Index, using 50 companies either side of Brambles' rolling 12-month average market capitalisation.

The use of an international comparator index, the MSCI World Industrials, reflects the global nature of Brambles' business. The Company operates in approximately 60 countries and more than 90% of its revenue is derived from locations outside of Australia.

Performance against both the ASX100 and the MSCI World Industrials indices is based on the standard ranking approach, with vesting commencing at the 50^{th} percentile and progressing to full vesting at the 75^{th} percentile as per the table below.

	TSR percentile	% Vesting of shares
Below Threshold	Below 50^{th}	No vesting
Threshold	50^{th}	50%
Between Threshold and Maximum	Between 50^{th} and 75^{th}	Pro-rata straight-line vesting
Maximum	75^{th} and above	100%

The second component is based on sales revenue CAGR/ROCI matrix of similar design to the former matrix. The FY19-21 and FY20-22 sales revenue CAGR/ROCI matrices are set out in Section 4.3.2.

Directors’ Report – Remuneration Report

The reasons why these metrics are used for the LTI share awards performance conditions are set out in Table 3.3.3.

The LTI share award structure is summarised in the table below.

LTI awards	LTI awards to FY17	LTI awards from FY18 onwards
External metric	50% based on relative TSR against ASX100 constituents	25% based on Brambles' TSR against ASX100 constituents 25% based on Brambles' TSR against MSCI World Industrials Index constituents
Internal metric	50% based on sales revenue CAGR/BVA matrix	50% based on sales revenue CAGR/ROCI matrix

Table 3.3.3 – Remuneration Structure 2019 – Fixed and Variable Pay

Remuneration element	Performance conditions	Rationale	Performance level required for payment
Fixed Remuneration			
Base salary, superannuation and benefits	N/A	Fixed remuneration reflects the executive’s role, duties, responsibilities and level of performance, taking into account the individual's location and Brambles' size, geographic scale and complexity. Base salaries are generally referenced at the market median.	N/A
At Risk Remuneration			
STI cash award financial objectives (comprising 80% of the STI cash award)	- Underlying Profit - Cash Flow from Operations - Asset efficiency	Financial objectives are chosen to link Disclosable Executives’ rewards with the financial performance of the Group, the pursuit of profitable growth and the efficient use of capital and generation of cash. Underlying Profit provides a focus on profitable growth. Cash Flow from Operations are used as measures to provide a strong focus on the generation of cash. Asset efficiency is a key driver of business profitability and assists in maximising revenue from existing assets and reducing capital costs.	The key levels of performance possible against each of the financial objectives relevant to the STI awards for the Year were: - Threshold (the minimum necessary to qualify for the awards); - Target (when performance targets have been met); and - Maximum (when targets have been significantly exceeded and the related rewards have reached their upper limit).
STI cash award personal objectives (comprising 20% of the STI cash award)	- Safety - Business strategy and growth objectives - Customer satisfaction and retention - Employee engagement	Personal objectives are set to link Disclosable Executives’ performance to Brambles’ overall strategic objectives.	Personal objectives set at the beginning of the financial year, are approved by the Remuneration Committee and performance against objective is assessed by the Remuneration Committee at year end.
STI share award (deferred equity)	As per STI cash award	Provides continuing alignment of Disclosable Executives' interests with shareholders for an additional two years beyond the financial year to which the award relates. Provides a major retention mechanism for Disclosable Executives.	The size of the STI share award is equal in value to the STI cash award. This results in half of the total STI award being deferred into Brambles shares, which vest, subject to continued employment, on the second anniversary of the grant (i.e. two-year deferral).

Remuneration element	Performance conditions	Rationale	Performance level required for payment
LTI share award (3-year Performance Period) LTI share awards granted post 30 June 2019 will have a three-year Performance Period with a one-year holding lock	Relative TSR (comprising half of the LTI share award) over the Performance Period	Creation of shareholder value TSR measures the returns that a company has provided for its shareholders, reflecting share price movements and reinvestment of dividends over a specific period. A relative TSR performance condition helps ensure that value is only delivered to participants if the investment return received by Brambles' shareholders is sufficiently high relative to the return they could have received by investing in a portfolio of alternative stocks over the same period.	- Performance will be measured over three years against constituents of both the ASX100 and the MSCI World Industrials indices, with each component measured separately and comprising 25% of the total LTI award; - Half of LTI share awards will vest if the Company's TSR performance over the three-year Performance Period against the ASX100 and the MSCI World Industrials equals the TSR of the median ranked company; - 100% will vest for 75th percentile performance over the three-year Performance Period; and - If Brambles' TSR performance is between these two levels, vesting will be on a pro-rata straight-line basis.
	Sales revenue CAGR and ROCI (comprising half of the LTI share award) over the Performance Period	Profitable growth Half of the LTI share award incentivises both long-term sales revenue growth and ROCI. Vesting is based on achievement of sales revenue targets with three-year performance targets set on a CAGR basis. The sales revenue growth targets are underpinned by ROCI hurdles. This is designed to drive profitable business growth, to maintain quality of earnings at a strong level and to deliver a strong return on capital invested. Sales revenue CAGR is measured in constant currency.	Each year, a sales revenue CAGR/ROCI matrix is set by the Remuneration Committee for each LTI share award based on budget targets approved by the Board. This allows the Remuneration Committee to set targets for each LTI share award that reward strong performance in light of the prevailing and forecast economic and trading conditions. The sales revenue CAGR/ROCI matrix provides performance focus over a three-year period.

3.4 Remuneration and the Link to Business Strategy

Brambles' business strategy is set out in the Operating & Financial Review on pages 6 to 22. The Remuneration Policy supports the delivery of this strategy by:

- **Focusing business performance on profitable growth, the efficient use of capital and the generation of cash:** Profitable growth is emphasised by both the use of Underlying Profit as a performance condition for STI cash awards and the use of sales revenue CAGR targets with ROCI hurdles as the performance conditions that must be satisfied for half of all LTI share awards to vest. The generation of cash and the effective use of capital are reinforced through the setting of asset efficiency and cash flow performance conditions for STI cash awards.
- **Recruiting and retaining high-calibre executives:** Remuneration packages for executives are designed to be competitive to assist Brambles in attracting talented managers and to reward strong performance. The award of a significant proportion of executives' STI awards as shares, which do not vest for two years from the date they are granted, helps retain key executives and aligns their interests with shareholders.
- **Setting goals linked to implementation of the growth strategy:** Each year, a part of a Disclosable Executive's STI cash award is subject to the achievement of specific personal objectives. These include objectives focused on the delivery of Brambles' strategy such as safety performance, development of new markets, customer satisfaction, product and service innovation, employee engagement, productivity improvements and development of future potential senior executives.
- **Achieving sustainable returns for shareholders:** Each of the above three elements supports the delivery of sustainable returns to shareholders. In addition, there is a direct alignment of executive rewards to the creation of shareholder value through the use of relative TSR performance conditions, to which the vesting of half of all LTI share awards granted are subject.

Full details of the link between executives' remuneration and Brambles' performance in terms of financial outcomes, creation of shareholder value and the delivery of the Group's strategy are set out in Section 4.

Definitions of Underlying Profit, ROCI, TSR and CAGR measurements and the methods by which they are calculated are included in the Glossary.

Directors' Report – Remuneration Report

3.5 Remuneration Mix for Disclosable Executives

Brambles' executive remuneration mix is strongly linked to performance. At Risk Remuneration represents 70% to 76% of Disclosable Executives' maximum remuneration package.

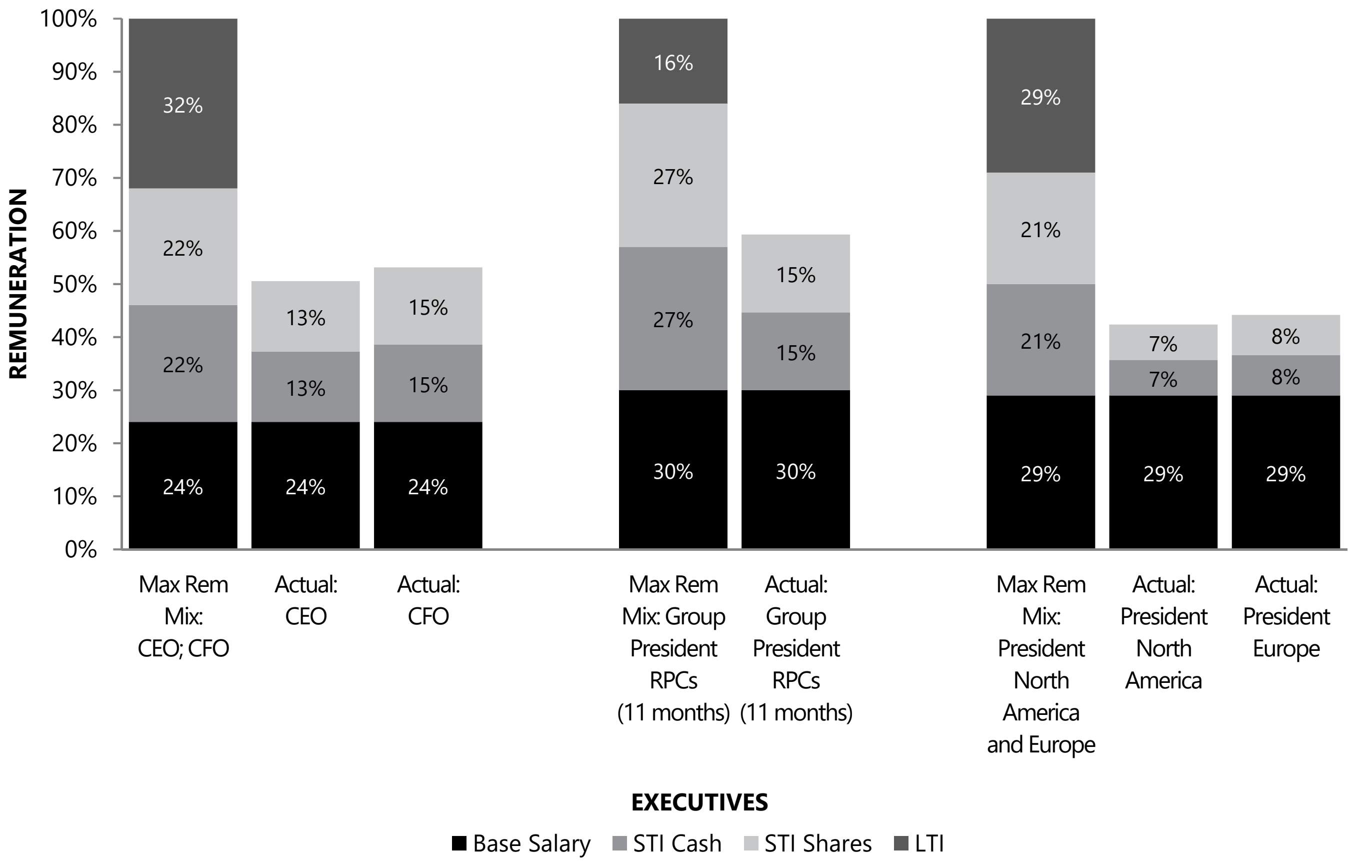
Chart 3.5.1 illustrates the level of actual remuneration received by Disclosable Executives compared with their respective total remuneration package mix. In that chart, the term "Rem Mix" (short for remuneration mix) is the relevant Disclosable Executive's base salary plus his or her STI cash and STI share awards, assuming the maximum level of performance (see Section 4.1) and full vesting of all LTI share awards.

The respective columns of Chart 3.5.1 labelled "Actual" comprise:

- Base salary: base salary for FY19;
- STI cash: the STI cash award received in respect of FY19 performance (see Section 4.2);
- STI shares: the STI share award received in respect of FY19 performance, the vesting of which is deferred until 2021 (see Section 4.2); and
- LTI shares: the proportion of the FY17-FY19 LTI share awards that vested at the end of the Year (see Section 4.3.3).

The Remuneration Mix column represents the maximum value of each element of the respective Disclosable Executive's remuneration package mix that could be received in each case by the individual Disclosable Executive. The remuneration mix for the Group President, RPCs differs due to his remuneration structure with IFCO prior to it being acquired by Brambles. The mix shown aligns his overall remuneration potential to other Brambles' executives.

Chart 3.5.1- Remuneration Mix



3.6 Clawback of STI and LTI Share Awards

The PSP has included clawback provisions for STI and LTI share awards since 2011. The Board sought, and obtained, shareholder approval at the 2017 Annual General Meeting for amendments to the PSP rules to enhance the scope of the clawback provisions. The amendments grant the Board discretion to cancel STI and LTI share awards which have been granted but which have not vested in the following circumstances:

- to protect the financial soundness of the Company or a related body corporate;
- to respond to an exceptional event which has a material impact on the value of the Company or a related body corporate;
- to respond to any material inaccuracy in the assessment of the performance of the participant where the inaccurate assessment contributed to the grant of the award;
- to respond to any misrepresentation, material misstatement, or material inaccuracy in the measurement of the financial position or performance of the Company (or any related body corporate), where the misrepresentation, misstatement or inaccuracy contributed to the grant of the award;
- in light of any subsequent or adverse development regarding the personal performance of a participant, the performance of his or her business unit or the performance of the Company; or
- if a participant in the PSP:
  - has engaged or participated in conduct which adversely affects, or is likely to adversely affect, the financial position or reputation of the Group or a Group Company;
  - is under investigation for misconduct, where such misconduct may result in financial and/or reputational impact to the Company or a related body corporate;
  - has hedged the value of, or entered into a derivative arrangement in respect of any unvested share award; or
  - has purported to dispose of or grant any security interest over a share award or the shares (or cash equivalent) to which it relates.

The clawback provisions will also apply to LTI share awards, for grants commencing FY20 that have vested but are subject to a holding lock as outlined in Section 2.1.1.

3.7 ELT Minimum Shareholding Requirements

Brambles has adopted minimum shareholding requirements for ELT members (which includes all Disclosable Executives). These require ELT members to hold a meaningful stake in the Company to assist in aligning their interests with those of its shareholders. The requirements are:

- The CEO's minimum shareholding requirement is 150% of base salary, with other ELT members' minimum shareholding requirement being 100% of their respective base salaries, to be built up over 5 years;
- Whilst building their minimum shareholding requirement, ELT members are not permitted to sell Brambles shares other than to pay tax obligations they incur by reason of STI or LTI share awards vesting, until they have achieved 100% of their shareholding requirements; and
- Where an Executive Director steps down from their Executive Director position but continues to be employed by the Company, they will, under the Company's Securities Trading Policy, need the Chairman's approval to deal in Brambles shares.

Executive Directors who cease to be employees of the Company shall be required to retain at least 50% of their minimum shareholding for the 12 months following their cessation of employment.

4. Performance of Brambles & At Risk Remuneration

As outlined in the Operating & Financial Review on pages 6 to 22, FY19 financial results for continuing operations were as shown below:

Financial measure	FY19 result (US$m)	Change from FY18 (constant currency)
Sales revenue	4,595.3	7%
Operating profit	740.9	-
Profit after tax	454.1	(13)%
Underlying Profit	803.7	2%

Brambles' TSR for the three years to 30 June 2019 was 6.94%.

4.1 FY19 STI Awards

The following table summarises the components and weighting of objectives for the FY19 STI cash awards for Disclosable Executives:

Disclosable Executive	Financial objectives				Personal objectives
	Group Underlying Profit	Segment Underlying Profit	Group cash flow	Segment cash flow	
CEO, CFO	50%	-	30%	-	20%
Group Presidents: Pallets, IFCO RPC	20%	30%	10%	20%	20%

In addition, the amount of each Disclosable Executive's STI cash award is subject to the achievement of a specified asset efficiency metric. Asset efficiency is measured on the basis of pooling capex to sales percentage for each Business Unit. If the applicable asset efficiency metric is not achieved, the financial components of the overall STI cash award otherwise payable to the relevant Disclosable Executive is reduced by 10%.

4.2 STI Performance Against Financial Objectives

Actual performance against the FY19 STI cash awards' financial objectives and asset efficiency metrics are summarised in the following table.

Performance condition[1]	Level of performance achieved during the Year[2]
Brambles Underlying Profit	Achieved Target
Brambles Cash Flow from Operations	Achieved Target
Brambles Asset Efficiency	Achieved Target
Pallets EMEA Underlying Profit	Between Threshold and Target
Pallets EMEA Cash Flow from Operations	Did not meet full-year Target; Met half year target
Pallets EMEA Asset Efficiency	Did not meet Target
Pallets Europe Underlying Profit	Between Threshold and Target
Pallets Europe Cash Flow from Operations	Did not meet full-year Target; Met half year target
Pallets Europe Asset Efficiency	Did not meet Target
Pallets North America Underlying Profit	Below Threshold
Pallets North America Cash Flow from Operations	Did not meet full-year Target; Met half year Target
Pallets North America Asset Efficiency	Did not meet Target
IFCO RPC Underlying Profit	Between Threshold and Target
IFCO RPC Cash Flow from Operations	Did not achieve full-year Target; Met half year Target
IFCO RPC Asset Efficiency	Achieved Stretch

Note: IFCO RPC performance condition reflect 11-months performance.

4.2.1 Actual STI Cash Payable and Forfeited for FY19

Details of the FY19 STI cash award payable to Disclosable Executives and the STI cash award forfeited, as a percentage of the maximum potential STI cash award in respect to performance during the Year, are shown for each Disclosable Executive in the following table:

Name	% of Target financial objectives achieved	% of personal objectives achieved	Maximum STI cash as % of base salary	% of maximum STI cash payable	% of maximum STI cash forfeited
Disclosable Executives					
G Chipchase	101%	50%	90%	60%	40%
N O'Sullivan	101%	94%	90%	66%	34%
L Nador	42%	73%	75%	32%	68%
M Pooley	49%	73%	75%	36%	64%
Former Disclosable Executive					
W Orgeldinger	83%	76%	90%	54%	46%

Brambles is committed to Zero Harm for its people. During July 2019, there was a fatality at a Brambles service centre in Spain. As a consequence of this, the health and safety related personal objectives for the CEO and the Group President, Europe were each assessed at 0%. Although the fatality took place in FY20, it was felt that action was appropriate in respect to FY19 outcomes.

4.2.2 Personal Objectives

Twenty per cent of the STI award is based on the achievement of personal objectives. The objectives are agreed at the start of the financial year and approved by the Committee. The

[1] Definitions of Underlying Profit and Cash Flow from Operations measurements and the methods by which they are calculated are included in the Glossary.

[2] "Achieved Target" reflects performance within +/- 1% of Target.

Committee reviews progress against the objectives during the financial year and assesses performance at year end. The Committee has full discretion in respect of the assessment of performance against the personal objectives and payments may be varied by the Committee in circumstances where it considers it warranted, including where financial results or business or personal performance are assessed as below the required levels.

The types of personal objectives that apply to Disclosable Executives are shown in the table below. Targets for global metrics relating to safety, customer and employee engagement are set at the Group level by the specialist teams that are responsible for these areas.

Metric	Measurement
Safety	The CEO and Executives with operational responsibility have a safety measure as part of their personal objectives. Safety is measured via the Brambles Injury Frequency Rate (BIFR). In addition to meeting BIFR targets, any work-related fatalities result in reductions in STI cash award payments.
Customer satisfaction	Customer satisfaction is measured through Net Promoter Score (NPS).
Employee engagement	Brambles has recently implemented the latest technology and a new approach to seeking feedback from our people. The newly named global employee survey, The Brambles Pulse, was implemented in April 2019 and will be run twice per year. It allows the Company to seek feedback from employees, focusing on easily accessible, real-time insight and powerful analysis of all our peoples’ experiences and level of engagement.
Business strategy and growth objectives	Strategic objectives are set for each Disclosable Executive which support and are aligned with the achievement of Brambles' overall business strategy (see Section 3.4).

4.3 LTI Share Awards

Disclosable Executives have the opportunity to receive an annual equity grant in the form of LTI share awards. The maximum value of LTI share awards to the CEO and CFO may not exceed 130% of their respective base salaries. The maximum value of LTI share awards for the Group President, IFCO RPC is 50% of his base salary due to his prior contract arrangements. The maximum value of LTI share awards for the Group Presidents, Pallets, Europe and North America is 100% of their respective base salaries.

In all cases, the face value (see Section 1.1) of Brambles shares is used to determine the number of LTI share awards granted.

4.3.1 LTI Share Award Performance Conditions

The performance conditions to which LTI share awards are subject are set out in Section 3.3.

4.3.2 Sales Revenue CAGR/ROCI LTI Performance Matrix for FY19-FY21[3] and FY20-22

The FY19-21 table is the sales revenue CAGR/ROCI matrix for LTI share awards made during the Year. The matrix encompasses the entire Brambles Group and the applicable Performance Period is FY19-21.

FY19-21 Sales Revenue CAGR/ROCI LTI Performance Matrix

Vesting %	ROCI		
Sales revenue CAGR[4]	16%	17.5%	19%
3%	-	20%	60%
4%	20%	40%	80%
5%	40%	60%	100%
6%	60%	80%	100%
7%	80%	100%	100%

As a policy principle, the Committee takes into account major acquisitions or divestments during a Performance Period in determining the final outcome of the sales revenue CAGR/ROCI matrix for that period. Where there are acquisitions or divestments that are not material to the overall outcome, these are excluded from any performance assessment.

Under the FY19-21 LTI Matrix, a sales revenue CAGR of 5.0% and a ROCI outcome of 17.5% would provide vesting of 60%. A half point vesting scale applies between the respective sales revenue and ROCI hurdles. For example, a sales revenue CAGR of 5.0% and a ROCI outcome of 17.0% would provide vesting of 50%.

The ROCI outcome will be the average ROCI over the three years taking into account each year's ROCI result, adding the three results together and dividing by three to obtain the ROCI average over the three-year Performance Period.

The FY20-22 sales revenue CAGR/ROCI matrix for LTI share awards that will be made in October 2019 is set out below. The matrix encompasses the Group and the applicable Performance Period is FY20-22. The targets for both the FY19-21 LTI Matrix and the FY20-22 LTI Matrix exclude the impact of AASB 16 *Leases*, which became effective for financial reporting on 1 July 2019. This has been done to provide a consistent approach for comparative purposes.

The sales revenue CAGR and ROCI targets in the FY20-22 LTI Matrix were set by the Committee, having regard to the Company's Remuneration Policy outlined in section 2 (and, particularly, aligning executive rewards with the creation of shareholder value and setting challenging performance targets), as well as Brambles' three-year plan for its strategic priorities and financial objectives. The vesting schedule is not intended to be, and should not be relied on by current or potential Brambles' shareholders, as a forecast of future performance.

The matrix continues to provide an appropriate balance between growth and returns well in excess of the cost of capital.

FY20-22 Sales Revenue CAGR/ROCI LTI Performance Matrix

Vesting %	ROCI		
Sales revenue CAGR	16.5%	18.0%	19.5%
2%	-	20%	60%
3%	20%	40%	80%
4%	40%	60%	100%
5%	60%	80%	100%
6%	80%	100%	100%

[3] Financial targets set for STI share awards, do not constitute profit forecasts and the Board is conscious that their publication may therefore be misleading. Accordingly, Brambles does not publish in advance the coming year’s financial targets for STI awards.

[4] Three-year CAGR over base year is used.

4.3.3 Performance of LTI Share Awards under the 2006 Share Plan

The tables below detail actual performance against the applicable performance condition for LTI share awards made during the five financial years indicated.

Level of Vesting of LTI Share Awards based on TSR performance

Awards made during	Performance condition	Start of Performance Period	Out-performance of median company's TSR[5]	Vesting triggered (% of original award): period to 30 June 2019
FY15	Relative TSR	1 July 2014	16.81 percentage points	0.0% LTI TSR award
FY16	Relative TSR	1 July 2015	(7.53) percentage points	0.0% LTI TSR award
FY17	Relative TSR	1 July 2016	6.94 percentage points	0.0% LTI TSR award

The following table provides similar details for awards based on TSR that have yet to be tested:

Awards made during	Performance condition	Start of Performance Period	Out-performance of median company's TSR (%)	Period to 30 June 2019: vesting if current performance is maintained until earliest testing date (% of original award)
FY18	Relative TSR (ASX100)	1 July 2017	N/A[6]	91.41% LTI TSR awards
FY18	Relative TSR (MSCI)	1 July 2017	N/A[6]	96.0% LTI TSR awards
FY19	Relative TSR (ASX100)	1 July 2018	N/A[6]	100.0% LTI TSR awards
FY19	Relative TSR (MSCI)	1 July 2018	N/A[6]	100.0% LTI TSR awards

Level of Vesting of LTI Share Awards based on Sales Revenue CAGR and BVA/ROCI performance

Awards made during	Performance condition	Start of Performance Period	Vesting triggered (% of original award): prior period and period to 30 June 2019
FY15	Sales revenue CAGR/BVA	1 July 2014	40.0% of LTI sales revenue CAGR/BVA awards
FY16	Sales revenue CAGR/BVA	1 July 2015	50.0% of LTI sales revenue CAGR/BVA awards
FY17	Sales revenue CAGR/BVA	1 July 2016	0.0% of LTI sales revenue CAGR/BVA awards

The following table provides similar details for LTI share awards for the Performance Period which has not yet expired:

Awards made during	Performance condition	Start of Performance Period	Period to 30 June 2019: vesting if current performance is maintained until earliest testing date (% of original award)
FY18	Sales revenue CAGR/ROCI	1 July 2017	85.0% LTI sales revenue ROCI awards
FY19	Sales revenue CAGR/ROCI	1 July 2018	80.0% LTI sales revenue ROCI awards

Total Level of Vesting of LTI Share Awards

The combined vesting of the two LTI share award components for 2015, 2016 and 2017 is shown below.

Awards made during	Start of Performance Period	End of Performance Period	Total vesting (TSR and sales revenue CAGR/BVA combined)
FY15	1 July 2014	30 June 2017	20.0%
FY16	1 July 2015	30 June 2018	25.0%
FY17	1 July 2016	30 June 2019	0.0%

[5] Percentage out-performance of the median company's TSR against the ASX100 Index.

[6] Performance against both the ASX100 and MSCI World Industrials indices will be based on the standard TSR ranking approach, with threshold vesting commencing at the 50th percentile and progressively vesting to full vesting at the 75th percentile.

4.4 Summary of STI and LTI Share Awards

The table below contains details of the STI and LTI awards granted in which former or current Disclosable Executives have unvested and/or unexercised awards that could affect remuneration in this or future reporting periods. STI and LTI share awards do not have an exercise price and carry no dividend or voting rights. The LTI share awards described as LTI TSR awards vest on the third anniversary of their grant date, subject to continued employment and meeting the relevant TSR performance condition set out in Section 3.3. The LTI share awards described as LTI BVA and LTI ROCI vest on the third anniversary of their grant date, subject to continued employment and meeting a sales revenue CAGR and BVA or sales revenue CAGR and ROCI performance condition set out in Section 3.3.

Details pertaining to Brambles' employee share plan, MyShare, are in Section 5.

Performance share plan awards	Vesting condition
STI awards	100% vesting based on continuous employment
LTI TSR awards	50% vesting if TSR is equal to the median ranked company 100% vesting if 25% above the median ranked company
FY16-FY18 LTI BVA award	20% vesting occurs if CAGR is 5% and BVA is US$700m over three-year period 100% vesting occurs if CAGR is 7% and BVA is US$1,000m over three-year period
FY17-FY19 LTI BVA award	20% vesting occurs if CAGR is 5% and BVA is US$950m over three-year period 100% vesting occurs if CAGR is 7% and BVA is US$1,350m over three-year period
FY18-FY20 LTI ROCI award	30% vesting occurs if CAGR is 4% and ROCI is 15% over three-year period 100% vesting occurs if CAGR is 6% and ROCI is 18% over three-year period
FY19-21 LTI ROCI award	20% vesting occurs if CAGR is 4% and ROCI is 16% over three-year period 100% vesting occurs if CAGR is 6% and ROCI is 19% over three-year period

The terms and conditions of each grant of STI and LTI share awards affecting remuneration of Disclosable Executives in this or future reporting periods are outlined in the table below. Awards granted under the plans do not have an exercise price and carry no dividend or voting rights. The STI awards vest on the second anniversary of their grant date, subject to continued employment. The LTI share awards described as LTI TSR awards vest on the third anniversary of their grant date, subject to continued employment and meeting the relevant TSR performance condition set out in Section 3.3. The LTI share awards described as LTI BVA and LTI ROCI vest on the third anniversary of their grant date, subject to continued employment and meeting a sales revenue CAGR and BVA or sales revenue CAGR and ROCI performance condition set out in Section 3.3.

Performance Share Plan Awards	Grant date	Expiry date	Value at grant	Status/vesting date
LTI TSR/LTI 15-17 BVA	25 September 2014	25 September 2020	A$8.83 (BVA) / A$5.00 (TSR)	40% (BVA) 0% (TSR) vested on 25 September 2017
STI/LTI TSR/LTI 16-18 BVA	25 September 2015	25 September 2021	A$9.17 (STI) / A$8.91 (BVA) / A$4.07 (TSR)	STI - 100% vested on 25 September 2017 LTI - 25 September 2018
STI (Sign-on)	2 November 2015	2 November 2021	A$10.31 (STI)	STI - 100% vested on 2 January 2018
STI/LTI TSR/LTI 17-19 BVA	2 September 2016 10 October 2016 6 March 2017	2 September 2022	A$11.50 (STI) / A$11.20 (BVA)/ A$4.91 (TSR)	STI - 2 September 2018 LTI - 2 September 2019
STI/LTI TSR/LTI 18-20 ROCI	23 October 2017	23 October 2023	A$8.77 (STI) / A$8.51 (ROCI) / A$3.44 (TSR-ASX) A$3.50 (TSR - MSCI)	STI - 23 October 2019 LTI - 23 October 2020
STI/LTI TSR/LTI 19-21 ROCI	2 September 2018	2 September 2024	A$10.33 (STI) / A$10.02 (ROCI) / A$6.74 (TSR-ASX) / A$7.32 (TSR-MSCI)	STI - 2 September 2020 LTI - 2 September 2021

5. Employee Share Plan

Brambles' employee share plan, MyShare, was launched in October 2008 and was developed as a vehicle to encourage share ownership and retention across the Group. Employees may buy up to A$5,000 of shares each year (Acquired Shares), which the Company matches (Matching Shares) on a one-for-one basis after a two-year qualifying period. There is automatic vesting of Matching Shares on the second anniversary of the first acquisition. In FY20, the maximum contribution will be increased to A$6,000 to support increased employee share ownership and encourage higher levels of employee engagement. The A$5,000 maximum contribution had been in place since the inception of the plan in 2009.

In 2020, MyShare will be offered to an additional 19 countries. Together with the 41 countries that Brambles currently offers MyShare, these additional countries makes MyShare a global all-employee share plan. For the 2020 MyShare plan onwards, all permanent employees of Brambles, in any country of the world, will be eligible to join the plan.

Under the MyShare programme, Brambles has over 4,445 participants who held 3,904,866 Brambles shares in total at 30 June 2019.

Disclosable Executives are eligible to participate in MyShare. Shares obtained by Disclosable Executives through MyShare are included in Section 6.7. Matching Shares allocated but not yet vested are shown in Sections 6.6 and 6.8.

During the Year, 898,318 Brambles shares were purchased on-market under the MyShare Plan, being the Acquired Shares purchased by participants in that plan, at an average price of A$11.15 per share. The accounting share value at grant ranged from A$11.36 to A$12.26 (up to 30 June 2019) based on the monthly share price value. For further details of the share grant values, refer to Note 20 of the Financial Report.

The terms and conditions of each grant of Matching Shares affecting remuneration in this or future reporting periods are outlined in the table below. Share rights granted under the plans do not have an exercise price and carry no dividend or voting rights.

Plan	Grant date	Expiry date	Value at grant	Matching Shares/vesting date
MyShare 2017[7]	Each month from 31 March 2017 to 28 February 2018	1 April 2019	Values range per month from A$8.58 to A$9.97	100% vested on 1 April 2019
MyShare 2018[8]	Each month from 31 March 2018 to 28 February 2019	1 April 2020	Values range per month from A$8.47 to A$11.18	31 March 2020
MyShare 2019[9]	Each month from 31 March 2019 to 31 July 2019	1 April 2021	Values range per month from A$11.36 to A$12.44	31 March 2021

[7] The Matching Shares granted under MyShare vest on 1 April 2019 (as 31 March 2019 is a non-trading day), subject to continuing employment and the retention of the associated Acquired Shares. On vesting they are automatically exercised.

[8] The Matching Shares granted under MyShare vest on 31 March 2020, subject to continuing employment and the retention of the associated Acquired Shares. On vesting they are automatically exercised.

[9] The plan "2018 MyShare" ends on 29 February 2020. For FY19 reporting purposes, data is only available up to 31 July 2019. The remaining information will be reported in the 2020 Annual Report. The Matching Shares granted under MyShare vest on 31 March 2021, subject to continuing employment and the retention of the associated Acquired Shares. On vesting they are automatically exercised.

6. Executive Directors and Disclosable Executives

6.1 Executive Director Changes
There were no changes to Executive Directors during the Year, with Graham Chipchase as Chief Executive Officer and Nessa O'Sullivan as Chief Financial Officer.

6.2 Other Disclosable Executive Changes
In addition to Brambles' Executive Directors, the following executives comprise current Key Management Personnel:

- Laura Nador, President, CHEP Pallets, North America; and
- Michael Pooley, President, CHEP Pallets, Europe.

There have been no changes to the Key Management Personnel after the reporting date and before the date of signing this report. Wolfgang Orgeldinger, Group President, RPCs was a Key Management Personnel during the period 1 July 2018 to 31 May 2019, when he left Brambles due to the sale of the IFCO RPC business.

6.3 Service Contracts
Graham Chipchase and Nessa O'Sullivan are on continuing contracts, which may be terminated without cause by the employer giving 12 months' notice or by the employee giving six months' notice, with payments in lieu of notice calculated by reference to annual base salary.

Michael Pooley and Laura Nador are on continuing contracts, which may be terminated without cause by the employer giving six months' notice or by the employee giving six months' notice, with payments in lieu of notice calculated by reference to annual base salary.

These standard service contracts state that any termination payments made would be reduced by any value to be received under any new employment and are subject to limits imposed under Australian law.

Details of Disclosable Executives' salaries are shown in table 6.3.1.

6.3.1 Contract Terms for Disclosable Executives

Name and role(s)	Base salary at 30 June 2018	Base salary at 30 June 2019
Disclosable Executives		
G Chipchase, Chief Executive Officer	£1,133,000	£1,163,000
N O'Sullivan, Chief Financial Officer	£635,000	£650,000
L Nador, President, CHEP Pallets, North America	US$415,000	US$435,000
M Pooley, President, CHEP Pallets, Europe	£317,000	£360,000
Former Disclosable Executive		
W Orgeldinger, Group President, RPCs	€670,000	€750,000[10]

Mr Pooley's salary increase included an adjustment to his salary that eliminated a contractually agreed allowance.

6.4 Mr Orgeldinger's Arrangements Relating to the IFCO Sale
In 2018, when the Board announced its decision to separate the IFCO RPC business by way of a sale or demerger, retention incentive arrangements were agreed with Mr Orgeldinger to provide business leadership throughout the sale or demerger process and continuity for a period after the process completed. Part of those retention incentives included an increase in Mr Orgeldinger's salary, which took effect on 1 June 2019, after he left Brambles' employment.

The retention incentive arrangements comprised two components, a fixed component and a variable component, each to the value of €1,000,000.

The fixed component was only payable if Mr Orgeldinger remained an employee of the Group and a sale or demerger took place during the 2019 calendar year. The variable component was based 70% on IFCO's financial performance against Underlying Profit and cash flow targets; 10% on finding a suitable successor to his role; and 20% based on Mr Orgeldinger's performance through the sale or demerger process.

In addition, Mr Orgeldinger was provided with a retention payment of €1,350,000, which was contingent on him remaining as CEO of IFCO for a minimum of 12 months after the completion date of the sale or demerger. His retention was regarded as critical to providing the best sale offering to a potential new owner. As part of the IFCO sale, Mr Orgeldinger's base salary was increased in June 2019 to €900,000 at the time of completion of the sale.

All of the above payments are payable by IFCO Systems Management GmbH.

[10] Wolfgang Orgeldinger's base salary reflects his salary at the IFCO sale date of 31 May 2019.

6.5 Total Remuneration & Benefits for the Year

The purpose of the table below is to enable shareholders to understand the actual remuneration received by Disclosable Executives. The table provides a summary of the actual remuneration, before equity, received or receivable by the Disclosable Executives for the Year, together with prior year comparatives. Income derived from the vesting of shares during the Year has been included below as "Actual share income". The value shown is the market value at the time the income became available to the executive. These awards were granted in prior financial years and vested in September 2018.

Theoretical accounting values for unvested share awards are shown in Section 8.4; those values are a statutory disclosure requirement. Unvested share awards may result in "Actual share income" in future years and, if so, the income will be reported in the table below in the Remuneration Report for the relevant year.

Please note that the FY18 amounts shown for Laura Nador reflect part-year amounts relating to the dates of her commencement as a Disclosable Executive.

US$'000	Short-term employee benefits				Post-employment benefits	Other			Actual share income	
Name	Year	Cash / salary / fees	Cash bonus	Non-monetary benefits[11]	Super-annuation	Termination / sign-on payments / retirement benefits	Other[12]	Total before equity	STI/LTI MyShare awards	Total
Executive Directors										
G Chipchase[13]	**FY19**	**1,732**	**817**	**12**	**-**	**-**	**10**	**2,571**	**5**	**2,576**
	FY18	1,753	674	19	-	-	14	2,460	-	2,460
N O'Sullivan[13]	**FY19**	**980**	**501**	**4**	**-**	**-**	**1**	**1,486**	**1**	**1,487**
	FY18	1,064	389	41	20	-	-	1,514	1	1,515
Current Disclosable Executives										
L Nador[13]	**FY19**	**448**	**104**	**8**	**57**	**-**	**18**	**635**	**109**	**744**
	FY18	216	40	1	10	-	8	275	43	318
M Pooley[13]	**FY19**	**482**	**126**	**17**	**66**	**-**	**2**	**693**	**120**	**813**
	FY18	495	159	14	63	-	2	733	57	790
Former Disclosable Executive										
W Orgeldinger[13,14]	**FY19**	**769**	**460**	**31**	**7**	**-**	**4**	**1,271**	**596**	**1,867**
	FY18	801	492	40	9	-	6	1,348	487	1,835
Totals	**FY19**	**4,411**	**2,008**	**72**	**130**	**-**	**35**	**6,656**	**831**	**7,487**
	FY18	4,329	1,754	115	102	-	30	6,330	588	6,918

[11] Non-monetary benefits include annual medical assessment and tax support.

[12] Other includes health and salary continuance insurance.

[13] The year-on-year comparison of remuneration is affected by the movement of exchange rates from A\$1=US\$0.7726, €1=US\$1.1950 and £1=US\$1.3465 for FY18 and A\$1=US\$0.7145, €1=US\$1.1404 and £1=US\$1.2943 for FY19.

[14] For Wolfgang Orgeldinger, FY19 reflects a partial year up to the IFCO sale on 31 May 2019. The cash bonus column contains the pro-rated STI amount reflecting the 11 months up to 31 May 2019.

Directors’ Report – Remuneration Report

6.6 Equity-Based Awards

The following table shows details of equity-based awards made to Disclosable Executives during the Year. STI and LTI share awards were made under the PSP, the terms and conditions of which are set out in Section 3. MyShare Matching Shares were made under MyShare, the terms and conditions of which are set out in Section 5. Approval for the issue of the STI and LTI share awards granted to Graham Chipchase and Nessa O'Sullivan was obtained under ASX Listing Rule 10.14.

Name	Type of award	Number	Value at grant US$'000[15]
Executive Directors			
G Chipchase	STI	83,481	645
	LTI	245,565	1,897
	MyShare Matching Shares	465	4
	Totals	**329,511**	**2,546**
N O'Sullivan	STI	48,121	372
	LTI	137,629	1,063
	MyShare Matching Shares	465	4
	Totals	**186,215**	**1,439**
Current Disclosable Executives			
L Nador	STI	10,486	81
	LTI	53,733	415
	MyShare Matching Shares	475	4
	Totals	**64,694**	**500**
M Pooley	STI	19,735	152
	LTI	52,849	408
	MyShare Matching Shares	465	4
	Totals	**73,049**	**564**
Former Disclosable Executive			
W Orgeldinger	STI	61,912	478
	LTI	50,381	389
	MyShare Matching Shares	328	3
	Totals	**112,621**	**870**

[15] The total value of the relevant equity award(s) is valued as at the date of grant using the methodology set out in Section 1.1. The minimum possible future value of all awards yet to vest is zero and is based on the performance/service conditions not being met. The maximum possible future value of awards yet to vest is equal to the value at grant.

6.7 Shareholdings

The following table shows details of Brambles Limited ordinary shares in which the Disclosable Executives held relevant interests, being issued shares held by them and their related parties.[16,17]

Ordinary shares	Balance at the start of the Year	Changes during the Year	Balance at the end of the Year
Executive Directors			
G Chipchase	31,945	777	32,722
N O'Sullivan	378	502	880
Current Disclosable Executives			
L Nador	5,728	8,887	14,615
M Pooley	1,298	794	2,092
Former Disclosable Executive			
W Orgeldinger	2,162	953	3,115

6.8 Interests in Share Rights[18]

The following table shows details of rights over Brambles Limited ordinary shares in which the Disclosable Executives held relevant interests: being STI and LTI share awards made on 23 September 2013, 25 September 2014, 25 September 2015, 2 November 2015, 2 September 2016, 10 October 2016, 6 March 2017, 23 October 2017 and 2 September 2018 under the PSP; and Matching Shares, being conditional rights awarded during the Year under MyShare.[19,20,21]

	Balance at the start of the Year	Granted during the Year	Exercised during the Year	Lapsed during the Year	Balance at the end of the Year	Vested and exercisable at the end of the Year	Value at exercise
Name	Number	Number	Number	Number	Number	Number	US$'000
Executive Directors							
G Chipchase	454,789	329,511	(546)	-	783,754	-	5
N O'Sullivan	273,597	186,215	(44)	-	459,768	-	-
Current Disclosable Executives							
L Nador	83,656	64,694	(14,076)	-	134,274	-	109
M Pooley	108,080	73,049	(548)	-	180,581	14,927	5
Former Disclosable Executive							
W Orgeldinger	431,222	112,621	(231,047)	(96,073)	216,723	3,703	1,918

[16] On 31 July 2019, the following Disclosable Executives acquired ordinary shares under MyShare, which are held by Sargon CT Pty Ltd: G Chipchase (31), N O'Sullivan (31), L Nador (30) and M Pooley (31).
On 31 July 2019, the following Disclosable Executives received Matching Awards under MyShare: G Chipchase (31), N O'Sullivan (31), L Nador (30) and M Pooley (31).

[17] L Nador, N O'Sullivan, W Orgeldinger and M Pooley: All of their shares are held by Sargon CT Pty Ltd.
G Chipchase: Of which 17,200 shares are held by Rathbones Nominees Ltd, 14,000 shares are held by Rathbones Investment Management Ltd and 777 shares are held by Sargon CT Pty Ltd.

[18] Of the awards detailed in Section 4.3 and Section 5, the following plans' items are relevant to Disclosable Executives: G Chipchase, N O'Sullivan, L Nador, W Orgeldinger, M Pooley (STI, LTI TSR, LTI 17-19 BVA, LTI 18-20 ROCI, LTI 19-21 ROCI, MyShare 2017 and 2018); G Chipchase, N O'Sullivan, L Nador, M Pooley (MyShare 2019); W Orgeldinger (LTI 14-16 BVA, LTI 15-17 BVA, LTI 16-18 BVA); and M Pooley (STI sign-on awards).
Lapses occurred for: W Orgeldinger (LTI TSR / LTI 15-17 BVA / LTI 16-18 BVA / LTI 17-19 BVA / LTI 18-20 ROCI / LTI 19-21 ROCI).
Exercises occurred for: G Chipchase, N O'Sullivan, L Nador, W Orgeldinger, M Pooley (MyShare 2017); and W Orgeldinger (MyShare 2018).

[19] Of the rights exercised during the Year, no monies were paid or payable on exercise. The shares issued on exercise of share rights are fully paid up.

[20] During the Year, 2,397,324 equity-settled performance share rights were granted under the PSP, of which 329,046 were granted to G Chipchase and 185,750 were granted to N O'Sullivan. 898,318 Matching Awards were granted under MyShare during the Year, of which 465 were granted to G Chipchase and 465 were granted to N O'Sullivan. Approval for these issues of securities to G Chipchase and N O'Sullivan was obtained under ASX Listing Rule 10.14.

[21] "Lapse" in this context means that the awards were forfeited due to either the applicable service or performance conditions not being met.

7. Non-Executive Directors’ Disclosures

7.1 Non-Executive Directors’ Remuneration Policy

The Chairman’s fees are determined by the Remuneration Committee and the other Non-Executive Directors’ fees are determined by the Chairman and Executive Directors. In setting the fees, advice is sought from external remuneration advisors on the appropriate level of fees, taking into account the responsibilities of Non-Executive Directors in dealing with the complexity and global nature of Brambles’ affairs and the level of fees paid to Non-Executive Directors in comparable companies.

All Non-Executive Directors’ fees are set in Australian dollars and paid in local currencies.

Brambles’ base fees for Non-Executive Directors are set with reference to the comparator group of companies referred to in Section 2, which is consistent with Brambles’ policy on executive pay.

There has been no increase in Chairman and Non-Executive Director fees since 1 July 2016. There will not be any increase in base fees for the Chairman or Non-Executive Directors for FY20.

The annual review of Non-Executive Directors' fees carried out during the Year, did, however, indicate that Committee member fees should be increased to provide continuing market competitiveness and to retain and attract top level directors.

The review recommended an increase in the supplement for Audit and Remuneration Committee members from A$10,000 to A$25,000. The increase was effective from 1 July 2019 and brings the payment in line with the Australian market.

The fees for the Chairman and Non-Executive Directors are as follows:

- Chairman: A$627,000; and
- Non-Executive Directors: A$209,000.

The following travel allowances and Committee member fees were also not increased during the Year:

- Supplement for Audit Committee Chairman: A$50,000;
- Supplement for Remuneration Committee Chairman: A$40,000; and
- Travel allowance per long-haul flight: A$5,000.

As indicated above, the Supplement for Audit and Remuneration Committee members was increased from A$10,000 to A$25,000 with effect from 1 July 2019.
(The above supplemental Committee fees do not apply to the Board Chairman.)

The next fee review will take effect from 1 July 2020.

In 2019, the Board also determined that a fee supplement be paid to Non-Executive Director members of the IFCO Due Diligence Committee (IFCO DDC) of A$10,000 for the Chair of the IFCO DDC (Brian Long) and A$5,000 for Non-Executive Director member (Scott Perkins) of the IFCO DDC.

7.2 Non-Executive Directors’ Appointment Letters

Non-Executive Directors are appointed for an unspecified term but are subject to election by shareholders at the first AGM after their initial appointment by the Board. The Corporate Governance Statement, available on Brambles’ website, contains details of the process for appointing and re-electing Non-Executive Directors and of the years in which the Non-Executive Directors are next due for re-election by shareholders.

Letters of appointment for Non-Executive Directors, which are contracts for service but not contracts of employment, have been put in place. These letters confirm that Non-Executive Directors have no right to compensation on the termination of their appointment for any reason, other than for unpaid fees and expenses for the period actually served.

Non-Executive Directors do not participate in the PSP or MyShare plans.

7.3 Non-Executive Directors’ Shareholdings

As a guideline, Non-Executive Directors are encouraged to hold shares in Brambles equal to their annual fees after tax within three years of their appointment.

The following table contains details of Brambles Limited ordinary shares in which Non-Executive Directors held relevant interests, being issued shares held by them and their related parties:[22]

Ordinary shares	Balance at the start of the Year	Changes during the Year	Balance at the end of the Year
Current Non-Executive Directors			
G El-Zoghbi	35,000	-	35,000
E Fagan	-	20,000	20,000
A G Froggatt	14,890	-	14,890
D P Gosnell	22,910	-	22,910
T Hassan	15,000	-	15,000
S P Johns	59,721	1,328	61,049
B J Long	24,000	-	24,000
J R Miller	-	-	-
S R Perkins	20,000	-	20,000
Former Non-Executive Director			
S C H Kay	18,877	-	18,877

[22] G El-Zoghbi: Held by The George El-Zoghbi Trust Agreement on behalf of George El-Zoghbi. E Fagan: Held by LG Vestra, Bank of New York Mellon on behalf of Elizabeth Fagan.
A G Froggatt: Of which 7,000 shares were held by Christine Joanne Froggatt and 7,890 shares were held by Anthony Grant Froggatt.
D P Gosnell: Held by Charles Stanley & Co Australia in the name of Susan Gosnell.
T Hassan: Held by RBC Dexia Custodian on behalf of Tahira Hassan.
S P Johns: Of which 38,713 ordinary shares held by Canzak Pty Ltd and 22,336 ordinary shares held by Caran Pty Limited.
B J Long: Held by BJ and VG Long Investments Pty Limited ATF BJ Long Super Fund A/C.
S R Perkins: Held by Perkins Family Super Pty Ltd ATF Perkins Family S/F A/C.
S C H Kay: Of which 13,977 ordinary shares held by Sarah Carolyn Kay & Simon Swaney <Carolyn Kay Super Fund A/C> and 4,900 ordinary shares held by Sarah Carolyn Hailes Kay.

Directors' Report – Remuneration Report

7.4 Non-Executive Directors' Remuneration for the Year

Fees and other benefits provided to Non-Executive Directors during the Year and the prior year are set out in Table 7.4.1 below in US dollars. The full names of the Non-Executive Directors and the dates of any changes in Non-Executive Directors during the Year are shown in the Directors' Report – Additional Information on page 49. Non-Executive Directors do not receive any share-based payments.

Any contributions to personal superannuation or pension funds on behalf of the Non-Executive Directors are deducted from their overall fee entitlements.

Table 7.4.1: Non-Executive Directors' Remuneration for the Year

US$'000		Short-term employee benefits	Post-employment benefits		
Name	Year	Directors' fees	Superannuation	Other[23]	Total[24]
Current Non-Executive Directors					
G El-Zoghbi[25]	**FY19**	**163**	**8**	**2**	**173**
	FY18	169	8	12	189
E Fagan[25]	**FY19**	**159**	**8**	**-**	**167**
	FY18	13	1	-	14
A G Froggatt[25]	**FY19**	**172**	**16**	**-**	**188**
	FY18	186	18	12	216
D P Gosnell[25]	**FY19**	**156**	**7**	**2**	**165**
	FY18	173	8	3	184
T Hassan[25]	**FY19**	**156**	**7**	**2**	**165**
	FY18	169	8	-	177
S P Johns[25]	**FY19**	**419**	**40**	**10**	**469**
	FY18	453	43	29	525
B J Long[25]	**FY19**	**185**	**18**	**-**	**203**
	FY18	193	18	12	223
J R Miller[25,26]	**FY19**	**45**	**2**	**-**	**47**
	FY18	-	-	-	-
S R Perkins[25]	**FY19**	**156**	**15**	**-**	**171**
	FY18	165	16	-	181
Former Non-Executive Director					
S C H Kay[25,27]	**FY19**	**45**	**5**	**2**	**52**
	FY18	165	16	11	192
Totals	**FY19**	**1,656**	**125**	**18**	**1,800**
	FY18	1,686	136	79	1,901

[23] Other includes car parking, tax services and Fringe Benefits Tax.

[24] None of the Non-Executive Directors received rights/awards over Brambles Limited shares during the Year, so there are no relevant share-based payment amounts for disclosure.

[25] The year-on-year comparison of remuneration is affected by the movement of exchange rates from A$1=US$0.7726, €1=US$1.1950 and £1=US$1.3465 for FY18 and A$1=US$0.7145, €1=US$1.1404 and £1=US$1.2943 for FY19.

[26] J R Miller commenced on 15 March 2019.

[27] S C H Kay retired on 23 October 2018.

8. Remuneration Governance

8.1 Remuneration Committee
The Remuneration Committee (the Committee) operates under delegated authority from Brambles' Board. The Committee's responsibilities include:

- Recommending overall Remuneration Policy to the Board;
- Recommending to the Board the overall remuneration for the CEO;
- Approving the remuneration arrangements for the other Disclosable Executives; and
- Reviewing the Remuneration Policy and individual remuneration arrangements for other senior executives.

Brambles does not have a separate Board Risk Committee, as it views risk as a matter best addressed at the Board level by all Board members. Consequently, all Remuneration Committee members have a strong understanding of any Brambles' risk issues, and reflect consideration of both Brambles' risk management framework, and any risk issues, in remuneration outcomes. The Remuneration Committee also works closely with the Audit Committee for assurance on the integrity of the financial performance outcomes underlying remuneration determination. More broadly, the Remuneration Committee considers the Group's overall performance, both financial and non-financial, in its determinations.

During the Year, members of the Committee were Tony Froggatt (Committee Chairman), Stephen Johns, Tahira Hassan and George El-Zoghbi. Jim Miller joined the Committee on 1 July 2019. Other individuals are invited to attend Committee meetings as required by the Committee. This includes members of Brambles' management team including the CEO, Group Senior Vice President of Human Resources, Group Vice President, Legal & Secretariat and Company Secretary, and Group Vice President of Remuneration & Benefits, as well as Brambles' external remuneration advisor, EY.

During the Year, the Committee held five meetings.

Details of the Committee's Charter and the rules of Brambles' executive and employee share plans can be found under Charters and Related Documents in the Corporate Governance section of Brambles' website.

When setting and reviewing remuneration levels for Disclosable Executives, the Committee considers the experience, responsibilities and performance of the individual while also taking into account data relevant to the individual's role and location as well as Brambles' size, geographic scale and complexity.

8.2 Securities Trading Policy and Incentive Awards
Brambles' Securities Trading Policy applies to share awards granted under the incentive arrangements described above. That policy prohibits designated persons (including all Disclosable Executives) from acquiring financial products or entering into arrangements that have the effect of limiting exposure to the risk of price movements of Brambles' securities. It is a term of senior executives' employment contracts that they are required to comply with all Brambles policies (including the Securities Trading Policy). Management declarations are obtained twice yearly and include a statement that executives have complied with all policies.

Section 4.4 summarises all the incentive plans under which awards to Disclosable Executives are still to vest or be exercised.

8.3 Remuneration Advisor
The Committee has appointed EY as Brambles' remuneration advisor to assist the Company with Non-Executive Director and executive remuneration matters. In performing its role, the Committee directly requests and receives information and advice from EY.

During the Year, no remuneration recommendations, as defined by the Act (Recommendations), were provided by EY. EY also provided taxation, internal audit, share awards valuation and project-related services, as well as general employee advice services, to Brambles during the Year. These services did not include a Recommendation. During the Year, the Committee reviewed the arrangement relating to the engagement of its independent, external advisor. As a result, Brambles has made arrangements to ensure that the making of any Recommendations would be free from undue influence by the Disclosable Executives to whom a Recommendation may relate.

The engagement letter entered into by Brambles and EY contains an agreed set of engagement protocols, which apply to the provision of Recommendations to Brambles. These include:

- An agreed set of pre-approved services EY may provide to Brambles' management, which excludes Recommendations;
- Any requests to EY from Brambles' management that might constitute a Recommendation are to be referred by EY to the Committee for its consideration and direction;
- EY is not permitted to provide Recommendations to Brambles' management;
- If EY provides a Recommendation, it would include with it a declaration that it has not been unduly influenced by the Disclosable Executive subject to the Recommendation;
- Representatives of EY attend Committee meetings;
- Except for the CEO, Disclosable Executives do not attend Committee meetings;
- The CEO does not attend those parts of any Committee meeting when his or her remuneration is being reviewed or discussed; and
- The Committee meets with EY without management being present, during which time any issues or questions relating to Disclosable Executives' remuneration which are not appropriate to discuss with management present, may be discussed.

8.4 Share-Based Payments – Future Potential

The table below provides annual accounting values for shares granted during years 2017-2019, which have been amortised over three years. These share awards are subject to conditions set out in Section 4. Remuneration will normally not be received as a result of the underlying share awards vesting until the conditions have been met.

US$'000			Share-based payment		
Name	Year	Total before equity	Awards	Share of total remuneration	Total
Executive Directors					
G Chipchase	**FY19**	**2,571**	**1,310**	**34%**	**3,881**
	FY18	2,460	529	18%	2,989
N O'Sullivan	**FY19**	**1,486**	**710**	**32%**	**2,196**
	FY18	1,514	227	13%	1,741
Current Disclosable Executives					
L Nador	**FY19**	**635**	**219**	**26%**	**854**
	FY18	275	118	30%	393
M Pooley	**FY19**	**693**	**284**	**29%**	**977**
	FY18	733	175	19%	908
Former Disclosable Executive					
W Orgeldinger	**FY19**	**1,271**	**1,000**	**44%**	**2,271**
	FY18	1,348	687	34%	2,035
Totals	**FY19**	**6,656**	**3,523**		**10,179**
	FY18	6,330	1,736		8,066

Directors' Report – Additional Information

The information presented in this report relates to the consolidated entity, the Brambles Group, consisting of Brambles Limited and the entities it controlled at the end of, or during the year ended, 30 June 2019 (the Year).

Principal Activities

The principal activities of the Group during the Year were the provision of supply chain logistics solutions, focusing on the provision of reusable pallets and containers, of which Brambles is a leading global provider.

Further details of the Group's activities are set out in the Operating & Financial Review on pages 6 to 22.

Notwithstanding the sale of the IFCO RPC business (see below), there were no significant changes in the nature of the Group's principal activities during the Year.

Review of Operations and Results

A review of the Group's operations and of the results of those operations are given in the Letters from the Chairman and the CEO and the Operating & Financial Review from pages 4 to 22.

Information about the financial position of the Group is included in the Operating & Financial Review and in the Five-Year Financial Performance Summary on page 126.

Significant Changes in State of Affairs

On 24 August 2018, Brambles announced its intention to pursue a separation of its IFCO RPC business by way of a demerger or a sale. The separation of IFCO RPC was completed by way of a sale on 31 May 2019 for an enterprise value of US$2.5 billion. Further details about the sale of IFCO RPC is in the Letter from the Chairman on page 4.

Other than the above, there were no significant changes to the state of affairs of the Group for the Year.

Matters since the End of the Financial Year

On 5 July 2019, Brambles repaid the US$500 million April 2020 144A bond issue using the proceeds of the sale of the IFCO RPC business. Other than that, the Directors are not aware of any matter or circumstance that has arisen since 30 June 2019 up to the date of this report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Business Strategies and Prospects for Future Financial Years

The business strategies and prospects for future financial years, together with likely developments in the operations of the Group in future financial years and the expected results of those operations known at the date of this report, are set out in the Letters from the Chairman and the CEO, and Operating & Financial Review on pages 4 to 22.

Further information in relation to such matters has not been included because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Dividends

The Directors have declared a final dividend for the Year of 14.5 Australian cents per share, which will be 30% franked. The dividend will be paid on 10 October 2019 to shareholders on the register on 12 September 2019.

On 11 April 2019, an interim dividend for the Year was paid, which was 14.5 Australian cents per share and 65% franked. On 11 October 2018, a final dividend for the year ended 30 June 2018 was paid, which was 14.5 Australian cents per share and 30% franked.

The unfranked component of each dividend paid during the Year was conduit foreign income. This means that no Australian dividend withholding tax was payable on the dividends that Brambles paid to non-resident shareholders.

Directors

The name of each person who was a Director of Brambles Limited at any time during or since the end of the Year, and the period they served as a Director during the Year, is set out below.

The qualifications, experience and special responsibilities of Directors are set out on pages 23 to 25.

Graham Andrew Chipchase	1 July 2018 to date
George El-Zoghbi	1 July 2018 to date
Elizabeth Fagan	1 July 2018 to date
Anthony Grant Froggatt	1 July 2018 to date
David Peter Gosnell	1 July 2018 to date
Tahira Hassan	1 July 2018 to date
Stephen Paul Johns	1 July 2018 to date
Sarah Carolyn Hailes Kay	1 July 2018 to 23 October 2018
Brian James Long	1 July 2018 to date
James Richard Miller	15 March 2019 to date
Nessa O'Sullivan	1 July 2018 to date
Scott Redvers Perkins	1 July 2018 to date

Secretary

Details of the qualifications and the experience of Robert Nies Gerrard, Group Vice President, Legal & Secretariat and Company Secretary of Brambles Limited, are set out on page 27.

Details of the qualifications and experience of Carina Thuaux, Deputy Company Secretary of Brambles Limited, are as follows: Carina joined Brambles in January 2014 as Assistant Company Secretary, and appointed Deputy Company Secretary and Legal Counsel in April 2018. Prior to joining Brambles, she was a solicitor with King & Wood Mallesons. She holds Bachelor of Commerce and Bachelor of Law degrees from the University of New South Wales. She is a Solicitor of the Supreme Court of New South Wales.

Indemnities

Under its constitution, to the extent permitted by law, Brambles Limited indemnifies each person who is, or has been, a Director or Secretary of Brambles Limited against any liability which results from facts or circumstances relating to the person serving or having served in the capacity of Director, Secretary, other officer or employee of Brambles Limited or any of its subsidiaries, other than:

- in respect of a liability other than for legal costs:
  - a liability owed to Brambles Limited or a related body corporate;
  - a liability for a pecuniary penalty order under section 1317G of the *Corporations Act 2001* (Cth) (Act) or a compensation order under section 1317H of the Act; or
  - a liability that is owed to someone (other than Brambles Limited or a related body corporate) and did not arise out of conduct in good faith; and
- in respect of a liability for legal costs:
  - in defending or resisting criminal proceedings in which the person is found to have a liability for which they could not have been indemnified in respect of a liability owed to Brambles Limited or a related body corporate;
  - in defending or resisting criminal proceedings in which the person is found guilty. This does not apply to costs incurred in responding to actions brought by Australian Securities & Investment Commission (ASIC) or a liquidator as part of an investigation before commencing proceedings for a Court order;
  - in defending or resisting proceedings brought by ASIC or a liquidator for a Court order if the grounds for making the order are found by the Court to be established; or
  - in connection with proceedings for relief to any persons under the Act in which the Court denies the relief.

As allowed by its constitution, Brambles Limited has provided indemnities to its Directors, Secretaries or other statutory Officers of its subsidiaries (Beneficiaries) against all loss, cost and expenses (collectively Loss) caused by or arising from any act or omission by the relevant person in performance of that person's role as a Director, Secretary or Statutory Officer.

The indemnity given by Brambles Limited excludes the following matters:

- any Loss to the extent caused by or arising from an act or omission of the Beneficiary prior to the effective date of the indemnity;
- any Loss to the extent indemnity in respect of that Loss is prohibited under the Act (or any other law);
- any Loss to the extent it arises from private or personal acts or omissions of the Beneficiary;
- any Loss comprising the reimbursement of normal day-to-day expenses such as travelling expenses;
- any Loss to the extent the Beneficiary failed to act reasonably to mitigate the Loss;
- any Loss to the extent it is caused by or arises from acts or omissions of the Beneficiary after the date the indemnity is revoked by Brambles Limited in accordance with the terms of the indemnity; and
- any Loss to the extent it is caused by or arises from any breach by the Beneficiary of the terms of the indemnity.

Insurance policies are in place to cover Directors and executive officers; however, the terms of the policies prohibit disclosure of the details of the insurance cover and the premiums paid.

Employees

The 2019 Sustainability Review, which will be available on Brambles' website in September 2019, will contain details of Brambles' performance as an employer.

Environment

Brambles' Environmental Policy is set by the Board. It applies in all countries where Brambles operates. The Environmental Policy provides that Brambles will act with integrity and respect for the community and the environment and be committed to sound environmental practice in its daily operations. It is a minimum requirement that all Brambles' operations comply with all relevant environmental laws and regulations.

Brambles has set environmental performance targets as part of its sustainability strategy. Reporting of performance against those targets will be contained in Brambles' 2019 Sustainability Review, which will be available on the Brambles website in September 2019. A copy of the complete Environmental Policy is set out in Brambles' Code of Conduct, which is available at www.brambles.com.

Occupational Health and Safety

The Board is responsible for setting Brambles' Health and Safety Policy, which states that Brambles is to provide and maintain a healthy and safe working environment and to prevent injury, illness or impairment to the health of employees, contractors, customers or the public.

Brambles has adopted a Zero Harm Charter, which sets out the vision, values and behaviours and commitment required to work safely and ensure human rights and environmental compliance is provided to all employees and, together with the complete Health and Safety Policy, is on the Brambles website at www.brambles.com.

The Chief Executive Officer, together with the Group's business unit presidents, are responsible for policy implementation and safety performance.

Health and safety performance indicators measure compliance with corporate objectives and milestones, allow assessment of progress and provide incentives for improvement. The Operating & Financial Review on page 14 sets out the performance of the Group against its principal performance indicator, the Brambles Injury Frequency Rate and provides details of a fatality at a plant in Spain. More detailed reporting on health and safety performance will be shown in the 2019 Sustainability Review, which will be available on Brambles' website in September 2019.

Directors’ Meetings

Details of Board Committee memberships are given in the Directors' biographies on pages 23 to 25. The following table shows the actual Board and Committee meetings held during the Year and the number attended by each Director or Committee member.

	Board meetings											
	Regular		Special Committees		Audit Committee meetings		Remuneration Committee meetings		Nominations Committee meetings		Nominations Committee Chair Sub-Committee meetings	
Directors	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
G A Chipchase	14	14	4	4	-	-	-	-	-	-	-	-
G El-Zoghbi	14	14	-	-	-	-	5	5	7	7	8	8
E Fagan	14	14	-	-	5	5	-	-	-	-	-	-
A G Froggatt(c)	12	14	-	-	-	-	5	5	7	7	8	8
D P Gosnell(d)	13	14	1	1	5	6	-	-	7	7	8	8
T Hassan(d)	13	14	-	-	-	-	5	5	-	-	-	-
S P Johns	14	14	3	3	-	-	5	5	7	7	8	8
B J Long	14	14	2	2	6	6	-	-	-	-	-	-
J R Miller	4	4									-	-
N O'Sullivan	14	14	4	4	-	-	-	-	-	-	-	-
S R Perkins	14	14	1	1	6	6	-	-	-	-	-	-
Former Director												
S C H Kay	5	5	-	-	2	2	-	-	-	-	-	-

a) The number of meetings attended during the period the Director was a member of the Board or relevant Committee which the Director was eligible to attend.

b) The number of meetings held while the Director was a member of the Board or relevant Committee which the Director was eligible to attend.

c) Mr Froggatt missed two unscheduled teleconference meetings which were convened at short notice.

d) Mr Gosnell missed one scheduled meeting due to illness and Ms Hassan missed a re-scheduled teleconference meeting, also due to illness.

Directors' Directorships of Other Listed Companies

The following lists the directorships held by the Directors in listed companies (other than Brambles Limited) since 30 June 2016.

Director	Listed company	Period directorship held
G A Chipchase	AstraZeneca plc	2012 to current
G El-Zoghbi	The Kraft Heinz Company	2018 to current
E Fagan	None	-
A G Froggatt	Coca-Cola Amatil Limited	2010 to May 2017
D P Gosnell	Coats Group plc	2015 to current
T Hassan	None	-
S P Johns	Goodman Group:	
	Goodman Limited	2017 to current
	Goodman Funds Management Limited	2017 to current
B J Long	Commonwealth Bank of Australia	2010 to December 2018
	OneMarket Limited	2018 to current
	Ten Network Holdings Limited	2010 to July 2016
J R Miller	The RealReal, Inc.	May 2019 to current
	Wayfair, Inc.	2016 to current
N O'Sullivan	None	-
S R Perkins	Woolworths Limited	2014 to current
	Origin Energy Limited	2015 to current

Directors' Report – Additional Information – continued

Environmental Regulation

Except as set out below, the Group's operations in Australia are not subject to any particular and significant environmental regulation under a law of the Commonwealth or a State or Territory. The operations of the Group in Australia involve the use or development of land, the use of transportation equipment and the transport of goods. These operations may be subject to State, Territory or Local government environmental and town planning regulations, or require a licence, consent or approval from Commonwealth, State or Territory regulatory bodies. There were no material breaches of environmental statutory requirements and no material prosecutions during the Year. Brambles' businesses comply with all relevant environmental laws and regulations and none were involved in any material environmental prosecutions during the Year.

The Group's operations are subject to numerous environmental laws and regulations in the other countries in which it operates. There were no material breaches of these laws or regulations during the Year.

Corporate Governance Statement

Brambles is committed to observing the corporate governance requirements applicable to publicly listed companies in Australia. The Board has adopted a corporate governance framework designed to enable Brambles to meet its legal, regulatory and governance requirements.

During the Year, the Board believes Brambles met or exceeded all the requirements of the Australian Securities Exchange Corporate Governance Council Corporate Governance Principles and Recommendations, Third Edition. Brambles' 2019 Corporate Governance Statement is on Brambles' website at brambles.com/corporate-governance-overview.

Interests in Securities

Pages 44 and 45 of the Directors' Report – Remuneration Report include details of the relevant interests of Directors, and other Group executives whose details are required to be disclosed, in shares and other securities of Brambles Limited.

Share Capital, Options and Share Rights

Details of the changes in the issued share capital of Brambles Limited and share rights and MyShare matching share rights outstanding over Brambles Limited ordinary shares at the Year end are given in Notes 19 and 20 of the Financial Report on pages 95 to 97.

No options, share rights or MyShare matching share rights over the shares of Brambles Limited's controlled entities were granted during or since the end of the Year to the date of this report.

Since the end of the Year to the date of this report, the following grants, exercises and forfeits in options, performance share rights and MyShare matching share rights over Brambles Limited ordinary shares have taken place:

- 61,607 grants under the 2019 MyShare plan offer;
- 35,852 exercises resulting in the issue of fully paid ordinary shares: 2,424 under the 2018 MyShare plan; 846 under the 2019 MyShare plan; 31,135 under the PSP STI awards; 1,447 under the PSP LTI BVA award; and
- 52,632 lapses: 14,740 under the 2018 MyShare plan; 7,805 under the 2019 MyShare plan; 30,087 under PSP STI awards.

Share Buy-Backs

On 25 February 2019, Brambles announced that, subject to completion of the sale of the IFCO RPC business, it intended to buy-back up to 159,115,225 of its ordinary shares on -market, being 10% of its lowest issued share capital in the previous 12 months. The sale of IFCO RPC completed on 31 May 2019 and Brambles commenced the on-market buy-back on 4 June 2019. Between that date and 21 June 2019, 6,039,299 ordinary shares were bought-back and cancelled for a total consideration of A$77,238,951 (US$54.1 million). The on-market buy-back was paused on 24 June 2019 as Brambles entered into a blackout period, and it will recommence on 22 August 2019.

Risk Management

A discussion of Brambles' risk profile, management and mitigation of risks can be found on pages 16 to 18 in the Operating & Financial Review and in Principle 7 of Brambles' 2019 Corporate Governance Statement, which is available on the Brambles website.

Treasury Policies

A discussion of the implementation of treasury policies and mitigation of treasury risks can be found on page 13 in the Operating & Financial Review.

Non-Audit Services and Auditor Independence

The amount of US$2.369 million was paid or is payable to PwC, the Group's auditors, for non-audit services provided during the Year by them (or another person or firm on their behalf). These services primarily related to due diligence and other financial reporting procedures associated with the dual-track separation of IFCO RPCs through a demerger or sale of that business.

The Audit Committee has reviewed the provision of non-audit services by PwC and its related practices and provided the Directors with formal written advice of a resolution passed by the Audit Committee. Consistent with this advice, the Directors are satisfied that the provision of non-audit services by PwC and its related practices did not compromise the auditor independence requirements of the Act for the following reasons: the nature of the non-audit services provided during the Year; the quantum of non-audit fees compared to overall audit fees; and the pre-approval, monitoring and ongoing review requirements under the Audit Committee Charter and the Charter of Audit Independence in relation to non-audit work.

The auditors have also provided the Audit Committee with a letter confirming that, in their professional judgement, as at 16 August 2019 they have maintained their independence in accordance with their firm's requirements, with the provisions of APES 110 – Code of Ethics for Professional Accountants and the applicable provisions of the Act. On the same basis, they also confirmed that the objectivity of the audit engagement partners and the audit staff is not impaired.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Act is set out on page 125.

Annual General Meeting

The AGM will be held at 2.00pm (AEDT) on 10 October 2019 at Ballroom 1, The Westin Sydney, 1 Martin Place, Sydney, NSW 2000.

This Directors' Report is made in accordance with a resolution of the Board.

Stephen Johns	**Graham Chipchase**
Chairman	**Chief Executive Officer**
21 August 2019	

Shareholder Information

Stock Exchange Listing
Brambles' ordinary shares are listed on the Australian Securities Exchange and are traded under the stock code "BXB".

Uncertificated Forms of Shareholding
Brambles' ordinary shares are held in uncertificated form. There are two types of uncertificated holdings:

- Issuer Sponsored Holdings: This type of holding is recorded on a subregister of the Brambles share register, maintained by Brambles. If your holding is recorded on the issuer sponsored subregister, you will be allocated a Securityholder Reference Number, or SRN, which is a unique number used to identify your holding of ordinary shares in Brambles; and
- Broker Sponsored Holdings: This type of holding is recorded on the main Brambles share register. Shareholders who are sponsored by an ASX market participant broker will be allocated a Holder Identification Number, or HIN. One HIN can relate to an investor's shareholdings in multiple companies. For example, a shareholder with a portfolio of holdings which are managed by a broker would have the same HIN for each shareholding.

American Depository Receipts
Brambles Limited shares may be traded in sponsored American Depository Receipts form in the United States.

Dividend
Shareholders may elect to receive dividend payments in Australian dollars or pounds sterling by contacting Boardroom at the address set out in Contact Information on the inside back cover of this Annual Report.

Annual General Meeting
The Brambles Limited 2019 AGM will be held at 2.00pm (AEDT) on 10 October 2019 at Ballroom 1, The Westin Sydney, 1 Martin Place, Sydney, NSW 2000.

Financial Calendar
Final Dividend 2019
Ex-dividend date – Wednesday, 11 September 2019
Record date – Thursday, 12 September 2019
Payment date – Thursday, 10 October 2019

2020 (Provisional)
Announcement of interim results – mid-February 2020
Interim dividend – mid-April 2020
Announcement of final results – mid-August 2020
Final dividend – mid-October 2020
AGM – October 2020

Company Secretaries
R N Gerrard
C Thuaux

Analysis of Holders of Equity Securities as at 31 July 2019
Substantial Shareholders
Brambles has been notified of the following substantial shareholdings:

Holder	Number of ordinary shares	% of issued ordinary share capital[1]
Blackrock Group	79,734,871	5.01
Commonwealth Bank of Australia	116,350,779	7.30
The Vanguard Group, Inc.	103,785,640	6.51

Number of Ordinary Shares on Issue and Distribution of Holdings

	Holders	Shares
1 – 1,000	33,226	15,303,834
1,001 – 5,000	30,310	69,469,156
5,001 – 10,000	4,989	35,138,218
10,001 – 100,000	2,917	60,625,538
100,001 and over	107	1,408,252,879
Total	**71,549**	**1,588,789,625**

The number of members holding less than a marketable parcel of 38 ordinary shares (based on a market price of A$13.12 on 31 July 2019) is 1,620 and they hold a total of 17,029 ordinary shares. The voting rights of ordinary shares are described on page 56.

[1] Percentages are as disclosed in substantial holding notices given to Brambles Limited.

Shareholder Information – continued

Number of Share Rights on Issue and Distribution of Holdings

	Holders	Share rights
1 – 1,000	3,023	1,029,482
1,001 – 5,000	45	128,493
5,001 – 10,000	52	370,026
10,001 – 100,000	67	2,196,518
100,001 and over	10	2,561,928
Total	**3,197**	**6,286,447**

The voting rights of performance share rights and MyShare Matching Awards are described below.

Twenty Largest Ordinary Shareholders

Name	Number of ordinary shares	% of issued ordinary share capital
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	687,014,139	43.24
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	309,655,461	19.49
CITICORP NOMINEES PTY LIMITED	106,791,531	6.72
NATIONAL NOMINEES LIMITED	98,353,687	6.19
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	36,540,301	2.30
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	30,780,773	1.94
BNP PARIBAS NOMS PTY LTD <DRP>	30,179,456	1.90
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	12,138,658	0.76
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	10,501,918	0.66
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	7,807,280	0.49
ARGO INVESTMENTS LIMITED	6,001,109	0.38
UBS NOMINEES PTY LTD	4,592,590	0.29
AMP LIFE LIMITED	4,200,582	0.26
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,881,739	0.24
SARGON CT PTY LTD <BRAMBLES - MYSHARE>	3,425,051	0.22
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	2,777,310	0.18
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS SUPER A/C>	2,677,737	0.17
CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	2,655,996	0.17
BNP PARIBAS NOMS (NZ) LTD <DRP>	2,211,231	0.14
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	2,208,277	0.14
Total holdings of 20 largest holders	**1,364,394,826**	**85.88**

Voting Rights: Ordinary Shares
Brambles Limited's constitution provides that each member entitled to attend and vote may do so in person or by proxy, by attorney or, where the member is a body corporate, by representative. The Directors may also determine that at any general meeting, a member who is entitled to attend and vote on a resolution at that meeting is entitled to a direct vote in relation to that resolution. The Directors have prescribed rules to govern direct voting, which are available at brambles.com.

On a show of hands, every member present in person, by proxy, by attorney or, where the member is a body corporate, by representative, and having the right to vote on a resolution, has one vote. The Directors have determined that members who submit a direct vote on a resolution will be excluded on a vote on that resolution by a show of hands or on a poll. The Directors have determined that votes cast by members who submit a direct vote will be included on a vote by a poll, being one vote for each ordinary share held.

Voting Rights: Share Rights
Performance share rights over ordinary shares and MyShare Matching Awards do not carry any voting rights.

Consolidated Financial Report

for the year ended 30 June 2019

INDEX **PAGE**

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2019

	Note	2019 US$m	2018 US$m[1]
Continuing operations			
Sales revenue	2	**4,595.3**	4,470.3
Other income		**150.4**	133.0
Operating expenses	3	**(4,004.8)**	(3,812.8)
Share of results of joint venture	2	**-**	(11.8)
Operating profit		**740.9**	778.7
Finance revenue		**15.3**	28.3
Finance costs		**(103.8)**	(131.7)
Net finance costs	5	**(88.5)**	(103.4)
Profit before tax		**652.4**	675.3
Tax expense[2]	6A	**(198.3)**	(121.8)
Profit from continuing operations		**454.1**	553.5
Profit from discontinued operations	9B	**1,013.6**	139.2
Profit for the year attributable to members of the parent entity		**1,467.7**	692.7
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on defined benefit pension plans		**(10.8)**	17.8
Tax benefit/(expense) on items that will not be reclassified to profit or loss	6A	**2.7**	(4.7)
		(8.1)	13.1
Items that may be reclassified to profit or loss:			
Exchange differences on translation of continuing business foreign subsidiaries	21A	**(85.0)**	(98.5)
Exchange differences released to profit[3]	9C	**32.2**	-
		(52.8)	(98.5)
Other comprehensive expense for the year		**(60.9)**	(85.4)
Total comprehensive income for the year attributable to members of the parent entity		**1,406.8**	607.3
Earnings per share (EPS) - US cents	7		
Total			
- basic		**92.1**	43.5
- diluted		**91.8**	43.4
Continuing operations[4]			
- basic		**28.5**	34.8
- diluted		**28.4**	34.7

[1] Comparatives have been restated for the IFCO divestment (refer Note 9) and changes to accounting standards (refer Note 1H).

[2] 2018 included the US$65.2 million tax benefit recognised within Significant Items relating to the US tax reform (refer Note 4).

[3] The cumulative foreign exchange loss of US$32.2 million relating to IFCO was released to profit upon divestment, and is included within the gain recognised on divestment.

[4] 2019 EPS from continuing operations declined 6.3 cents, of which 4.1 cents was due to the one-off tax benefit in 2018, 1.6 cents was due to adverse foreign exchange movements in 2019, and 1.1 cents was due to a higher 2019 Significant Items expense.

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

Consolidated Balance Sheet

as at 30 June 2019

	Note	2019 US$m	2018 US$m[1]
Assets			
Current assets			
Cash and cash equivalents	23	**1,691.3**	180.2
Term deposits	2	**411.2**	-
Trade and other receivables	10	**768.9**	1,247.0
Inventories	11	**59.8**	60.3
Other assets	12	**61.5**	70.9
Total current assets		**2,992.7**	1,558.4
Non-current assets			
Other receivables	10	**52.8**	50.4
Property, plant and equipment	13	**4,313.2**	5,139.7
Goodwill and intangible assets	14	**286.2**	1,022.8
Deferred tax assets	6C	**73.6**	38.2
Other assets	12	**11.8**	18.1
Total non-current assets		**4,737.6**	6,269.2
Total assets		**7,730.3**	7,827.6
Liabilities			
Current liabilities			
Trade and other payables	15	**1,208.5**	1,954.3
Borrowings	17	**556.8**	91.2
Tax payable		**31.7**	61.8
Provisions	16	**75.5**	65.9
Total current liabilities		**1,872.5**	2,173.2
Non-current liabilities			
Borrowings	17	**1,643.4**	2,397.1
Provisions	16	**14.8**	12.6
Retirement benefit obligations	18	**37.3**	29.7
Deferred tax liabilities	6C	**353.1**	434.9
Other liabilities	15	**1.0**	1.7
Total non-current liabilities		**2,049.6**	2,876.0
Total liabilities		**3,922.1**	5,049.2
Net assets		**3,808.2**	2,778.4
Equity			
Contributed equity	19	**6,187.4**	6,218.5
Reserves	21	**(7,322.5)**	(7,253.7)
Retained earnings	21	**4,943.3**	3,813.6
Total equity		**3,808.2**	2,778.4

[1] Refer Note 1H for details regarding restatement as a result of changes to accounting standards. The comparative period has not been restated for the divestment of IFCO.

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

Consolidated Cash Flow Statement

for the year ended 30 June 2019

	Note	2019 US$m	2018 US$m
Cash flows from operating activities			
Receipts from customers		**6,332.2**	6,582.4
Payments to suppliers and employees		**(4,675.9)**	(4,847.2)
Cash generated from operations		**1,656.3**	1,735.2
Interest received		**5.3**	14.9
Interest paid		**(92.7)**	(115.2)
Income taxes paid on operating activities		**(230.5)**	(211.9)
Net cash inflow from operating activities	23B	**1,338.4**	1,423.0
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,208.4)**	(1,138.3)
Proceeds from sale of property, plant and equipment[1]		**130.0**	139.4
Payments for intangible assets		**(21.6)**	(19.6)
Proceeds from disposal of businesses, net of costs to sell and cash disposed[2]	9D	**2,366.2**	102.2
Proceeds from joint venture loan receivable		**-**	150.0
Acquisition of subsidiaries, net of cash acquired		**-**	(3.9)
Net cash inflow/(outflow) from investing activities		**1,266.2**	(770.2)
Cash flows from financing activities			
Proceeds from borrowings		**1,060.9**	2,786.1
Repayments of borrowings		**(1,316.4)**	(3,027.0)
Net (outflow)/inflow from derivative financial instruments		**(34.8)**	26.6
Payment for term deposits	2	**(411.2)**	-
Proceeds from issues of ordinary shares		**0.2**	-
Payments for share buy-back, net of transaction costs		**(54.1)**	-
Dividends paid	8	**(328.1)**	(352.0)
Net cash outflow from financing activities		**(1,083.5)**	(566.3)
Net increase in cash and cash equivalents		**1,521.1**	86.5
Cash and deposits, net of overdrafts, at beginning of the year		**171.3**	112.7
Effect of exchange rate changes		**(2.0)**	(27.9)
Cash and deposits, net of overdrafts, at end of the year[3]	23A	**1,690.4**	171.3

[1] Includes compensation for lost pooling equipment of US$127.0 million in 2019 (2018: US$139.2 million).

[2] Proceeds from disposal includes US$2,480.4 million from the sale of IFCO, with cash received on 31 May 2019.

[3] Cash and deposits of US$1,690.4 million at 30 June 2019, include cash and cash equivalents of US$1,691.3 million and are net of overdrafts of US$0.9 million.

Cash flows for IFCO have been included up to the date of its divestment in 2019. The comparative cash flows remain unchanged.

The consolidated cash flow statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

	Note	Contributed equity US$m	Reserves US$m	Retained earnings US$m	Total US$m
Year ended 30 June 2018					
Closing balance as at 30 June 2017 as previously reported		6,201.1	(7,152.8)	3,798.4	2,846.7
Opening balance adjustment on application of AASB 15 & 9		-	-	(331.3)	(331.3)
Revised opening balance as at 1 July 2017		6,201.1	(7,152.8)	3,467.1	2,515.4
Profit for the year		-	-	692.7	692.7
Other comprehensive (expense)/income		-	(98.5)	13.1	(85.4)
Total comprehensive (expense)/income		-	(98.5)	705.8	607.3
Share-based payments:					
- expense recognised	20	-	15.9	-	15.9
- shares issued		-	(17.4)	-	(17.4)
- equity component of related tax		-	(0.5)	-	(0.5)
- transfer to retained earnings on disposal of CHEP Recycled		-	(0.4)	0.4	-
Transactions with owners in their capacity as owners:					
- dividends declared	8	-	-	(359.7)	(359.7)
- issues of ordinary shares, net of transaction costs	19	17.4	-	-	17.4
Closing balance as at 30 June 2018		6,218.5	(7,253.7)	3,813.6	2,778.4
Year ended 30 June 2019					
Closing balance as at 30 June 2018 as previously reported		**6,218.5**	**(7,255.8)**	**4,199.3**	**3,162.0**
Opening balance adjustment on application of AASB 15 & 9	1H	**-**	**2.1**	**(385.7)**	**(383.6)**
Revised opening balance as at 1 July 2018		**6,218.5**	**(7,253.7)**	**3,813.6**	**2,778.4**
Profit for the year		**-**	**-**	**1,467.7**	**1,467.7**
Other comprehensive expense - continuing business		**-**	**(85.0)**	**(8.1)**	**(93.1)**
FCTR released to profit on divestment of IFCO		**-**	**32.2**	**-**	**32.2**
Total comprehensive income		-	**(52.8)**	**1,459.6**	**1,406.8**
Share-based payments:					
- expense recognised	20	**-**	**17.1**	**-**	**17.1**
- shares issued		**-**	**(23.0)**	**-**	**(23.0)**
- equity component of related tax		**-**	**1.6**	**-**	**1.6**
- transfer to retained earnings on disposal of IFCO		**-**	**(0.1)**	**0.1**	**-**
- other		**-**	**(11.6)**	**-**	**(11.6)**
Transactions with owners in their capacity as owners:					
- dividends declared	8	**-**	**-**	**(330.0)**	**(330.0)**
- issues of ordinary shares, net of transaction costs	19	**23.0**	**-**	**-**	**23.0**
- share buy-back, net of transaction costs	19	**(54.1)**	**-**	**-**	**(54.1)**
Closing balance as at 30 June 2019		**6,187.4**	**(7,322.5)**	**4,943.3**	**3,808.2**

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

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2019

Note 1. About This Report

A) Basis of Preparation

These financial statements present the consolidated results of Brambles Limited (ACN 118 896 021) (Company) and its subsidiaries (Brambles or the Group) for the year ended 30 June 2019. These financial statements have been authorised for issue in accordance with a resolution of the Directors on 21 August 2019.

References to 2019 and 2018 are to the financial years ended 30 June 2019 and 30 June 2018, respectively.

The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). This general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the requirements of the *Corporations Act 2001*. It presents information on a historical cost basis, except for derivative financial instruments and financial assets at fair value through profit or loss.

The financial statements and all comparatives have been prepared using the accounting policies disclosed throughout the financial statements, which are consistent with the prior year except for revenue and financial instruments which have been impacted by the application of the new accounting standards (refer Note 1H).

On 25 February 2019, Brambles entered into an agreement to sell its IFCO reusable plastic containers (RPC) business, with the completion of the sale occurring on 31 May 2019. IFCO is classified as a discontinued operation. Comparative information has been reclassified, where appropriate, to enhance comparability, and has been restated for the new accounting standards (refer Note 1H).

As Brambles is a company of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relevant amounts in the financial statements and Directors' Report have been rounded to the nearest hundred thousand US dollars or, in certain cases, to the nearest thousand US dollars. Amounts in cents have been rounded to the nearest tenth of a cent.

B) Principles of Consolidation

The consolidated financial statements of Brambles include the assets, liabilities and results of Brambles Limited and all its subsidiaries. The consolidation process eliminates all intercompany accounts and transactions. The financial statements of subsidiaries are prepared using consistent accounting policies and for the same reporting period. Changes for new accounting standards (refer Note 1H) are incorporated in the financial statements of subsidiaries.

The results of subsidiaries acquired or disposed during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The trading results for business operations disposed during the year are disclosed separately as discontinued operations in the consolidated statement of comprehensive income. The amount disclosed includes any gains or losses arising on disposal.

C) Presentation Currency

Brambles uses the US dollar as its presentation currency because:

- a significant portion of Brambles' activity is denominated in US dollars; and
- the US dollar is widely understood by Australian and international investors and analysts.

D) Foreign Currency

Items included in the financial statements of each of Brambles' entities are measured using the functional currency of each entity.

Foreign currency transactions are translated into the functional currency of each entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss, except where deferred in equity as qualifying cash flow hedges, qualifying net investment hedges or where they are attributable to part of the net investment in foreign subsidiaries.

The results and cash flows of Brambles Limited and its subsidiaries are translated into US dollars using the average exchange rates for the period. Where this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, the exchange rate on the transaction date is used. Assets and liabilities of Brambles Limited and its subsidiaries are translated into US dollars at the exchange rate ruling at the balance sheet date.

Note 1. About This Report – continued

D) Foreign Currency – continued
The share capital of Brambles Limited is translated into US dollars at historical rates. Exchange differences arising on the translation of Brambles' overseas and Australian entities are recognised as a separate component of equity.

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

The principal exchange rates affecting Brambles were:

		A$:US$	€:US$	£:US$
Average	2019	0.7145	1.1404	1.2943
	2018	0.7726	1.1950	1.3465
Year end	30 June 2019	0.7005	1.1372	1.2673
	30 June 2018	0.7348	1.1564	1.3076

E) Other Income
Other income includes net gains on disposal of property, plant and equipment in the ordinary course of business, which are recognised when control of the asset has passed to the buyer. Amounts arising from compensation for irrecoverable pooling equipment are recognised only when it is probable that they will be received.

F) Critical Accounting Estimates and Judgements
In applying its accounting policies, Brambles has made estimates and assumptions concerning the future, which may differ from the related actual outcomes.

Material estimates and judgements are found in the following notes:

- Income taxes (Note 6F)
- Irrecoverable Pooling Equipment Provision (IPEP) (Note 13D)
- Impairment of goodwill (Note 14D)

G) New Accounting Standards and Interpretations Not Yet Adopted
AASB 16 *Leases* is applicable to Brambles from 1 July 2019. It requires a lessee to recognise all qualifying leases on the balance sheet in the form of a lease liability and right-of-use asset, adjusted for deferred tax. The new standard mainly impacts property and equipment leases located at offices and service centres where Brambles is the lessee. The straight-lined operating lease expense under AASB 117 *Leases* will be replaced by depreciation of the right-of-use asset and interest on the lease liability. The Group's activities as a lessor are not material hence no significant impact is expected.

The Group will adopt the following approach and practical expedients:

- the modified retrospective approach will be used on transition to AASB 16;
- the comparative period will not be restated and will continue to reflect accounting policies under AASB 117 *Leases*;
- on transition land and buildings right-of-use assets will be valued as if AASB 16 had always been applied but using the incremental borrowing rate on transition, while all remaining assets will equal the lease liability, adjusted for any prepaid or accrued lease payments recognised immediately before the date of initial application;
- on transition right-of-use assets will exclude initial direct costs and will be reduced by any existing onerous lease provisions;
- the use of hindsight will be applied when reviewing lease terms under the retrospective option;
- optional exemptions for short-term and low-value assets will be applied; and
- a country-specific discount rate will be applied to a portfolio of leases with reasonably similar characteristics.

New software has been implemented to calculate the AASB 16 adjustments. The preliminary estimate of the opening adjustment at 1 July 2019 is a lease liability between US$740 – US$760 million and a right-of-use asset between US$640 – US$660 million with the balance going through equity. Upon application of AASB 16, key balance sheet metrics such as gearing and finance ratios, as well as profit or loss metrics including earnings before interest, tax, depreciation and amortisation (EBITDA) will be impacted. The consolidated cash flow statement will also be impacted as payments for the principal portion of the lease liability will be presented within financing activities.

During 2019, Brambles entered into amendments with lenders of its major borrowing facilities to continue to apply AASB 117 for the calculation of the financial covenants post 30 June 2019. Brambles will review its financial policy during 2020 in order to align the policy with the financial reporting requirements under AASB 16.

Note 1. About This Report – continued

H) New Accounting Standards

New and amended accounting standards relevant to Brambles effective from 1 July 2018 are:

AASB 9 *Financial Instruments* addresses the recognition, classification and measurement of financial assets and liabilities; derecognition of financial instruments; introduces a new expected credit loss model for impairment of financial assets; and establishes new rules for hedge accounting.

For all eligible trade and other receivables, Brambles has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade and other receivables are grouped based on region and aging. Customers with heightened credit risk are provided for specifically based on historical default rates and forward-looking information. Customers with normal credit risk are provided for in line with a provision matrix based on aging and their associated risk. A lifecycle allowance is calculated on the remaining trade and other receivables balance based on historical bad debt levels. Where there is no reasonable expectation of recovery, balances are written off. This has increased the allowance for doubtful debts only marginally due to historically low levels of bad debt.

There has been no change to the recognition and measurement of other financial assets or liabilities, or the accounting for hedging relationships as a result of the adoption of AASB 9. The Group's financial assets are either valued at amortised cost or fair value through profit or loss (refer Note 22). The AASB 9 general hedge accounting model has been adopted which applies a forward-looking and qualitative approach to assessing hedge effectiveness and requires the Group to ensure that hedge accounting relationships are aligned with its strategy and risk management objectives.

AASB 15 *Revenue from Contracts with Customers* establishes a framework for revenue recognition. It is based on the principle that revenue is recognised when control of a good or service transfers to a customer, either over time or at a point in time, depending on when performance obligations are satisfied.

Brambles has one revenue stream, which is the provision of pooling equipment to customers for a period of time. Several fees are charged to customers including issue, transfer, transport and daily hire. The predominant billing structure for these fees is either a bundled upfront fee upon issue of pooling equipment to customers, or a daily hire fee based on the number of days the pooling equipment is used in the field by a customer. Other fees, such as transport and transfer fees, are billed when the activity occurs.

Under the previous accounting standard AASB 118 *Revenue,* revenue was recognised when the risks and rewards of ownership transferred to the customer. Thus, bundled upfront fees were recognised on issue of pooling equipment to customers, daily hire fees were recognised over time and other fees were recognised when the activity occurred. Upon application of AASB 15, the services provided by Brambles are deemed a single performance obligation relating to the provision of an end-to-end pooling solution and the performance obligation is satisfied over time. The issue and daily hire activities are not considered distinct services. Revenue previously recognised on issue is deferred and recognised over the estimated period that the pooling equipment is utilised by customers, referred to as the cycle time, which is an output method. Revenue based on the daily hire model continues to be recognised over time. Consideration that is fixed or highly probable is included in the transaction price allocated to the performance obligation. This includes issue fees, daily hire fees and bundled upfront fees. Consideration that is variable or uncertain continues to be recognised when the activity occurs.

Brambles has adopted the full retrospective approach to implement AASB 15 and AASB 9. The comparative period is restated and the cumulative effect on initial application has been adjusted through opening retained earnings at 1 July 2017. AASB 15 and AASB 9 do not have any impact on the consolidated cash flow statement. The impact on the consolidated balance sheet and consolidated statement of comprehensive income is disclosed on pages 65 and 66.

Note 1. About This Report – continued

H) New Accounting Standards – continued

Consolidated Balance Sheet impact on application

	As reported 2018 US$m	AASB 15 & 9 Adjustments US$m	Restated 2018 US$m
Assets			
Current assets			
Trade and other receivables[1]	1,257.9	(10.9)	**1,247.0**
Other current assets	311.4	-	**311.4**
Total current assets	1,569.3	(10.9)	**1,558.4**
Non-current assets			
Total non-current assets	6,269.2	-	**6,269.2**
Total assets	7,838.5	(10.9)	**7,827.6**
Liabilities			
Current liabilities			
Trade and other payables[2]	1,465.6	488.7	**1,954.3**
Other current liabilities	218.9	-	**218.9**
Total current liabilities	1,684.5	488.7	**2,173.2**
Non-current liabilities			
Deferred tax liabilities[3]	550.9	(116.0)	**434.9**
Other non-current liabilities	2,441.1	-	**2,441.1**
Total non-current liabilities	2,992.0	(116.0)	**2,876.0**
Total liabilities	4,676.5	372.7	**5,049.2**
Net assets	3,162.0	(383.6)	**2,778.4**
Equity			
Contributed equity	6,218.5	-	**6,218.5**
Reserves	(7,255.8)	2.1	**(7,253.7)**
Retained earnings	4,199.3	(385.7)	**3,813.6**
Total equity	3,162.0	(383.6)	**2,778.4**

[1] Adjustment to the allowance for doubtful debts as a result of the impact of AASB 9 *Financial Instruments*.

[2] Adjustment to deferred revenue as a result of the impact of AASB 15 *Revenue from Contracts with Customers*.

[3] Adjustment to deferred tax as a result of the impact of AASB 9 and AASB 15.

Note 1. About This Report – continued

H) New Accounting Standards – continued

Consolidated Statement of Comprehensive Income impact on application

	Pre-AASB 15[4] 2018 US$m	AASB 15 Adjustments US$m	Restated 2018 US$m
Continuing operations			
Sales revenue[5]	4,495.5	(25.2)	**4,470.3**
Other income and expenses	(3,691.6)	-	**(3,691.6)**
Operating profit	803.9	(25.2)	**778.7**
Net finance costs	(103.4)	-	**(103.4)**
Profit before tax	700.5	(25.2)	**675.3**
Tax expense[6]	(100.4)	(21.4)	**(121.8)**
Profit from continuing operations	600.1	(46.6)	**553.5**
Profit from discontinued operations	147.0	(7.8)	**139.2**
Profit for the year attributable to members of the parent entity	747.1	(54.4)	**692.7**
Other comprehensive (expense)/income for the year	(87.5)	2.1	**(85.4)**
Total comprehensive income for the year attributable to members of the parent entity	659.6	(52.3)	**607.3**
Earnings per share (US cents)			
Total			
- basic	47.0	(3.5)	**43.5**
- diluted	46.8	(3.4)	**43.4**
Continuing operations			
- basic	37.7	(2.9)	**34.8**
- diluted	37.6	(2.9)	**34.7**

[4] Balances have been restated for the divestment of IFCO.

[5] In 2019, the equivalent impact of AASB 15 is a US$10.8 million reduction to sales revenue.

[6] Tax expense of US$(21.4) million has been recognised to reflect a US$3.1 million tax benefit on reduced profit, offset by tax expense of US$(24.5) million being the impact of the USA tax rate change on deferred tax assets relating to AASB 15 deferred revenue. The impact of the US tax reform change has been offset against the previously reported US$127.9 million one-time non-cash tax benefit recognised within 2018 Significant Items (refer Note 4).

Note 2. Segment Information – Continuing Operations

Brambles' segment information is provided on the same basis as internal management reporting to the CEO.

Brambles has four reportable segments:

- CHEP North America and Latin America (CHEP Americas);
- CHEP Europe, Middle East, Africa and India (CHEP EMEA);
- CHEP Australia, New Zealand and Asia, excluding India (CHEP Asia-Pacific); and
- Corporate – corporate centre including BXB Digital. Hoover Ferguson Group (HFG) was included in the 2018 results for the corporate segment until its divestment in April 2018.

Segment performance is measured on sales revenue, Underlying Profit, Cash Flow from Operations and Return on Capital Invested (ROCI). Underlying Profit is the main measure of segment profit. A reconciliation between Underlying Profit and operating profit is set out on page 69.

Segment sales revenue is measured on the same basis as the statement of comprehensive income and in line with the new accounting standard AASB 15 *Revenue from Contracts with Customers* effective for Brambles from 1 July 2018 (refer Note 1H). Under the new accounting policy, revenue generated from the provision of pooling equipment to customers is recognised over the cycle time. Revenue is measured based on the amount of consideration Brambles expects to be entitled to, in exchange for transferring promised goods or services to a customer, net of consideration payable to customers or third parties, duties and taxes paid.

Segment sales revenue is allocated to segments based on product categories and physical location of the business unit that invoices the customer. Intersegment revenue during the period was immaterial. There is no single external customer who contributed more than 10% of Group sales revenue.

Assets and liabilities are measured consistently in segment reporting and in the balance sheet. Assets and liabilities are allocated to segments based on segment use and physical location. Cash, borrowings and tax balances are managed centrally and are not allocated to segments.

Note 2. Segment Information – Continuing Operations – continued

	Sales revenue		Cash Flow from Operations[1]	
	2019 US$m	2018 US$m	2019 US$m	2018 US$m
By operating segment				
CHEP Americas	**2,287.8**	2,179.3	**170.4**	219.1
CHEP EMEA	**1,849.1**	1,815.9	**228.0**	310.7
CHEP Asia-Pacific	**458.4**	475.1	**101.1**	110.8
Corporate[2]	**-**	-	**(67.7)**	84.2
Continuing operations	**4,595.3**	4,470.3	**431.8**	724.8

	Sales revenue	
	2019 US$m	2018 US$m
By geographic origin		
Americas	**2,287.8**	2,179.3
Europe	**1,599.7**	1,574.4
Australia	**350.8**	366.4
Other	**357.0**	350.2
Total	**4,595.3**	4,470.3

[1] Cash Flow from Operations is cash flow generated after net capital expenditure but excluding Significant Items that are outside the ordinary course of business.

[2] Cash Flow from Operations for the Corporate segment in 2018 included the receipt of the US$150.0 million HFG loan.

Note 2. Segment Information – Continuing Operations – continued

	Operating profit[3]		Significant Items before tax[4]		Underlying Profit[4]	
	2019 US$m	2018 US$m	2019 US$m	2018 US$m	2019 US$m	2018 US$m
By operating segment						
CHEP Americas	**261.3**	294.3	**(37.1)**	(40.3)	**298.4**	334.6
CHEP EMEA	**431.1**	442.8	**(10.7)**	(2.8)	**441.8**	445.6
CHEP Asia-Pacific	**118.3**	111.4	**-**	(0.3)	**118.3**	111.7
Corporate	**(69.8)**	(69.8)	**(15.0)**	(4.0)	**(54.8)**	(65.8)
Continuing operations	**740.9**	778.7	**(62.8)**	(47.4)	**803.7**	826.1

[3] Operating profit is segment revenue less segment expense and excludes net finance costs.

[4] Underlying Profit is a non-statutory profit measure and represents profit from continuing operations before finance costs, tax and Significant Items (refer Note 4). It is presented to assist users of the financial statements to better understand Brambles' business results.

Underlying Profit for the Corporate segment includes the following:

	2019 US$m	2018 US$m
Corporate costs	**(40.0)**	(42.4)
BXB Digital	**(14.8)**	(11.6)
HFG joint venture results	**-**	(11.8)
	(54.8)	(65.8)

Note 2. Segment Information – Continuing Operations – continued

	Return on Capital Invested[5]		Average Capital Invested[6]	
	2019 US$m	2018 US$m	2019 US$m	2018 US$m
By operating segment				
CHEP Americas	**15.4%**	17.6%	**1,942.6**	1,897.0
CHEP EMEA	**24.9%**	26.4%	**1,776.4**	1,689.7
CHEP Asia-Pacific	**27.9%**	25.5%	**424.5**	437.8
Corporate[7]			**(12.9)**	90.9
Continuing operations	**19.5%**	20.1%	**4,130.6**	4,115.4

5 Return on Capital Invested (ROCI) is Underlying Profit divided by Average Capital Invested. ROCI is not disclosed for the Corporate segment as this is not deemed a relevant measure for this segment. ROCI for continuing operations includes the Corporate segment.

6 Average Capital Invested (ACI) is a 12-month average of capital invested. Capital invested is calculated as net assets before tax balances, cash and borrowings but after adjustment for pension plan actuarial gains and losses and net equity-settled share-based payments.

7 HFG was divested on 12 April 2018 and the Corporate segment in 2018 included nine months' impact of HFG ACI balances. Excluding HFG, the Corporate and continuing operations ACI would have been US$124.2 million lower in 2018.

	Capital expenditure[8]		Depreciation and amortisation	
	2019 US$m	2018 US$m	2019 US$m	2018 US$m
By operating segment				
CHEP Americas	**551.1**	512.7	**257.2**	244.8
CHEP EMEA	**443.5**	428.6	**176.0**	166.6
CHEP Asia-Pacific	**65.1**	70.9	**48.7**	52.2
Corporate	**0.7**	0.3	**2.4**	0.7
Continuing operations	**1,060.4**	1,012.5	**484.3**	464.3

8 Capital expenditure on property, plant and equipment is on an accruals basis.

Note 2. Segment Information – Continuing Operations – continued

	Segment assets		Segment liabilities	
	2019 US$m	**2018 US$m**	**2019 US$m**	**2018 US$m**
By operating segment				
CHEP Americas	**2,690.6**	2,505.5	**737.1**	655.3
CHEP EMEA	**2,257.4**	2,114.9	**466.1**	470.3
CHEP Asia-Pacific	**513.2**	518.1	**79.3**	86.2
Corporate[9]	**84.3**	76.2	**37.7**	46.6
Continuing operations	**5,545.5**	5,214.7	**1,320.2**	1,258.4
Discontinued operations[10]	**-**	2,375.7	**16.9**	805.8
Total segment assets and liabilities	**5,545.5**	7,590.4	**1,337.1**	2,064.2
Cash and borrowings	**1,691.3**	180.2	**2,200.2**	2,488.3
Term deposits[11]	**411.2**	-	**-**	-
Current tax balances	**8.7**	18.8	**31.7**	61.8
Deferred tax balances	**73.6**	38.2	**353.1**	434.9
Total assets and liabilities	**7,730.3**	7,827.6	**3,922.1**	5,049.2
Non-current assets by geographic origin[12]				
Americas	**2,322.3**	2,889.1		
Europe	**1,614.4**	2,571.7		
Australia	**309.6**	304.2		
Other	**405.9**	457.9		
Total	**4,652.2**	6,222.9		

[9] Segment assets for Corporate as at 30 June 2019 include US$44.5 million deferred consideration receivable from First Reserve, relating to the former HFG investment (2018: US$41.8 million).

[10] Discontinued operations' assets and liabilities exclude cash and borrowings, term deposits and tax balances, which are not allocated by segment, and differ to amounts disclosed in Note 9A.

[11] Term deposits relate to cash deposits held with financial institutions comprising the proceeds from the divestment of IFCO. The cash deposits cannot be used for short-term liquidity purposes, have terms less than 12 months and are measured at amortised cost.

[12] Non-current assets exclude financial instruments of US$11.8 million (June 2018: US$8.1 million) and deferred tax assets of US$73.6 million (June 2018: US$38.2 million).

Note 3. Operating Expenses – Continuing Operations

	Note	2019 US$m	2018 US$m
Employment costs		**683.3**	666.1
Service suppliers:			
- transport		**1,118.1**	1,049.4
- repairs and maintenance		**778.9**	758.5
- subcontractors and other service suppliers		**309.0**	302.5
Raw materials and consumables[1]		**213.1**	202.1
Occupancy		**137.1**	137.7
Depreciation of property, plant and equipment		**467.8**	450.6
Irrecoverable pooling equipment provision expense		**127.1**	101.9
Amortisation of intangible assets		**16.5**	13.7
Net foreign exchange gains		**(1.1)**	(4.8)
Early debt repayment costs[2]	4	**11.6**	-
Other[3]		**143.4**	135.1
		4,004.8	3,812.8

1 Used primarily for the repair of pooling equipment.

2 Early debt repayment costs of US$11.6 million relate to the US$500.0 million 144A bond, which was repaid on 5 July 2019 using the IFCO sale proceeds (refer Note 4).

3 In 2019, other expenses include net losses on disposal of assets of US$21.0 million relating to asset write-offs in Latin America and US$22.0 million of asset write-offs following the divestment of IFCO. These items have been recognised within Significant Items (refer Note 4).

Note 4. Significant Items – Continuing Operations

Significant Items are items of income or expense which are, either individually or in aggregate, material to Brambles or to the relevant business segment and:
- outside the ordinary course of business (e.g. gains or losses on the sale or termination of operations, the cost of significant reorganisations or restructuring); or
- part of the ordinary activities of the business but unusual due to their size and nature.

Significant Items are disclosed to assist users of the financial statements to better understand Brambles' business results.

	2019 US$m			2018 US$m		
	Before tax	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Items outside the ordinary course of business:						
- restructuring costs[1]	**(30.2)**	**6.5**	**(23.7)**	(12.1)	2.7	(9.4)
- early debt repayment costs[2]	**(11.6)**	**-**	**(11.6)**	-	-	-
- changes in accounting estimates[3]	**-**	**-**	**-**	(35.3)	8.5	(26.8)
- risk assessment related to asset losses in Latin America[4]	**(21.0)**	**2.5**	**(18.5)**	-	-	-
- USA tax reform[5]	**-**	**-**	**-**	-	65.2	65.2
Significant Items from continuing operations	**(62.8)**	**9.0**	**(53.8)**	(47.4)	76.4	29.0

[1] Restructuring costs in 2019 relate to organisational changes of US$8.2 million and asset write-offs of US$22.0 million following and as a result of the IFCO divestment. Restructuring costs for 2018 primarily relate to the completion of the One Better Program.

[2] Early debt repayment costs of US$11.6 million relate to the US$500.0 million 144A bond which was repaid on 5 July 2019 using the IFCO sale proceeds, with associated interest savings expected to be realised in financial year 2020.

[3] Following a review of accounting estimations and methodologies in CHEP Americas, a charge of US$8.0 million was reflected in FY18 Underlying Profit and a US$35.3 million charge relating to prior year costs was reflected in Significant Items. The charges mainly relate to a change in methodology used to estimate the cost to serve in Latin America as well as the migration of the pallet format in Canada to the US standard pallet in response to customer demand.

[4] In 2019, a detailed review of people, processes and pricing was undertaken in Latin America. Following this review, customer pricing has been increased and asset recovery and asset control processes have been improved.

The improvements made have also provided additional market insights into the challenges of asset recovery in higher risk supply chains and a charge of US$21.0 million is included in Significant Items in 2019 (refer Note 3) to provide for assets transferred to these supply chains in prior years which are now recognised to be at risk of being irrecoverable. The 2019 underlying earnings reflects the increased revenue from higher pricing and increased costs due to the higher transport costs incurred in increasing asset recoveries, higher overhead investment in asset control, and increased IPEP expense to cover asset losses in higher risk supply chains. In 2019, in addition to improving asset efficiency and increasing pricing, actions have also been taken to reduce pallet flows into higher risk areas.

[5] In January 2018, the USA Government passed the Tax Cuts and Jobs Act, which contained significant tax reform measures including a decrease in the USA federal corporate tax rate from 35% to 21%. Consequently, Brambles recognised a one-time non-cash net benefit of US$65.2 million to income tax expense during 2018, representing the estimated reduction in Brambles USA's net deferred tax liability. The amount disclosed in the prior year financial statements of US$127.9 million has been reduced by US$(24.5) million due to the impact of AASB 15 (refer Note 1H), as well as US$(38.2) million transferred to discontinued operations relating to IFCO.

Note 5. Net Finance Costs – Continuing Operations

	2019 US$m	2018 US$m
Finance revenue		
Bank accounts and short-term deposits	**6.1**	3.3
Derivative financial instruments	**6.5**	10.8
Other[1]	**2.7**	14.2
	15.3	28.3
Finance costs		
Interest expense on bank loans and borrowings	**(95.3)**	(115.5)
Derivative financial instruments	**(7.0)**	(16.1)
Other	**(1.5)**	(0.1)
	(103.8)	(131.7)
Net finance costs[2]	**(88.5)**	(103.4)

1 Other finance revenue comprises accrued interest on deferred consideration receivable from First Reserve. In 2018, other finance revenue also included interest revenue on the US$150.0 million HFG shareholder loan.

2 The IFCO disposal proceeds of US$2,480.4 million were received on 31 May 2019 and did not have a material impact on net finance costs during the year.

Finance revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Finance costs are recognised as expenses in the year in which they are incurred.

Note 6. Income Tax

	2019 US$m	2018 US$m
A) Components of Tax Expense		
Amounts recognised in the statement of comprehensive income		
Current income tax – continuing operations:		
- income tax charge	**270.6**	168.8
- prior year adjustments	**(1.6)**	(5.4)
	269.0	163.4
Deferred tax – continuing operations:		
- origination and reversal of temporary differences	**(60.2)**	30.9
- previously unrecognised tax losses	**(6.4)**	(7.6)
- tax rate change[1]	**1.0**	(76.8)
- prior year adjustments	**(5.1)**	11.9
	(70.7)	(41.6)
Tax expense – continuing operations[2]	**198.3**	121.8
Tax expense – discontinued operations (Note 9)	**58.0**	14.3
Tax expense recognised in profit or loss	**256.3**	136.1
Amounts recognised in other comprehensive income		
- on actuarial (losses)/gains on defined benefit pension plans	**(2.7)**	4.7
Tax (benefit)/expense recognised directly in other comprehensive income	**(2.7)**	4.7

[1] 2018 includes US$65.2 million relating to the US tax reform (refer Note 4).

[2] 2018 included the six month impact of the lower US tax rate. The 2019 tax expense includes the full year impact of the lower US tax rate offset by the impact of Base Erosion Anti-Abuse Tax (BEAT), which is effective for Brambles' US operations from 1 July 2018, and relates to foreign related party payments.

The income tax expense or benefit for the year is the tax payable or receivable on the current year's taxable income based on the national income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Current and deferred tax attributable to other comprehensive income are recognised in equity.

Note 6. Income Tax – continued

	2019 US$m	2018 US$m
B) Reconciliation Between Tax Expense and Accounting Profit Before Tax		
Profit before tax – continuing operations	**652.4**	675.3
Tax at standard Australian rate of 30% (2018: 30%)	**195.7**	202.6
Effect of tax rates in other jurisdictions[3]	**(10.5)**	(30.9)
Equity-accounted results of joint ventures	**-**	2.2
Prior year adjustments	**(7.8)**	5.3
Prior year tax losses written-off	**1.1**	1.2
Current year tax losses not recognised	**4.1**	5.1
Foreign withholding tax unrecoverable	**9.2**	10.1
Change in tax rates[1]	**1.0**	(76.8)
Non-deductible expenses	**12.6**	9.5
Other taxable items	**0.6**	1.7
Prior year tax losses recouped/recognised	**(6.4)**	(7.6)
Other	**(1.3)**	(0.6)
Tax expense – continuing operations	**198.3**	121.8
Tax expense – discontinued operations (refer Note 9)	**58.0**	14.3
Total income tax expense	**256.3**	136.1

[3] Includes the impact of BEAT in the US, relating to foreign payments effective 1 July 2018.

	2019 US$m		2018 US$m	
	Assets	Liabilities	Assets	Liabilities
C) Components of Deferred Tax Assets and Liabilities				
Deferred tax assets and liabilities in the balance sheet are represented by cumulative temporary differences attributable to:				
Items recognised through the statement of comprehensive income				
Employee benefits	**18.7**	**-**	14.2	-
Provisions and accruals	**37.4**	**-**	39.6	-
Losses available against future taxable income	**122.1**	**-**	161.3	-
Accelerated depreciation for tax purposes	**-**	**(531.2)**	-	(729.7)
Deferred revenue	**98.6**	**-**	112.7	-
Other	**73.5**	**(113.4)**	111.0	(119.4)
	350.3	**(644.6)**	438.8	(849.1)
Items recognised in other comprehensive income				
Actuarial losses/(gains) on defined benefit pension plans	**7.9**	**(0.3)**	7.3	(1.0)
Share-based payments	**7.2**	**-**	7.3	-
	15.1	**(0.3)**	14.6	(1.0)
Set-off against deferred tax (liabilities)/assets	**(291.8)**	**291.8**	(415.2)	415.2
Net deferred tax assets/(liabilities)	**73.6**	**(353.1)**	38.2	(434.9)

Note 6. Income Tax – continued

	2019 US$m		2018 US$m	
	Assets	Liabilities	Assets	Liabilities
D) Movements in Deferred Tax Assets and Liabilities				
At 1 July	**38.2**	**(434.9)**	42.6	(639.7)
Charged to profit or loss	**22.9**	**28.3**	6.0	79.0
(Charged)/credited directly to equity	**2.9**	**0.7**	(5.7)	(0.1)
Divestment of subsidiaries	**28.2**	**29.3**	-	(0.4)
Adoption of new accounting standards	**-**	**-**	-	116.0
Offset against deferred tax (liabilities)/assets	**(17.7)**	**17.7**	(4.6)	4.6
Foreign exchange differences	**(0.9)**	**5.8**	(0.1)	5.7
At 30 June	**73.6**	**(353.1)**	38.2	(434.9)

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, calculated using tax rates which are enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are not recognised:

- where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of temporary differences associated with investments in subsidiaries and joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for carried forward tax losses to the extent that the realisation of the related tax benefit through future taxable profits is probable. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

At reporting date, Brambles has unused tax losses of US$652.5 million (2018: US$904.3 million) available for offset against future profits. A deferred tax asset has been recognised in respect of US$492.4 million (2018: US$672.2 million) of such losses.

The benefit for tax losses will only be obtained if:

- Brambles derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- Brambles continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect Brambles in realising the benefit from the deductions for the losses.

No deferred tax asset has been recognised in respect of the remaining unused tax losses of US$160.1 million (2018: US$232.1 million) due to the unpredictability of future profit streams in the relevant jurisdictions. Tax losses of US$434.2 million (2018: US$518.9 million), which have been recognised in the balance sheet, have an expiry date between 2022 and 2038 (2018: between 2019 and 2038), however it is expected that these losses will be recouped prior to expiry. The remaining tax losses of US$58.2 million (2018: US$153.3 million), which have been recognised in the balance sheet, can be carried forward indefinitely.

Note 6. Income Tax – continued

D) Movements in Deferred Tax Assets and Liabilities – continued

At reporting date, undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised in the consolidated financial statements are US$944.4 million (2018: US$2,090.9 million). No deferred tax liability has been recognised for these amounts because Brambles controls the distributions from its subsidiaries and is satisfied that there is no liability in the foreseeable future.

The majority of the deferred tax assets and liabilities are expected to be recovered/realised beyond 12 months after the balance date.

E) Tax Consolidation

Brambles Limited and its Australian subsidiaries formed a tax consolidated group in 2006. Brambles Limited, as the head entity of the tax consolidated group, and its Australian subsidiaries have entered into a tax sharing agreement in order to allocate income tax expense. The tax sharing agreement uses a stand-alone basis of allocation. Consequently, Brambles Limited and its Australian subsidiaries account for their own current and deferred tax amounts as if they each continue to be taxable entities in their own right. In addition, the agreement provides funding rules setting out the basis upon which subsidiaries are to indemnify Brambles Limited in respect of tax liabilities and the methodology by which subsidiaries in tax loss are to be compensated.

F) Tax Estimates and Judgements

Brambles is a global Group and is subject to income taxes in many jurisdictions around the world. Significant judgement is required in determining the provision for income taxes on a worldwide basis. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Brambles recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from amounts provided, such differences will impact the current and deferred tax provisions in the period in which such outcome is obtained.

In addition, Brambles regularly assesses the recognition and recoverability of deferred tax assets. This requires judgements about the application of income tax legislation in jurisdictions in which Brambles operates. Changes in circumstances may alter expectations and affect the carrying amount of deferred tax assets. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

G) Tax Policy

Brambles Limited has a tax policy approved by the Board of Directors, which sets out the Company's approach to tax risk management and governance, tax planning, and dealing with tax authorities. The tax policy is included in Brambles Limited's Code of Conduct. In addition, Brambles Limited's Sustainability Review includes a Tax Report which comprises, amongst other things, details such as the corporate income tax paid by, and effective tax rates of, Brambles. The 2019 Tax Report is scheduled for publication in the second half of calendar year 2019 and will be posted on Brambles' website.

Note 7. Earnings Per Share

	2019 US cents	2018 US cents
Earnings Per Share (EPS)		
- basic	**92.1**	43.5
- diluted	**91.8**	43.4
From continuing operations		
- basic	**28.5**	34.8
- diluted	**28.4**	34.7
- basic, on Underlying Profit after finance costs and tax	**31.9**	33.0
From discontinued operations		
- basic	**63.6**	8.7
- diluted	**63.4**	8.7

Basic EPS is calculated as net profit attributable to members of the parent entity, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted EPS is calculated as net profit attributable to members of the parent entity, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and finance costs associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenue or expenses during the year that would result from the dilution of potential ordinary shares;

and divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Performance share rights and MyShare matching conditional rights granted under Brambles' share plans are considered to be potential ordinary shares and have been included in the determination of diluted EPS to the extent to which they are considered to be dilutive.

EPS on Underlying Profit after finance costs and tax is calculated as Underlying Profit after finance costs and tax attributable to members of the parent entity, divided by the weighted average number of ordinary shares.

Note 7. Earnings Per Share – continued

	2019 Million	2018 Million
A) Weighted Average Number of Shares During the Year		
Used in the calculation of basic earnings per share	**1,593.4**	1,591.2
Adjustment for share rights	**5.1**	5.1
Used in the calculation of diluted earnings per share	**1,598.5**	1,596.3

	2019 US$m	2018 US$m
B) Reconciliations of Profits used in Earnings Per Share Calculations		
Statutory profit		
Profit from continuing operations	**454.1**	553.5
Profit from discontinued operations	**1,013.6**	139.2
Profit used in calculating basic and diluted EPS	**1,467.7**	692.7
Underlying Profit after finance costs and tax		
Underlying Profit (Note 2)	**803.7**	826.1
Net finance costs (Note 5)	**(88.5)**	(103.4)
Underlying Profit after finance costs before tax	**715.2**	722.7
Tax expense on Underlying Profit	**(207.3)**	(198.2)
Underlying Profit after finance costs and tax	**507.9**	524.5
Which reconciles to statutory profit:		
Underlying Profit after finance costs and tax	**507.9**	524.5
Significant Items after tax (Note 4)	**(53.8)**	29.0
Profit from continuing operations	**454.1**	553.5

Note 8. Dividends

A) Dividends Paid During the Period

	Interim 2019	Final 2018
Dividend per share (in Australian cents)	14.5	14.5
Cost (in US$ million)	161.7	166.4
Payment date	11 April 2019	11 October 2018

Dividends paid during the year of US$328.1 million (2018: US$352.0 million) per the cash flow statement differ from the amount recognised in the statement of changes in equity of US$330.0 million (2018: US$359.7 million) due to the impact of foreign exchange movements between the dividend record and payment dates.

The impact of the Dividend Reinvestment Plan (DRP) for the dividend payments made in 2019 and 2018 was neutralised by on-market share buy-backs.

B) Dividend Declared after 30 June 2019

	Final 2019
Dividend per share (in Australian cents)	**14.5**
Cost (in US$ million)	**156.3**
Payment date	**10 October 2019**
Dividend record date	**12 September 2019**

As this dividend had not been declared at 30 June 2019, it is not reflected in these financial statements. A provision for dividends is only recognised where the dividends have been declared prior to the reporting date.

C) Franking Credits

	2019 US$m[1]	2018 US$m
Franking credits available for subsequent financial years based on an Australian tax rate of 30%	**30.7**	62.7

[1] The decline in franking credits available in 2019 reflects the increased franking percentage of 65% for the 2019 interim dividend compared to the 30% franking of the 2018 final dividend.

The amounts above represent the balance of the franking account as at the end of the year, adjusted for:

- franking credits that will arise from the payment of the current tax liability;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- franking credits that will arise from dividends recognised as receivable at the reporting date; and
- franking credits that may be prevented from being distributed in subsequent financial years.

The final 2019 dividend will be franked at 30%.

Note 9. Discontinued Operations

A) Divested Entities

IFCO RPC

On 25 February 2019, Brambles entered into an agreement to sell its IFCO RPC business with the completion of the sale occurring on 31 May 2019. The carrying amount of assets and liabilities relating to IFCO at divestment date were as follows:

	At date of divestment US$m	June 2018 US$m
Assets		
Cash and cash equivalents	**58.6**	20.4
Trade and other receivables	**574.3**	526.1
Property, plant and equipment	**1,083.1**	1,101.3
Goodwill and intangibles assets	**700.5**	732.5
Other assets	**43.9**	80.4
Total assets	**2,460.4**	2,460.7
Liabilities		
Trade and other payables	**843.3**	800.8
Deferred tax liabilities	**158.0**	74.4
Other liabilities	**42.7**	40.2
Total liabilities	**1,044.0**	915.4
Net assets	**1,416.4**	1,545.3

The results up until the date of divestment and in the comparative reporting period have been included within discontinued operations in the consolidated statement of comprehensive income and all related note disclosures.

Segment assets and liabilities in 2018, as disclosed in Note 2, include IFCO within discontinued operations.

Note 9. Discontinued Operations – continued

B) Results of Discontinued Operations

Financial information for discontinued operations is summarised below:

	Note	2019 US$m	2018 US$m
Sales revenue[1]		**1,010.7**	1,344.4
Other income[1]		**1.2**	1.3
Operating expenses[2,3]		**(898.8)**	(1,175.1)
Operating results (excluding profit or loss on divestments) relate to:			
- IFCO		**115.2**	178.8
- other discontinued operations		**(2.1)**	(8.2)
		113.1	170.6
Gain on divestment of IFCO before tax	9C	**959.3**	-
Loss on divestment of CHEP Recycled before tax		**-**	(8.3)
Loss on divestment of HFG before tax		**-**	(7.3)
Total operating profit for the year, including gains/(losses) on divestment		**1,072.4**	155.0
Finance costs		**(0.8)**	(1.5)
Profit before tax		**1,071.6**	153.5
Tax expense[4]		**(58.0)**	(14.3)
Profit for the year from discontinued operations		**1,013.6**	139.2
Net cash inflow from operating activities		**241.1**	289.7
Net cash outflow from investing activities[5]		**(191.4)**	(304.0)
Net cash outflow from financing activities		**(10.4)**	(4.3)
Net increase/(decrease) in cash and cash equivalents		**39.3**	(18.6)

1 Sales revenue and other income in 2018 includes US$246.6 million and US$0.2 million respectively, in relation to CHEP Recycled which was divested on 14 February 2018.

2 Operating expenses in 2018 include US$255.0 million in relation to CHEP Recycled and other discontinued operations, primarily comprising HFG which was divested on 12 April 2018.

3 Operating expenses in 2019 include US$105.7 million of depreciation and amortisation expense (2018: US$115.2 million) in relation to IFCO. Operating expenses in 2018 include US$5.4 million of depreciation and amortisation in relation to CHEP Recycled.

4 Tax expense in 2019 includes US$13.6 million tax expense in relation to the gain on divestment of IFCO and a US$44.3 million tax expense on IFCO's operating activities (2018: US$6.3 million).

5 Net cash outflow from investing activities includes intercompany cash flows related to discontinued operations. Intercompany cash flows eliminate on consolidation in Brambles' cash flow statement.

Note 9. Discontinued Operations – continued

C) Gain on Divestment of IFCO

	2019 US$m
Proceeds from sale	**2,480.4**
Less: carrying value of net assets divested	**(1,416.4)**
Less: foreign exchange loss released to profit	**(32.2)**
Less: transaction and separation costs[6]	**(72.5)**
Gain on divestment before tax	**959.3**
Tax expense	**(13.6)**
Gain on divestment after tax	**945.7**

6 Includes costs associated with foreign exchange instruments used to hedge foreign exchange exposure arising from the IFCO sale transaction.

D) Proceeds From Disposal of Businesses, Net of Costs to Sell and Cash Disposed

	2019 US$m	2018 US$m
Proceeds from sale of IFCO	**2,480.4**	-
Less: transaction and separation costs	**(72.5)**	-
Less: cash held by IFCO at date of disposal	**(58.6)**	-
Add: accrued costs not paid	**16.9**	-
Proceeds from disposal of CHEP Recycled, net of costs to sell and cash disposed	**-**	102.2
Proceeds from disposal of businesses, net of cash disposed and transaction costs	**2,366.2**	102.2

E) Significant Items – Discontinued Operations

Significant Items related to discontinued operations include:

	2019 US$m			2018 US$m		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Items outside the ordinary course of business:						
- gains/(losses) on divestment[7]	**959.3**	**(13.6)**	**945.7**	(16.2)	(4.5)	(20.7)
- USA tax reform[8]	**-**	**-**	**-**	-	35.7	35.7
- change to accounting estimates and methodology[9]	**-**	**-**	**-**	36.7	(10.7)	26.0
Significant Items from discontinued operations	**959.3**	**(13.6)**	**945.7**	20.5	20.5	41.0

7 Gains on divestment in 2019 relate to the sale of IFCO. Losses on divestment in 2018 relate to CHEP Recycled and HFG.

8 A tax benefit of US$35.7 million was recognised in 2018, comprising US$38.2 million related to the impact of the USA tax rate change (refer Note 4), offset by US$(2.5) million relating to the impact of AASB 15 on the US tax rate change.

9 Reflects a change in accounting treatment identified in 2018 to align the IFCO recognition of logistics costs with the methodology used across the Group.

Note 10. Trade and Other Receivables

	2019 US$m	2018 US$m
Current		
Trade receivables	**604.2**	1,067.0
Allowance for doubtful receivables	**(14.7)**	(26.5)
Net trade receivables	**589.5**	1,040.5
Other debtors	**77.1**	106.5
Unbilled revenue	**102.3**	100.0
Total trade and other receivables[1]	**768.9**	1,247.0
Non-current		
Other receivables[2]	**52.8**	50.4
	52.8	50.4

1 Total trade and other receivables of US$1,247.0 million in 2018, includes US$526.1 million relating to IFCO.

2 Other receivables in 2019 primarily comprises deferred consideration of US$44.5 million due from First Reserve (2018: US$41.8 million).

Trade receivables with no significant financing component are recognised when services are provided and settlement is expected within normal credit terms. Trade receivables are non-interest bearing and are generally on 30–90 day terms.

Other receivables are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost.

The allowance for doubtful receivables has been established based on the new accounting standard, AASB 9 *Financial Instruments,* effective to Brambles from 1 July 2018. Refer to Note 1H for an overview of the Brambles accounting policy applied as well as restatement of the comparative period by US$10.9 million. An allowance of US$2.0 million (2018: US$6.4 million) has been recognised as an expense in the current year for trade and other receivables in line with the Group accounting policy. When a trade receivable for which an allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Bad debts are written off when identified. Subsequent recovery of amounts previously written off are credited against other expenses in profit or loss.

Other debtors primarily comprise GST/VAT recoverable and loss compensation receivables.

Note 10. Trade and Other Receivables – continued

	Trade receivables		Other debtors	
	2019	**2018**	**2019**	**2018**
	US$m	**US$m**[3]	**US$m**	**US$m**[3]
At 30 June, the ageing analysis of trade receivables and other debtors by reference to due dates was as follows:				
Not past due	**516.7**	868.7	**50.0**	73.2
Past due 0–30 days but not impaired	**40.4**	123.2	**6.8**	10.3
Past due 31–60 days but not impaired	**13.6**	23.6	**4.9**	6.6
Past due 61–90 days but not impaired	**6.6**	9.7	**1.8**	1.0
Past 90 days but not impaired	**12.2**	15.3	**13.6**	15.4
Impaired	**14.7**	26.5	**-**	-
	604.2	1,067.0	**77.1**	106.5

[3] Includes US$505.1 million of trade receivables and US$26.1 million of other debtors in relation to IFCO.

Refer to Note 22 for other financial instruments' disclosures.

Note 11. Inventories

Raw materials and consumables	**50.0**	50.2
Finished goods	**9.8**	10.1
	59.8	60.3

Inventories on hand are valued at the lower of cost and net realisable value and, where appropriate, a provision is made for possible obsolescence.

Cost is determined on a first-in, first-out basis and, where relevant, includes an appropriate portion of overhead expenditure. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs to make the sale.

Note 12. Other Assets

Current		
Prepayments	**46.8**	46.4
Current tax receivable	**8.7**	18.8
Derivative financial instruments	**6.0**	5.7
	61.5	70.9
Non-current		
Prepayments	**-**	10.0
Derivative financial instruments	**11.8**	8.1
	11.8	18.1

Refer to Note 22 for other financial instruments' disclosures.

Note 13. Property, Plant and Equipment

A) Net Carrying Amounts and Movements During the Year

	2019 US$m			2018 US$m		
	Land and buildings	Plant and equipment	Total	Land and buildings	Plant and equipment	Total
Opening net carrying amount	**48.9**	**5,090.8**	**5,139.7**	38.6	4,822.5	4,861.1
Opening assets held for sale	**-**	**-**	**-**	5.8	17.3	23.1
Additions[1]	**8.2**	**1,208.2**	**1,216.4**	16.8	1,178.2	1,195.0
Acquisition of subsidiaries	**-**	**-**	**-**	-	1.9	1.9
Divestment of subsidiaries	**(7.4)**	**(1,075.7)**	**(1,083.1)**	(6.2)	(28.8)	(35.0)
Disposals	**-**	**(182.7)**	**(182.7)**	(0.1)	(178.2)	(178.3)
Depreciation charge[2]	**(5.1)**	**(555.2)**	**(560.3)**	(5.7)	(549.0)	(554.7)
IPEP expense[3]	**-**	**(141.2)**	**(141.2)**	-	(109.4)	(109.4)
Foreign exchange differences	**(1.3)**	**(74.3)**	**(75.6)**	(0.3)	(63.7)	(64.0)
Closing net carrying amount	**43.3**	**4,269.9**	**4,313.2**	48.9	5,090.8	5,139.7
At 30 June						
Cost	**85.8**	**6,371.1**	**6,456.9**	99.8	7,659.8	7,759.6
Accumulated depreciation[4]	**(42.5)**	**(2,101.2)**	**(2,143.7)**	(50.9)	(2,569.0)	(2,619.9)
Net carrying amount	**43.3**	**4,269.9**	**4,313.2**	48.9	5,090.8	5,139.7

1 Includes capital expenditure related to discontinued operations of US$156.0 million (2018: US$182.5 million).

2 Includes depreciation charge related to discontinued operations of US$92.5 million (2018: US$104.1 million).

3 Includes IPEP expense related to discontinued operations of US$14.1 million (2018: US$7.5 million).

4 Includes the IPEP provision of US$83.0 million (2018: US$71.5 million).

The net carrying amounts above include leasehold improvements of US$20.2 million (2018: US$17.4 million), capital work in progress of US$85.9 million (2018: US$57.9 million) and plant and equipment held under finance lease of nil in 2019 (2018: US$31.8 million).

B) Recognition and Measurement

Property, plant and equipment (PPE) is stated at cost, net of depreciation and any impairment, except land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of assets, and, where applicable, an initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to Brambles. Repairs and maintenance are expensed in profit or loss in the period they are incurred.

PPE is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any net gain or loss arising on derecognition of the asset is included in profit or loss and presented within other income/operating expenses in the period in which the asset is derecognised.

Leases are classified at their inception as either finance or operating leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. Finance leases, which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to Brambles, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, present value of the minimum lease payments, and disclosed as PPE held under lease. The lease liability is valued at amortised cost and is recognised in Note 17. Refer to Note 24B for operating leases.

Note 13. Property, Plant and Equipment – continued

C) Depreciation of Property, Plant and Equipment

Depreciation is recognised on a straight-line or reducing balance basis on all PPE (excluding land) over their expected useful lives. Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The expected useful lives of PPE are generally:

- buildings: up to 50 years;
- pooling equipment: 5–10 years; and
- other plant and equipment (owned and leased): 3–20 years.

The cost of improvements to leasehold properties is amortised over the unexpired portion of the leases, or the estimated useful life of the improvements to Brambles, whichever is shorter.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term.

D) Irrecoverable Pooling Equipment Provision

Loss is an inherent risk of pooling equipment operations. Brambles' pooling equipment operations around the world differ in terms of business models, market dynamics, customer and distribution channel profiles, contractual arrangements and operational details. Brambles monitors its pooling equipment operations using detailed key performance indicators (KPIs) and conducts audits continuously to confirm the existence and the condition of its pooling equipment assets and to validate its customer hire records. During these audits, which take place at Brambles' plants, customer sites and other locations, pooling equipment is counted on a sample basis and reconciled to the balances shown in Brambles' customer hire records. The irrecoverable pooling equipment provision (IPEP) is determined by reference to historical statistical data in each market, including the outcome of audits and relevant KPIs. IPEP is presented within accumulated depreciation.

E) Recoverable Amount of Non-Current Assets

At each reporting date, Brambles assesses whether there is any indication that an asset, or cash generating unit (CGU) to which the asset belongs, may be impaired. Where an indicator of impairment exists, Brambles makes a formal estimate of the recoverable amount. The recoverable amount of goodwill is tested for impairment annually (refer Note 14D). The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use.

Value in use is determined as the estimated future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the carrying value of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. The impairment loss is recognised in profit or loss in the reporting period in which the write-down occurs.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2019

Note 14. Goodwill and Intangible Assets

A) Net Carrying Amounts and Movements During the Year

	2019 US$m				2018 US$m			
	Goodwill	**Software**	**Other[1]**	**Total**	**Goodwill**	**Software**	**Other[1]**	**Total**
Opening carrying amount	**911.7**	**38.1**	**73.0**	**1,022.8**	907.5	41.7	78.9	1,028.1
Opening assets held for sale	**-**	**-**	**-**	**-**	33.7	-	11.4	45.1
Additions	**-**	**14.1**	**7.5**	**21.6**	-	6.6	12.1	18.7
Disposals	**-**	**(1.8)**	**-**	**(1.8)**	-	(0.2)	(0.1)	(0.3)
Acquisition of subsidiaries	**-**	**-**	**-**	**-**	2.0	-	0.3	2.3
Divestment of subsidiaries	**(667.1)**	**(3.4)**	**(30.0)**	**(700.5)**	(33.7)	-	(9.6)	(43.3)
Amortisation charge[2]	**-**	**(10.7)**	**(19.0)**	**(29.7)**	-	(9.8)	(20.4)	(30.2)
Foreign exchange differences	**(23.8)**	**(0.3)**	**(2.1)**	**(26.2)**	2.2	(0.1)	0.3	2.4
Closing carrying amount	**220.8**	**36.0**	**29.4**	**286.2**	911.7	38.2	72.9	1,022.8
At 30 June								
Gross carrying amount	**220.8**	**165.1**	**68.2**	**454.1**	911.7	169.6	230.3	1,311.6
Accumulated amortisation	**-**	**(129.1)**	**(38.8)**	**(167.9)**	-	(131.4)	(157.4)	(288.8)
Net carrying amount	**220.8**	**36.0**	**29.4**	**286.2**	911.7	38.2	72.9	1,022.8

1 Other intangible assets primarily comprise acquired customer relationships, customer lists and agreements, and BXB Digital capitalised costs.

2 Includes amortisation charge related to discontinued operations of US$13.2 million (2018: US$16.5 million).

Note 14. Goodwill and Intangible Assets – continued

B) Summary of Carrying Value of Goodwill

Goodwill is disclosed at the lowest CGU level at which it is assessed for impairment.

	2019 US$m	2018 US$m
CHEP Europe	**131.4**	134.1
CHEP Asia-Pacific	**54.7**	56.4
IFCO	**-**	685.2
Other[3]	**34.7**	36.0
Total goodwill	**220.8**	911.7

[3] Includes goodwill in a number of CGUs for which impairment reviews are performed. The goodwill within these CGUs is not material for separate disclosure.

C) Recognition and Measurement

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Brambles' share of the net identifiable assets of the acquired subsidiary or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint ventures is included in intangible assets and investments in joint ventures, respectively. Goodwill is carried at cost less accumulated impairment losses and is not amortised.

Upon acquisition, any goodwill arising is allocated to each CGU expected to benefit from the acquisition. On disposal of an operation, goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal.

Other intangible assets

Intangible assets acquired are capitalised at cost, unless acquired as part of a business combination, in which case they are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less provisions for amortisation and impairment.

The costs of acquiring computer software for internal use are capitalised as intangible non-current assets where it is used to support a significant business system and the expenditure leads to the creation of an asset.

Useful lives have been established for all non-goodwill intangible assets. Amortisation charges are expensed in profit or loss on a straight-line basis over those useful lives. Estimated useful lives are reviewed annually.

The expected useful lives of intangible assets are generally:

- customer lists and relationships: 3–20 years; and
- computer software: 3–10 years

There are no non-goodwill intangible assets with indefinite lives.

Intangible assets are tested for impairment where an indicator of impairment exists, either individually or at the CGU level.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Note 14. Goodwill and Intangible Assets – continued

D) Goodwill Recoverable Amount Testing – Continuing Operations

Brambles' business units undertake an impairment review process annually to ensure that goodwill balances are not carried at amounts that are in excess of their recoverable amounts. This review may be undertaken more frequently if events or changes indicate that goodwill may be impaired.

The recoverable amount of goodwill is determined based on the higher of the value in use and the fair value less costs to sell calculations undertaken at the CGU level. The value in use is calculated using a discounted cash flow methodology covering a three-year period with an appropriate terminal value at the end of that period.

Based on the impairment testing, the carrying amounts of goodwill in the CGUs related to continuing operations at reporting date were fully supported. The key assumptions on which management has based its cash flow projections were:

Cash flow forecasts

Cash flow forecasts are post-tax and based on the most recent financial projections covering a maximum period of three years. Financial projections are based on assumptions that represent management's best estimates.

Revenue growth rates

Revenue growth rates used are based on management's latest three-year plan. Three-year growth rates were 4.5% and 5.6% for CHEP Asia-Pacific and CHEP Europe CGUs respectively. Sensitivity testing was performed on these CGUs and a reasonably possible decline in these rates would not cause the carrying value of the CGUs to exceed its recoverable amount.

Terminal value

The terminal value calculated after year three is determined using the stable growth model, having regard to the weighted average cost of capital (WACC) and terminal growth factor appropriate to each CGU. The terminal growth rate used in the financial projections was 2.5% and 2.1% for CHEP Asia-Pacific and CHEP Europe respectively.

Discount rates (pre-tax)

Discount rates used are the pre-tax WACC and include a premium for market risks appropriate to each country in which the CGU operates. Pre-tax WACCs averaged 8.7% (pre-tax rates: CHEP Europe 7.9% and CHEP Asia-Pacific 11.7%). Average pre-tax WACC rates used for 2018 impairment reviews were 8.8% for continuing businesses.

Sensitivity

Any reasonable change to the above key assumptions would not cause the carrying value of any of the remaining CGUs to materially exceed its recoverable amount.

Note 15. Trade and Other Payables

	2019 US$m	2018 US$m
Current		
Trade payables	**420.7**	526.9
GST/VAT, refundable deposits and other payables	**147.4**	579.4
Deferred revenue	**410.8**	494.5
Accruals	**228.1**	340.0
Derivative financial instruments	**1.5**	13.5
Total trade and other payables[1]	**1,208.5**	1,954.3
Non-current		
Other liabilities	**1.0**	1.7
	1.0	1.7

1 Total trade and other payables of US$1,954.3 million in 2018 includes US$800.8 million in relation to IFCO.

Trade payables represent liabilities for goods and services provided to Brambles prior to the end of the financial year that remain unpaid at the reporting date. The amounts are unsecured, non-interest bearing and are paid within normal credit terms of 30–120 days.

Other payables (excluding derivatives) are initially measured at fair value, net of transaction costs incurred, and subsequently measured at amortised cost.

Deferred revenue primarily relates to revenue that is billed on issue of pooling equipment to customers. It is recognised in the statement of comprehensive income over the cycle time (refer Note 1H). As the cycle time is less than one year, all deferred revenue from 2018 was recognised in 2019. Deferred revenue in 2019 relates to the transaction price allocated to performance obligations that remain unsatisfied and will be satisfied in 2020.

Refer to Note 22 for other financial instruments' disclosures.

Note 16. Provisions

	2019 US$m		2018 US$m	
	Current	Non-current	Current	Non-current
Employee entitlements	**61.3**	**3.5**	55.6	3.6
Other	**14.2**	**11.3**	10.3	9.0
	75.5	**14.8**	65.9	12.6

Provisions for liabilities are made on the basis that, due to a past event, the business has a constructive or legal obligation to transfer economic benefits that are of uncertain timing or amount. Provisions are measured at the present value of management's best estimate at the balance sheet date of the expenditure required to settle the obligation. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks appropriate to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in profit or loss.

Employee entitlements are provided by Brambles in accordance with the legal and social requirements of the country of employment. Principal entitlements are for annual leave, sick leave, long service leave, bonuses and contract entitlements. Annual leave and sick leave entitlements are presented within other payables.

Note 16. Provisions – continued

Liabilities for annual leave, as well as those employee entitlements that are expected to be settled within one year, are measured at the amounts expected to be paid when they are settled. All other employee entitlement liabilities are measured at the estimated present value of the future cash outflows to be made in respect of services provided by employees up to the reporting date.

Employee entitlements are classified as current liabilities unless Brambles has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Note 17. Borrowings

	2019 US$m		2018 US$m	
	Current	Non-current	Current	Non-current
Unsecured				
Bank overdrafts	**0.9**	**-**	8.9	-
Bank loans	**28.8**	**2.6**	42.0	226.7
Loan notes[1]	**527.1**	**1,640.8**	35.2	2,154.1
Finance lease liabilities	**-**	**-**	5.1	16.3
	556.8	**1,643.4**	91.2	2,397.1

[1] Following the divestment of IFCO, an irrevocable early redemption notice was issued in June 2019 to the US$500.0 million 144A April 2020 bond holders. The bond was subsequently measured to its payout value, inclusive of accrued interest and early exit fees.

Borrowings are primarily initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the borrowing 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.

Borrowings are classified as current liabilities unless Brambles has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Finance lease payments are allocated between finance charges and a reduction of the lease liability so as to achieve a constant periodic rate of interest on the lease liability outstanding each period. The finance charge is recognised as a finance cost in profit or loss.

Financial risks and risk management strategies associated with borrowings, including financial covenants, are disclosed in Note 22.

Note 18. Retirement Benefit Obligations

A) Defined Contribution Plans

Brambles operates a number of defined contribution retirement benefit plans for qualifying employees. The assets of these plans are held in separately administered trusts or insurance policies. In some countries, Brambles' employees are members of state-managed retirement benefit plans. Brambles is required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund benefits. The only obligation of Brambles with respect to defined contribution retirement benefit plans is to make the specified contributions. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Note 18. Retirement Benefit Obligations – continued

A) Defined Contribution Plans – continued
US$20.5 million (2018: US$18.5 million) has been recognised as an expense in the statement of comprehensive income representing contributions paid and payable to these plans by Brambles at rates specified in the rules of the plans, all of which relate to continuing operations.

B) Defined Benefit Plans
Brambles operates a small number of defined benefit pension plans, which are closed to new entrants. The majority of the plans are self-administered and the plans' assets are held independently of Brambles' finances. Under the plans, members are entitled to retirement benefits based upon a percentage of final salary. No other post-retirement benefits are provided. The plans are funded plans.

A liability in respect of defined benefit pension plans is recognised in the balance sheet, measured as the present value of the defined benefit obligation at the reporting date less the fair value of the pension plans' assets at that date. Pension obligations are measured as the present value of estimated future cash flows discounted at rates reflecting the yields of high quality corporate bonds.

The plan assets and the present value of the defined benefit obligations recognised in Brambles' balance sheet are based upon the most recent formal actuarial valuations, which have been updated to 30 June 2019 by independent professionally qualified actuaries and take account of the requirements of AASB 119. For all plans, the valuation updates have used assumptions, assets and cash flows as at 31 May 2019. The present value of the defined benefit obligations and past service costs were measured using the projected unit credit method. Past service cost is recognised immediately to the extent that the benefits are already vested.

Actuarial gains and losses arising from differences between expected and actual returns, and the effect of changes in actuarial assumptions are recognised in full through other comprehensive income in the period in which they arise.

A net expense of US$6.2 million has been recognised in profit in respect of defined benefit plans (2018: US$2.3 million), of which US$5.6 million net expense relates to continuing operations (2018: US$1.7 million). Included within the total expense recognised during the year is a one-off Guaranteed Minimum Pension (GMP) equalisation adjustment of US$3.8 million and a net interest cost of US$0.3 million (2018: US$0.9 million).

The amounts recognised in the balance sheet are as follows:

	2019 US$m	**2018 US$m**
Present value of defined benefit obligations	**286.7**	271.6
Fair value of plan assets	**(249.4)**	(241.9)
Net liability recognised in the balance sheet	**37.3**	29.7

Currency variations, a decrease in the discount rate and a one-off GMP equalisation adjustment were the key drivers for the changes in the present value of defined benefit obligations and the fair value of plan assets. Benefits paid during the period were US$7.7 million (2018: US$11.8 million). The principal assumption used in the actuarial valuations of the defined benefit obligation was the discount rate of 2.4% (2018: 2.8%) for the plans operating in the United Kingdom and 9.3% (2018: 8.9%) for the South African plan. A reasonably possible change in discount rate or other key assumptions may have a material impact on the defined benefit obligation.

Brambles has no legal obligation to settle this liability with an immediate contribution or additional one-off contributions. Brambles intends to continue to make contributions to the plans at the rates recommended by the plans' actuaries when actuarial valuations are obtained. Additional annual contributions of US$6.3 million (2018: US$6.5 million) are being paid to remove the identified deficits over a period of up to nine years (2018: five years).

Note 19. Contributed Equity

	Shares	US$m
Total ordinary shares, of no par value, issued and fully paid:		
At 1 July 2017	1,589,421,794	6,201.1
Issued during the year[1]	2,479,529	17.4
At 30 June 2018	1,591,901,323	6,218.5
At 1 July 2018	**1,591,901,323**	**6,218.5**
Issued during the year[1]	**2,900,351**	**23.0**
Share buy-back[2]	**(6,039,299)**	**(54.1)**
At 30 June 2019	**1,588,762,375**	**6,187.4**

1 Includes shares issued on excerise of share plans and shares issued as part of the MyShare Dividend Reinvestment Plan.

2 As announced on 25 February 2019, Brambles will perform an on-market share buy-back of up to US$1.65 billion using the proceeds from the IFCO divestment. As at 30 June 2019, US$54.1 million of shares have been repurchased as part of the on-market share buy-back.

Ordinary shares are classified as contributed equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of Brambles' own equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds of issue.

Ordinary shares of Brambles Limited entitle the holder to participate in dividends and the proceeds on any winding up of the Company in proportion to the number of shares held.

Note 20. Share-Based Payments

The Remuneration Report sets out details relating to the Brambles share plans (pages 39 to 40), together with details of performance share rights and MyShare matching conditional rights issued to the Executive Directors and other Key Management Personnel (pages 43 to 44). Rights granted by Brambles do not result in an entitlement to participate in share issues of any other corporation.

Set out below are summaries of rights granted under the plans.

A) Grants over Brambles Limited Shares

Grant date	Expiry date	Balance at 1 July	Granted during the year	Exercised during year	Forfeited / lapsed during year	Balance at 30 June
2019						
Performance share rights						
Awards granted in prior periods		5,978,267	-	(1,962,515)	(990,628)	3,025,124
27 Aug 2018	27 Aug 2024	-	1,880	-	-	1,880
02 Sep 2018	02 Sep 2024	-	2,339,823	(10,974)	(140,381)	2,188,468
03 Sep 2018	03 Sep 2024	-	38,208	-	-	38,208
24 Sep 2018	24 Sep 2024	-	22,409	(12,805)	-	9,604
MyShare matching conditional rights						
2017 Plan Year	31 Mar 2019	821,885	-	(764,817)	(57,068)	-
2018 Plan Year	31 Mar 2020	337,849	627,616	(76,398)	(105,083)	783,984
2019 Plan Year	31 Mar 2021	-	270,702	(930)	(7,443)	262,329
Total rights		**7,138,001**	**3,300,638**	**(2,828,439)**	**(1,300,603)**	**6,309,597**
2018 (summarised comparative)						
Total rights		7,688,535	3,350,974	(2,380,350)	(1,521,158)	7,138,001

Of the above grants, 193,582 were exercisable at 30 June 2019.

		2019	2018
Weighted average data:			
- fair value at grant date of grants made during the year	A$	**9.71**	7.84
- share price at exercise date of grants exercised during the year	A$	**11.29**	9.36
- remaining contractual life at 30 June	years	**4.0**	4.2

The cost of equity-settled share rights is recognised, together with a corresponding increase in equity, on a straight-line basis over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

Note 20. Share-Based Payments – continued

A) Grants Over Brambles Limited Shares – continued
Executives and employees in certain jurisdictions are provided cash incentives calculated by reference to the awards under the share-based compensation schemes (phantom shares). These phantom shares are fair valued on initial grant date and at each subsequent reporting date.

The cost of cash-settled share rights is charged to profit or loss over the relevant vesting periods, with a corresponding increase in provisions.

B) Fair Value Calculations
The fair values of performance share rights and MyShare matching conditional rights were determined as at grant date, using a binomial valuation methodology and exclude the impact of non-market vesting conditions. The values calculated do not take into account the probability of rights being forfeited prior to vesting, as Brambles revises its estimate of the number of shares and performance rights expected to vest at each reporting date.

The significant inputs into the valuation models for the grants made during the year were:

	2019 Grants	2018 Grants
Weighted average share price	**A$11.01**	A$9.34
Expected volatility	**20%**	20%
Expected life	**2 – 3 years**	2 – 3 years
Annual risk-free interest rate	**1.94 – 2.00%**	1.94 – 2.09%
Expected dividend yield	**3.00%**	3.00%

The expected volatility was determined based on a four-year historic volatility of Brambles' share prices.

C) Share-Based Payments Expense
Brambles recognised a total expense of US$17.1 million (2018: US$15.9 million) relating to equity-settled share-based payments and US$1.6 million (2018: US$0.7 million) relating to cash-settled share-based payments. Of these amounts, US$2.1 million (2018: US$1.6 million) related to discontinued operations.

Note 21. Reserves and Retained Earnings

A) Movements in Reserves and Retained Earnings

	Reserves					
	Share-based payments US$m	Foreign currency translation US$m	Unification US$m	Other US$m	Total US$m	Retained earnings US$m
Year ended 30 June 2018						
Opening balance as previously reported	82.7	(234.9)	(7,162.4)	161.8	(7,152.8)	3,798.4
Opening balance adjustment on application of AASB 15 & 9	-	-	-	-	-	(331.3)
Revised opening balance	82.7	(234.9)	(7,162.4)	161.8	(7,152.8)	3,467.1
Actuarial gain on defined benefit plans	-	-	-	-	-	13.1
Foreign exchange differences	-	(98.5)	-	-	(98.5)	-
Share-based payments:						
- expense recognised during the year	15.9	-	-	-	15.9	-
- shares issued	(17.4)	-	-	-	(17.4)	-
- equity component of related tax	(0.5)	-	-	-	(0.5)	-
- transfer to retained earnings on divestment of CHEP Recycled	(0.4)	-	-	-	(0.4)	0.4
Dividends declared	-	-	-	-	-	(359.7)
Profit for the year	-	-	-	-	-	692.7
Closing balance as at 30 June 2018	80.3	(333.4)	(7,162.4)	161.8	(7,253.7)	3,813.6
Year ended 30 June 2019						
Opening balance as previously reported	**80.3**	**(335.5)**	**(7,162.4)**	**161.8**	**(7,255.8)**	**4,199.3**
Opening balance adjustment on application of AASB 15 & 9	**-**	**2.1**	**-**	**-**	**2.1**	**(385.7)**
Revised opening balance	**80.3**	**(333.4)**	**(7,162.4)**	**161.8**	**(7,253.7)**	**3,813.6**
Actuarial loss on defined benefit plans	**-**	**-**	**-**	**-**	**-**	**(8.1)**
Foreign exchange differences	**-**	**(85.0)**	**-**	**-**	**(85.0)**	**-**
FCTR released to profit on divestment of IFCO	**-**	**32.2**	**-**	**-**	**32.2**	**-**
Share-based payments:						
- expense recognised during the year	**17.1**	**-**	**-**	**-**	**17.1**	**-**
- shares issued	**(23.0)**	**-**	**-**	**-**	**(23.0)**	**-**
- equity component of related tax	**1.6**	**-**	**-**	**-**	**1.6**	**-**
- transfer to retained earnings on divestment of IFCO	**(0.1)**	**-**	**-**	**-**	**(0.1)**	**0.1**
- other	**(11.6)**	**-**	**-**	**-**	**(11.6)**	**-**
Dividends declared	**-**	**-**	**-**	**-**	**-**	**(330.0)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**1,467.7**
Closing balance as at 30 June 2019	**64.3**	**(386.2)**	**(7,162.4)**	**161.8**	**(7,322.5)**	**4,943.3**

Note 21. Reserves and Retained Earnings – continued

B) Nature and Purpose of Reserves

Share-based payments reserve
This comprises the cumulative share-based payment expense recognised in the statement of comprehensive income in relation to equity-settled options and share rights issued but not yet exercised. Refer to Note 20 for further details.

Foreign currency translation reserve
This comprises cumulative exchange differences arising from the translation of the financial statements of foreign subsidiaries, net of qualifying net investment hedges. The relevant accumulated balance is recognised in profit or loss on disposal of a foreign subsidiary.

Unification reserve
On Unification, Brambles Limited issued shares on a one-for-one basis to those Brambles Industries Limited (BIL) and Brambles Industries plc (BIP) shareholders who did not elect to participate in the Cash Alternative. The Unification reserve of US$15,385.8 million was established on 4 December 2006, representing the difference between the Brambles Limited share capital measured at fair value and the carrying value of the share capital of BIL and BIP at that date. In the consolidated financial statements, the reduction in share capital of US$8,223.4 million on 9 September 2011 by the parent entity in accordance with section 258F of the *Corporations Act 2001* was applied against the Unification reserve.

Other
This comprises a merger reserve created in 2001 and the hedging reserve. The hedging reserve represents the cumulative portion of the gain or loss of cash flow hedges that are determined to be effective hedges. Amounts are recognised in the statement of comprehensive income when the associated hedged transaction is recognised or the hedge or the forecast hedged transaction is no longer highly probable.

Note 22. Financial Risk Management

Brambles is exposed to a variety of financial risks: market risk (including the effect of fluctuations in interest rates and exchange rates), liquidity risk and credit risk.

Brambles' overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Brambles. Financial risk management activities are carried out centrally by Brambles' treasury function in accordance with Board policies and guidelines, through standard operating procedures and delegated authorities.

Brambles uses interest rate swaps and forward foreign exchange contracts to manage its market risk and does not trade in financial instruments for speculative purposes.

A) Financial Assets and Liabilities

Financial assets are recognised when Brambles becomes a party to the contractual provisions of the instrument and are classified in the following two categories: financial assets at fair value through profit or loss; and amortised cost, as disclosed in the respective notes.

Derecognition occurs when rights to the asset have expired or when Brambles transfers its rights to receive cash flows from the asset together with substantially all the risks and rewards of the asset.

Refer to Note 17 for the recognition of interest bearing financial liabilities.

The fair values of all financial assets and liabilities held on the balance sheet as at 30 June 2019 equal the carrying amount, with the exception of loan notes, which have an estimated fair value of US$2,264.7 million (2018: US$2,241.9 million) compared to a carrying value of US$2,167.9 million (2018: US$2,189.3 million). Financial assets and liabilities held at fair value (other than loan notes) are estimated using Level 2 estimation techniques, which uses inputs that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The fair value of loan notes has been calculated using Level 1 valuation techniques, which uses directly observable unadjusted quoted prices in active markets for identical assets or liabilities.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturities at the balance sheet date. The fair value of interest rate swap contracts is calculated as the present value of the forward cash flows of the instrument after applying market rates and standard valuation techniques.

B) Derivative and Hedging Activities

For the purposes of hedge accounting, hedges are classified as either fair value hedges, cash flow hedges or net investment hedges.

For fair value hedges, any gain or loss from remeasuring the hedging instrument at fair value is adjusted against the carrying amount of the hedged item and recognised in profit or loss.

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Hedges for net investments in foreign operations are accounted for similarly to cash flow hedges.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

There was no change to the measurement or the carrying value of Brambles' hedging instruments resulting from the change in accounting standard from AASB 139 to AASB 9.

Note 22. Financial Risk Management – continued

C) Market Risk
Brambles has the following risk policies in place with respect to market risk.

Interest rate risk
Brambles' exposure to potential volatility in finance costs, is predominantly in euros and US dollars on borrowings. This is managed by maintaining a mix of fixed and floating-rate instruments within select target bands over defined periods. In some cases, interest rate derivatives are used to achieve these targets synthetically. As at 30 June 2019, Brambles also has exposure to variability in finance revenue through its holdings of cash and term deposits in Australian dollars.

The following table sets out the financial instruments exposed to interest rate risk at reporting date:

	Note	2019 US$m	2018 US$m
Financial assets (floating rate)			
Cash at bank		**357.7**	179.4
Short-term deposits		**836.5**	0.8
		1,194.2	180.2
Weighted average effective interest rate at 30 June		**1.7%**	1.3%
Financial assets (fixed rate)			
Short term deposits		**497.1**	-
Term deposit	2	**411.2**	-
Other receivables	10	**52.8**	50.4
		961.1	50.4
Weighted average effective interest rate at 30 June		**2.3%**	6.0%
Financial liabilities (floating rate)			
Bank overdrafts		**0.9**	8.9
Bank loans		**28.8**	253.7
Interest rate swaps (notional value) – fair value hedges		**170.6**	173.5
Net exposure to cash flow interest rate risk		**200.3**	436.1
Weighted average effective interest rate at 30 June		**2.2%**	2.8%
Financial liabilities (fixed rate)			
Loan notes		**2,167.9**	2,189.3
Bank loans		**2.6**	15.0
Finance lease liabilities		**-**	21.4
Interest rate swaps (notional value) – fair value hedges		**(170.6)**	(173.5)
Net exposure to fair value interest rate risk		**1,999.9**	2,052.2
Weighted average effective interest rate at 30 June		**3.3%**	3.4%

Note 22. Financial Risk Management – continued

C) Market Risk – continued

Interest rate swaps – fair value hedges
Brambles entered into interest rate swap transactions with various banks, swapping €150.0 million of the €500.0 million 2024 Euro medium-term fixed-rate notes (EMTN) to variable rates. The interest rate swaps and debt have been designated in a hedging relationship at a hedge ratio of 1:1. The fair value of the interest rate swaps are adjusted for credit risk, measured by reference to credit default swaps for the interest rate swap counterparties, which is a source of ineffectiveness. Movement in credit risk does not dominate the hedge relationship. The credit valuation adjustment to the swaps at 30 June 2019 is US$0.1 million (2018: US$0.2 million).

In accordance with AASB 9, the carrying value of the loan notes has been adjusted to increase debt by US$15.1 million (2018: US$11.5 million) in relation to changes in fair value attributable to the hedged risk. The fair value of interest rate swaps at reporting date was US$14.8 million (2018: US$11.1 million).

The terms of the swaps match the terms of the fixed-rate bond issue for the amounts and durations being hedged.

Fair value hedge	Hedged item	Hedging instrument
Description	€150m of the €500m EMTN	€150m interest rate swaps
Nominal amount (US$m)	170.6	170.6
Carrying amount (US$m)	173.8	14.8
Change in fair value (US$m)	15.1	15.1
Hedge ineffectiveness (US$m)	Nil	Nil
Balance sheet account impacted	Non-current borrowings	Other assets
Statement of comprehensive income account impacted		Finance revenue /finance costs

The gain or loss from remeasuring the interest rate swaps at fair value is recorded in profit or loss together with any changes in the fair value of the hedged asset or liability that is attributed to the hedged risk. For 2019, all interest rate swaps were effective hedging instruments.

Sensitivity analysis
Based on the Australian dollar floating rate financial assets and floating rate financial liabilities outstanding at 30 June 2019, if Australian interest rates were to increase or decrease by 50 basis points with all other variables held constant, profit after tax for the year would have been US$5.3 million higher/lower (2018: US$0.1 million higher/lower). Based on the US dollar floating rate financial assets and floating rate financial liabilities outstanding at 30 June 2019, if US interest rates were to increase or decrease by 50 basis points with all other variables held constant, profit after tax for the year would have been US$1.3 million higher/lower (2018: US$0.7 million lower/higher).

Foreign exchange risk
Exposure to foreign exchange risk generally arises in either the value of transactions translated back to the functional currency of a subsidiary or the value of assets and liabilities of overseas subsidiaries when translated back to the Group's reporting currency.

Foreign exchange hedging is used when a transaction exposure exceeds certain thresholds and as soon as a defined exposure arises. Within Brambles, exposures may arise with external parties or, alternatively, by way of cross-border intercompany transactions. Forward foreign exchange contracts are primarily used to manage exposures from normal commercial transactions such as the purchase and sale of equipment and services, intercompany interest and royalties. Given that Brambles both generates income and incurs expenses in its local currencies of operation, these exposures are not significant.

Brambles generally mitigates translation exposures by raising debt in currencies where there are matching assets.

Note 22. Financial Risk Management – continued

C) Market Risk – continued

Foreign exchange risk – continued

Currency profile
The following table sets out the currency mix profile of Brambles' financial instruments at reporting date. Financial assets include cash, term deposits, trade receivables and derivative assets. Financial liabilities include trade payables, borrowings and derivative liabilities:

	US dollar US$m	Aust. dollar US$m	Sterling US$m	Euro US$m	Other US$m	Total US$m
2019						
Financial assets	**712.3**	**1,538.8**	**43.9**	**201.8**	**265.8**	**2,762.6**
Financial liabilities	**1,159.5**	**14.0**	**31.6**	**1,256.2**	**161.1**	**2,622.4**
2018						
Financial assets	270.3	60.0	65.8	601.1	287.7	1,284.9
Financial liabilities	1,356.3	25.3	40.0	1,403.9	203.2	3,028.7

Forward foreign exchange contracts – cash flow hedges
During 2019, Brambles entered into forward foreign exchange transactions with various banks in a variety of cross-currencies for terms ranging up to ten months.

For 2019 and 2018, all foreign exchange contracts were effective hedging instruments. The fair value of these contracts at reporting date was nil (2018: nil).

Other forward foreign exchange contracts
Brambles enters into other forward foreign exchange contracts for the purpose of hedging various cross-border intercompany loans to overseas subsidiaries. In this case, the forward foreign exchange contracts provide an economic hedge against exchange fluctuations on foreign currency loan balances. The face value and terms of the foreign exchange contracts match the intercompany loan balances. Gains and losses on realignment of the intercompany loans and foreign exchange contracts to spot rates are offset in profit or loss. Consequently, these foreign exchange contracts are not designated for hedge accounting purposes and are classified as held for trading. The fair value of these contracts at reporting date was a liability of US$1.5 million (2018: liability of US$10.8 million).

Hedge of net investment in foreign entity
At 30 June 2019, €350.5 million (US$398.6 million) of the 2024 EMTN has been designated as a hedge of the net investment in Brambles' European subsidiaries and is being used to partially hedge Brambles' exposure to foreign exchange risks on these investments. For 2019 and 2018, there was no ineffectiveness to be recorded from such partial hedges of net investments in foreign entities.

Sensitivity analysis
Based on the financial instruments held at 30 June 2019, if exchange rates were to weaken/strengthen against the US dollar by 10% with all other variables held constant, the transaction exposure within profit after tax for the year would not have been material. However, the impact on equity would have been US$28.3 million lower/higher (2018: US$28.9 million lower/higher) as a result of the incremental movement through the foreign currency translation reserve relating to the effective portion of a net investment hedge.

Note 22. Financial Risk Management – continued

D) Liquidity Risk

Brambles' objective is to maintain adequate liquidity to meet its financial obligations as and when they fall due. Brambles funds its operations through existing equity, retained cash flow and borrowings. Funding is generally sourced from relationship banks and debt capital market investors on a medium-to-long-term basis.

Bank credit facilities are generally structured on a committed multi-currency revolving basis and at balance date had maturities ranging out to January 2024. Borrowings under the bank credit facilities are floating-rate, unsecured obligations with covenants and undertakings typical for these types of arrangements.

Borrowings are raised from debt capital markets by the issue of unsecured fixed-interest notes, with interest payable semi-annually or annually. At balance date, loan notes had maturities out to October 2027.

Brambles also has access to further funding through overdrafts, uncommitted and standby lines of credit, principally to manage day-to-day liquidity.

The average term to maturity of the committed borrowing facilities and the loan notes is equivalent to 4.0 years (2018: 4.5 years). These facilities are unsecured and are guaranteed as described in Note 31B.

Borrowing facilities maturity profile

	Year 1 US$m	Year 2 US$m	Year 3 US$m	Year 4 US$m	>4 years US$m	Total US$m
2019						
Total facilities	**765.0**	**637.6**	**475.7**	**183.7**	**1,983.5**	**4,045.5**
Facilities used[1]	**(530.7)**	**(5.6)**	**-**	**(2.1)**	**(1,638.4)**	**(2,176.8)**
Facilities available	**234.3**	**632.0**	**475.7**	**181.6**	**345.1**	**1,868.7**
2018						
Total facilities	414.7	1,055.6	703.0	252.8	1,865.4	4,291.5
Facilities used[1]	(75.9)	(508.7)	(219.1)	(6.4)	(1,666.2)	(2,476.3)
Facilities available	338.8	546.9	483.9	246.4	199.2	1,815.2

1 Facilities used represent the principal value of loan notes and borrowings of US$2,171.2 million and letters of credit of US$5.6 million drawn against the relevant facilities to reflect the correct amount of funding headroom. The loan note and borrowings amount differs by US$29.0 million (2018: US$12.0 million) from loan notes and borrowings as shown in the balance sheet, which are measured on the basis of amortised cost as determined under the effective interest method and include accrued interest, transaction costs and fair value adjustments on certain hedging instruments.

Note 22. Financial Risk Management – continued

D) Liquidity Risk – continued

Maturities of financial liabilities

The maturities of Brambles' contractual cash flows on non-derivative financial liabilities (for principal and interest) and contractual cash flows on net and gross settled derivative financial instruments, based on the remaining period to contractual maturity date, are presented below. Cash flows on interest rate swaps and forward foreign exchange contracts are valued based on forward interest and exchange rates applicable at reporting date.

	Year 1 US$m	Year 2 US$m	Year 3 US$m	Year 4 US$m	>4 years US$m	Total contractual cash flows US$m	Carrying amount (assets)/ liabilities US$m
2019							
Non-derivative financial liabilities							
Trade payables	**420.7**	**-**	**-**	**-**	**-**	**420.7**	**420.7**
Bank overdrafts	**0.9**	**-**	**-**	**-**	**-**	**0.9**	**0.9**
Bank loans	**30.6**	**0.3**	**0.3**	**2.3**	**1.4**	**34.9**	**31.4**
Loan notes	**560.9**	**42.7**	**42.7**	**42.7**	**1,744.9**	**2,433.9**	**2,167.9**
	1,013.1	**43.0**	**43.0**	**45.0**	**1,746.3**	**2,890.4**	**2,620.9**
Financial guarantees[2]	**28.9**	**-**	**-**	**-**	**-**	**28.9**	**-**
	1,042.0	**43.0**	**43.0**	**45.0**	**1,746.3**	**2,919.3**	**2,620.9**
Derivative financial (assets)/liabilities							
Net settled interest rate swaps							
- fair value hedges	**(3.0)**	**(3.5)**	**(3.1)**	**(3.0)**	**(2.6)**	**(15.2)**	**(14.8)**
Gross settled forward foreign exchange contracts							
- (inflow)	**(673.2)**	**-**	**-**	**-**	**-**	**(673.2)**	**-**
- outflow	**671.7**	**-**	**-**	**-**	**-**	**671.7**	**(1.5)**
	(4.5)	**(3.5)**	**(3.1)**	**(3.0)**	**(2.6)**	**(16.7)**	**(16.3)**

Note 22. Financial Risk Management – continued

D) Liquidity Risk – continued

	Year 1 US$m	Year 2 US$m	Year 3 US$m	Year 4 US$m	>4 years US$m	Total contractual cash flows US$m	Carrying amount (assets)/ liabilities US$m
2018							
Non-derivative financial liabilities							
Trade payables	526.9	-	-	-	-	526.9	526.9
Bank overdrafts	8.9	-	-	-	-	8.9	8.9
Bank loans	50.7	10.8	217.7	3.7	5.6	288.5	268.7
Loan notes	103.3	559.5	37.7	37.7	1,797.2	2,535.4	2,189.3
Finance lease liabilities	5.5	5.4	4.2	3.4	4.4	22.9	21.4
	695.3	575.7	259.6	44.8	1,807.2	3,382.6	3,015.2
Financial guarantees[2]	36.6	-	-	-	-	36.6	-
	731.9	575.7	259.6	44.8	1,807.2	3,419.2	3,015.2
Derivative financial (assets)/liabilities							
Net settled interest rate swaps							
- fair value hedges	(3.0)	(3.0)	(2.2)	(1.8)	(1.6)	(11.6)	(11.1)
Gross settled forward foreign exchange contracts							
- (inflow)	(1,124.1)	-	-	-	-	(1,124.1)	-
- outflow	1,134.9	-	-	-	-	1,134.9	10.8
	7.8	(3.0)	(2.2)	(1.8)	(1.6)	(0.8)	(0.3)

[2] Refer to Note 25a) for details on financial guarantees. The amounts disclosed above are the maximum amounts allocated to the earliest period in which the guarantee could be called. Brambles does not expect these payments to eventuate.

Note 22. Financial Risk Management – continued

E) Credit Risk Exposure
Brambles is exposed to credit risk on its financial assets, which comprise cash and cash equivalents, term deposits, trade and other receivables and derivative financial instruments. The exposure to credit risks arises from the potential failure of counterparties to meet their obligations. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial instruments, including the mark-to market of hedging instruments where they represent an asset in the balance sheet. Brambles has short-term deposits with maturities between one to nine months totalling US$1,507.3 million. A total of US$1,227.3 million is deposited with banks rated AA- by Standard & Poor's, US$200.0 million is deposited with banks rated A by Standard & Poor's and US$80.0 million is deposited with banks rated A- by Standard & Poor's. Other than the term deposits described above and non-current receivables due from First Reserve totalling US$44.5 million, there is no concentration of credit risk.

Brambles trades only with recognised, creditworthy third parties. Collateral is generally not obtained from customers. Customers are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Credit limits are set for individual customers and approved by credit managers in accordance with an approved authority matrix. These credit limits are regularly monitored and revised based on historic turnover activity and credit performance. In addition, overdue receivable balances are monitored and actioned on a regular basis.

Brambles transacts derivatives with prominent financial institutions and has credit limits in place to limit exposure to any potential non-performance by its counterparties.

F) Capital Risk Management
Brambles’ objective when managing capital is to ensure Brambles continues as a going concern as well as to provide a balance between financial flexibility and balance sheet efficiency. In determining its capital structure, Brambles considers the robustness of future cash flows, potential funding requirements for growth opportunities and acquisitions, the cost of capital and ease of access to funding sources.

Brambles manages its capital structure to be consistent with a solid investment-grade credit rating. At 30 June 2019, Brambles held investment-grade credit ratings of BBB+ from Standard and Poor’s and Baa1 from Moody’s Investors Service.

Initiatives available to Brambles to achieve its desired capital structure include adjusting the amount of dividends paid to shareholders, returning capital to shareholders, buying-back share capital, issuing new shares, selling assets to reduce debt, varying the maturity profile of its borrowings and managing discretionary expenses.

Brambles considers its capital to comprise:

	2019 US$m	**2018 US$m**
Total borrowings	**2,200.2**	2,488.3
Less: cash and cash equivalents	**(1,691.3)**	(180.2)
Less: term deposits	**(411.2)**	-
Net debt	**97.7**	2,308.1
Total equity	**3,808.2**	2,778.4
Total capital	**3,905.9**	5,086.5

Under the terms of its major borrowing facilities, Brambles is required to comply with the following financial covenants:

- the ratio of net debt (excluding term deposits) to EBITDA is to be no more than 3.5 to 1; and
- the ratio of EBITDA to net finance costs is to be no less than 3.5 to 1.

Brambles has complied with these financial covenants for 2019 and prior years.

Note 23. Cash Flow Statement – Additional Information

A) Reconciliation of Cash

	2019 US$m	2018 US$m
For the purpose of the cash flow statement, cash comprises:		
Cash at bank and in hand	**357.7**	179.4
Short-term deposits[1]	**1,333.6**	0.8
Cash and cash equivalents	**1,691.3**	180.2
Bank overdraft (Note 17)	**(0.9)**	(8.9)
	1,690.4	171.3

[1] Short-term deposits recognised within cash and cash equivalents have maturities of three months or less and are measured at amortised cost.

Cash and cash equivalents include deposits with financial institutions and other highly liquid investments which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Bank overdrafts are presented within borrowings in the balance sheet.

Cash and cash equivalents include balances of US$0.2 million (2018: US$0.2 million) used as security for various contingent liabilities and are not readily accessible.

Cash includes US$1.6 million of cash in Zimbabwe (2018: US$11.5 million) which is subject to government currency controls which currently restrict the ability to repatriate funds. In 2019, the Zimbabwe government issued a monetary policy introducing a new base currency, Zimbabwe dollars (ZWL), to replace the US dollar denominated currency. The introduction of the new currency has resulted in the significant devaluation of the existing cash and other monetary balances. The loss on retranslation has been charged to the foreign currency translation reserve reflecting the impact of the change in the exchange rate.

Brambles has various master netting and set-off arrangements covering cash pooling. An amount of US$1.2 million has been reduced from cash at bank and overdraft at 30 June 2019 (2018: US$11.3 million).

Note 23. Cash Flow Statement – Additional Information – continued

B) Reconciliation of Profit After Tax to Net Cash Flow from Operating Activities

	2019 US$m	2018 US$m
Profit after tax	**1,467.7**	692.7
Adjustments for:		
- depreciation and amortisation	**590.0**	584.9
- IPEP expense	**141.2**	109.4
- net (gain)/loss on divestments	**(959.3)**	15.6
- net losses on disposals of property, plant and equipment	**56.3**	27.3
- other valuation adjustments	**(4.1)**	2.0
- joint ventures and associates	**-**	11.8
- equity-settled share-based payments	**17.1**	15.9
- finance revenues and costs	**1.9**	4.5
Movements in operating assets and liabilities, net of acquisitions and disposals:		
- increase in trade and other receivables	**(132.6)**	(97.5)
- (increase)/decrease in prepayments	**(8.6)**	1.8
- increase in inventories	**(1.0)**	(3.2)
- decrease in deferred taxes	**(36.1)**	(61.0)
- increase in trade and other payables	**122.7**	163.2
- increase/(decrease) in tax payables	**61.9**	(14.8)
- increase/(decrease) in provisions	**18.8**	(24.5)
- other	**2.5**	(5.1)
Net cash inflow from operating activities	**1,338.4**	1,423.0

Note 23. Cash Flow Statement – Additional Information – continued

C) Reconciliation of Movement in Net Debt

	2019 US$m	2018 US$m
Net debt at beginning of the year	**2,308.1**	2,572.7
Net cash inflow from operating activities	**(1,338.4)**	(1,423.0)
Net cash outflow from investing activities	**1,100.0**	872.4
Proceeds from disposal of businesses, net of cash disposed	**(2,366.2)**	(102.2)
Payments for share buy-backs less proceeds from share issues	**53.9**	-
Dividends paid	**328.1**	352.0
Net outflow/(inflow) from derivative financial instruments	**34.8**	(26.6)
Interest accruals, finance leases and other	**13.5**	(1.9)
Foreign exchange differences	**(36.1)**	64.7
Net debt at end of the year	**97.7**	2,308.1
Being:		
Current borrowings	**556.8**	91.2
Non-current borrowings	**1,643.4**	2,397.1
Cash and cash equivalents	**(1,691.3)**	(180.2)
Term deposits	**(411.2)**	-
Net debt at end of the year	**97.7**	2,308.1

D) Non-Cash Financing or Investing Activities

Apart from the Dividend Reinvestment Plan, there were no financing or investing transactions during the year which had a material effect on the assets and liabilities of Brambles that did not involve cash flows.

Note 24. Commitments

A) Capital Expenditure Commitments

Capital expenditure, principally relating to property, plant and equipment, contracted for but not recognised as liabilities at reporting date was as follows:

	2019 US$m	2018 US$m
Within one year	**106.8**	192.1
Between one and five years	**-**	146.1
	106.8	338.2

Note 24. Commitments – continued

B) Operating Lease Commitments

Brambles has taken out operating leases for offices, operational locations and plant and equipment. The leases have varying terms, escalation clauses and renewal rights. Escalation clauses are rare and any impact is considered immaterial.

The minimum lease payments under operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis over the term of the lease. The future minimum lease payments under such non-cancellable operating leases are as follows:

	Plant		Occupancy	
	2019 US$m	2018 US$m	2019 US$m	2018 US$m
Within one year	**25.8**	28.7	**103.0**	102.3
Between one and five years	**44.8**	51.5	**299.2**	267.0
After five years	**3.7**	6.8	**149.5**	126.3
Minimum lease payments	**74.3**	87.0	**551.7**	495.6

During the year, operating lease expense of US$150.6 million (2018: US$146.7 million) was recognised in the statement of comprehensive income.

Note 25. Contingencies

a) Subsidiaries have contingent unsecured liabilities in respect of guarantees given relating to performance under contracts entered into totalling US$28.9 million (2018: US$36.6 million), of which US$22.5 million (2018: US$27.7 million) is also guaranteed by Brambles Limited. US$5.6 million (2018: US$8.2 million) is also guaranteed by Brambles Limited and certain of its subsidiaries under a deed of cross-guarantee and is included in Note 31B.

b) Brambles guarantees certain Iron Mountain (formerly Recall) lease obligations. To the extent any claims or liabilities arise under those guarantees and are caused by an Iron Mountain Group company, Iron Mountain has indemnified Brambles under the Demerger Deed relating to the demerger of Brambles' former Recall business.

c) At 30 June 2019, Brambles Limited had a guarantee in place for finance leases for an IFCO subsidiary totalling US$6.3 million (2018: US$8.0 million). This guarantee was released in early July 2019.

d) Environmental contingent liabilities

Brambles' activities have previously included the treatment and disposal of hazardous and non-hazardous waste through subsidiaries and corporate joint ventures. In addition, other activities of Brambles entail using, handling and storing materials which are capable of causing environmental impairment.

As a consequence of the nature of these activities, Brambles has incurred and may continue to incur environmental costs and liabilities associated with site and facility operation, closure, remediation, aftercare, monitoring and licensing. Provisions have been made in respect of estimated environmental liabilities at all sites and facilities where obligations are known to exist and can be reliably measured.

However, additional liabilities may emerge due to a number of factors including changes in the numerous laws and regulations which govern environmental protection, liability, land use, planning and other matters in each jurisdiction in which Brambles operates or has operated. These extensive laws and regulations are continually evolving in response to technological advances, scientific developments and other factors. Brambles cannot predict the extent to which it may be affected in the future by any such changes in legislation or regulation.

e) During 2018, Brambles was served with class action proceedings filed in the Federal Court by Slater & Gordon and Maurice Blackburn. In May 2019, the Federal Court ordered that the two actions be consolidated. The consolidated action is brought on behalf of certain shareholders who acquired shares during the period between 18 August 2016 and 20 February 2017. Brambles has filed its defence in the consolidated action. It is not possible to determine the ultimate impact, if any, of the action upon Brambles, and it continues to vigorously defend the proceedings.

Note 25. Contingencies – continued

In the ordinary course of business, Brambles becomes involved in litigation. Provisions have been made for known obligations where the existence of the liability is probable and can be reasonably quantified. Receivables have been recognised where recoveries, for example from insurance arrangements, are virtually certain.

As the outcomes of these matters remain uncertain, contingent liabilities exist for any potential amounts payable.

Note 26. Auditor's Remuneration

	2019 US$'000	2018 US$'000
Audit and review services:		
- PwC Australia	**2,521**	2,230
- Other PwC network firms	**3,773**	3,435
Total audit and review services[1]	**6,294**	5,665
Other assurance services:		
- PwC Australia	**-**	159
- Other PwC network firms	**9**	34
Total other assurance services	**9**	193
Total remuneration for audit, review and other assurance services	**6,303**	5,858
Other services:		
- IFCO divestment related - PwC Australia	**188**	-
- IFCO divestment related - other PwC network firms	**2,099**	-
- Tax advisory services - other PwC network firms	**37**	22
- Other - PwC Australia	**9**	8
- Other - other PwC network firms	**36**	52
Total other services[2]	**2,369**	82
Total auditor's remuneration	**8,672**	5,940

[1] During 2019, US$961,000 was spent on the audit and review of IFCO financial statements relating to the divestment process, of which US$244,000 was paid to PwC Australia and US$717,000 was paid to other PwC network firms.

[2] Other services during 2019 primarily related to due diligence and other financial reporting procedures associated with the dual-track separation of IFCO through a demerger or sale of the business. Other services during 2018 primarily related to compliance projects and tax consulting advice.

From time to time, Brambles employs PwC on assignments additional to its statutory audit duties where PwC, through its detailed knowledge of the Group, is best placed to perform the services from an efficiency, effectiveness and cost perspective. The performance of such non-audit related services is always balanced with the fundamental objective of ensuring PwC's objectivity and independence as auditors. To ensure this balance, Brambles' Charter of Audit Independence outlines the services that can be undertaken by the auditors and requires that the Audit Committee approves any management recommendation that PwC undertakes non-audit work (with approval being delegated to the Chief Financial Officer within specified monetary limits).

Note 27. Key Management Personnel

A) Key Management Personnel Compensation

	2019 US$'000	2018 US$'000
Short-term employee benefits	**6,491**	6,198
Post-employment benefits	**130**	102
Other benefits	**35**	30
Share-based payment expense[1]	**3,523**	1,736
	10,179	8,066

1 2019 includes US$1.0 million related to Key Management Personnel who were designated good leaver status following the divestment of IFCO.

B) Other Transactions with Key Management Personnel

Other transactions with Key Management Personnel are set out in Note 28A.

Further remuneration disclosures are set out in the Directors' Report on pages 29 to 48 of the Annual Report.

Note 28. Related Party Information

A) Other Transactions

Other transactions entered into during the year with Directors of Brambles Limited, with Director-related entities, with Key Management Personnel (KMP, as set out in the Directors' Report), or with KMP-related entities were on terms and conditions no more favourable than those available to other employees, customers or suppliers and include transactions in respect of the employee option plans, contracts of employment and reimbursement of expenses. Any other transactions were trivial in nature.

B) Other Related Parties

A subsidiary has a non-interest bearing advance outstanding as at 30 June 2019 of US$999,860 (2018: US$1,048,818) to Brambles Custodians Pty Limited, the trustee under Brambles' employee loan scheme. This scheme enabled employees to acquire shares in BIL and has been closed to new entrants since August 2002.

Note 28. Related Party Information – continued

C) Material Subsidiaries

The principal subsidiaries of Brambles during the year were:

		% interest held at reporting date	
Name	**Place of incorporation**	**2019**	**2018**
CHEP USA	USA	**100**	100
CHEP Canada, Inc.	Canada	**100**	100
CHEP UK Limited	UK	**100**	100
CHEP Equipment Pooling NV	Belgium	**100**	100
CHEP Deutschland GmbH	Germany	**100**	100
CHEP South Africa (Proprietary) Limited	South Africa	**100**	100
CHEP Australia Limited	Australia	**100**	100
CHEP Mexico SA de CV	Mexico	**100**	100
IFCO Systems US LLC	USA	**-**	100
IFCO Systems GmbH	Germany	**-**	100
Brambles USA Inc.	USA	**100**	100
Brambles Finance plc	UK	**100**	100
Brambles Finance Limited	Australia	**100**	100

In addition to the list above, there are a number of other non-material subsidiaries within Brambles.

Investments in subsidiaries are primarily by means of ordinary or common shares. Shares in subsidiaries are recorded at cost, less provision for impairment.

Material subsidiaries which prepare financial statements report a 30 June balance date, with the exception of CHEP Mexico de CV, which reports a 31 December balance date.

Note 29. Events After Balance Sheet Date

On 5 July 2019, Brambles repaid the US$500.0 million April 2020 144A bond using the IFCO sale proceeds.

Other than those outlined in the Directors' Report or elsewhere in these financial statements, no other events have occurred subsequent to 30 June 2019 and up to the date of this report that have had a material impact on Brambles' financial performance or position.

Note 30. Net Assets Per Share

	2019 US cents	2018[1] US cents
Based on 1,588.8 million shares (2018: 1,591.9 million shares):		
- Net tangible assets per share	**221.7**	110.3
- Net assets per share	**239.7**	174.5

[1] 2018 balances include IFCO operations (refer Note 9).

Net tangible assets per share is calculated by dividing total equity attributable to the members of the parent entity, less goodwill and intangible assets, by the number of shares on issue at year end.

Net assets per share is calculated by dividing total equity attributable to the members of the parent entity by the number of shares on issue at year end.

Note 31. Parent Entity Financial Information

A) Summarised Financial Data of Brambles Limited

	Parent entity	
	2019 US$m	2018 US$m
Profit for the year	**1,428.8**	389.6
Other comprehensive expense for the year[1]	**(281.7)**	(280.2)
Total comprehensive income	**1,147.1**	109.4
Current assets	**3.0**	-
Non-current assets	**7,662.3**	7,917.5
Total assets	**7,665.3**	7,917.5
Current liabilities	**-**	41.8
Non-current liabilities	**921.9**	1,912.1
Total liabilities	**921.9**	1,953.9
Net assets	**6,743.4**	5,963.6
Contributed equity	**6,187.4**	6,218.5
Share-based payment reserve	**46.3**	52.5
Foreign currency translation reserve	**(785.2)**	(503.5)
Retained earnings	**1,294.9**	196.1
Total equity	**6,743.4**	5,963.6

[1] Comprises foreign currency translation movements.

Note 31. Parent Entity Financial Information – continued

A) Summarised Financial Data of Brambles Limited – continued

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements except for investments and receivables from subsidiaries. In the parent entity financial information, investments in subsidiaries are accounted for at cost and receivables from subsidiaries are held at amortised cost. Where appropriate, receivables from subsidiaries have been adjusted for expected credit losses. Dividends received from investments in subsidiaries are recognised as revenue.

B) Guarantees and Contingent Liabilities

Brambles Limited and certain of its subsidiaries are parties to a deed of cross-guarantee which supports global financing credit facilities available to certain subsidiaries. Total facilities available amount to US$1,613.7 million (2018: US$1,712.7 million), of which US$5.6 million (2018: US$195.6 million) has been drawn.

Brambles Limited and certain of its subsidiaries are parties to a guarantee which supports notes of US$1,000.0 million (2018: US$1,000.0 million) issued by a subsidiary to qualified institutional buyers in accordance with Rule 144A and Regulation S of the United States Securities Act.

Brambles Limited and certain of its subsidiaries are parties to a guarantee which supports notes of €1,000.0 million (2018: €1,000.0 million) issued by two subsidiaries in the European bond market.

Brambles Limited has guaranteed repayment of certain facilities and financial accommodations made available to certain subsidiaries. Total facilities and financial accommodations available amount to US$464.8 million (2018: US$514.3 million), of which US$57.1 million (2018: US$129.2 million) has been drawn.

At 30 June 2019, Brambles Limited had a guarantee in place for finance leases for an IFCO subsidiary totalling US$6.3 million (2018: US$8.0 million). This guarantee was released in early July 2019.

Brambles Limited was served with class action proceedings in 2018 which has been recognised as a contingent liability (refer Note 25e).

C) Contractual Commitments

Brambles Limited did not have any contractual commitments for the acquisition of property, plant and equipment at 30 June 2019 or 30 June 2018.

Directors’ Declaration

In the opinion of the Directors of Brambles Limited:

(a) the financial statements and notes set out on pages 57 to 116 are in accordance with the *Corporations Act 2001* , including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the financial position of Brambles as at 30 June 2019 and of its performance for the year ended on that date;

(b) there are reasonable grounds to believe that Brambles Limited will be able to pay its debts as and when they become due and payable.

A statement of compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board is included within Note 1 to the financial statements.

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

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

S P Johns

Chairman

G A Chipchase

Chief Executive Officer

21 August 2019

Independent auditor's report

To the members of Brambles Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Brambles Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated cash flow statement for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of $33 million, which represents approximately 5% of the Group's profit before tax from continuing operations.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax from continuing operations because, in our view, it is the benchmark against which the performance of the Group is most commonly measured and it is a generally accepted benchmark.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group's financial results comprise the consolidation of a network of pooled pallet, crate and container businesses which are geographically widespread. We tailored the scope of our audit so that we performed sufficient work to be able to provide an opinion on the financial report as a whole, taking into account the structure of the Group, the significance and risk profile of each business, the accounting processes and controls, and the industry in which the Group operates.

Audit of locations, transactions and balances

- Separate PwC firms each in the relevant locations ("local PwC audit firms") performed an audit of the financial information prepared for consolidation purposes for fifteen components of the Group. The components were selected due to their significance to the Group, either by individual size or by risk. Certain components in the Group are selected every year due to their size or nature, whilst others are included on a rotational basis.
- In addition, local PwC audit firms performed risk focused targeted audit or specified procedures on selected transactions and balances for a further nineteen components.
- The remaining components were financially insignificant, and comprise more than one hundred and fifty entities. Those entities are considered as part of Group analytical procedures and other specified procedures.

Audit of shared services functions

- Our audit of IT, tax and certain finance processes was performed by local PwC audit firms based in various territories, reflecting the location of the Group's shared services functions. This included some audit procedures performed at the Group's finance process outsourced services provider. The PwC Australia Group audit team (the Group audit team) performed audit procedures over centrally managed areas such as the impairment assessment of goodwill, share based payments, retirement benefit obligations, treasury and the consolidation process.

Direction and supervision by the Group audit team

- The audit procedures were performed by PwC Australia and local PwC audit firms operating under the Group audit team's instructions. The Group audit team determined the level of involvement needed in the audit work of local PwC audit firms to be satisfied that sufficient audit evidence had been obtained for the purpose of the opinion. The Group audit team kept in regular communication with the local PwC audit firms throughout the year through phone calls, discussions and written instructions. Senior members of the Group audit team visited certain businesses and met with management and local PwC audit teams including the two largest locations (which are visited twice every year); and certain other locations (which are visited on a rotational basis).
- The audit team both at Group and at local component levels were appropriately skilled and competent to perform an audit of a complex global business. This included specialists and experts in areas such as IT, actuarial, tax and valuations.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit Committee.

Key audit matter	***How our audit addressed the key audit matter***
Accounting for pooling equipment assets *(Refer to Note 13)* Brambles' pooling equipment is accounted for as depreciable fixed assets, classified within plant and equipment. The accounting for pooling equipment was a key audit matter due to the assets' financial size and judgement involved. As disclosed in Note 13 of the financial report, there is inherent risk in accounting for pooling equipment due to the high volume of asset movements through a complex network, and a limitation on the Group's ability to physically verify the quantity of the pallets, crates and containers due to access and cost prohibitions. The largest category of pooling equipment is pallets. Key areas of judgement in relation to pooled pallets include the useful economic life and residual value (and therefore the pattern of depreciation) and the quantity of lost pallets. The estimation of the provision for lost pallets (called the irrecoverable pooling equipment provision, or "IPEP") involves significant estimates and the Group's judgement. The provision is calculated by considering the results of the Group's pallet audits, historical experience of pallet loss, and	We performed the following procedures: • Evaluated the design effectiveness and tested a selection of key asset management controls including attending pallet audits and assessing the results of the Group's counts. • Tested key reconciliations between the numbers of pallets in the accounting records compared to the operations system. • To challenge the IPEP provision calculation methodology and assumptions we: – assessed key assumptions and judgements, with a particular focus on distributors who are not customers of CHEP, as losses from such distributors are historically higher; – assessed provision estimates for significant customers where CHEP has no access to physically count the pallets; – evaluated how historical pallet loss rates and flows analysis are used to estimate future losses; and – tested the calculations and extrapolations of provision estimates across pallet locations.

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Key audit matter	*How our audit addressed the key audit matter*
flows analysis as reported through the asset management system.	• Obtained an understanding of useful economic life and residual value assumptions and assessed continued appropriateness based on an understanding of the business.
Impairment assessment of goodwill *(Refer to Note 14)* The Group recognised goodwill of $220.8m as at 30 June 2019. Australian Accounting Standards require an annual impairment assessment. In order to assess the recoverability of goodwill, the Group prepared financial models at 30 June 2019 for cash generating units to which the goodwill is ascribed to determine if the carrying value of goodwill was supported by forecast future cash flows, discounted to present value ("the models"). The assessment of impairment was a key audit matter due to the financial size of the goodwill balance as well as the judgements and assumptions applied in estimating forecasted cash flows, growth rates and discount rates.	We performed the following procedures: • Assessed whether the division of the Group's goodwill and other assets and liabilities into Cash Generating Units (CGUs) to assess impairment, was consistent with our knowledge of the Group's operations and internal Group reporting. • Considered if the impairment models used to estimate the recoverable amount of the assets were consistent with the requirements of Australian Accounting Standards. • Considered whether the cash flows used in the models were reasonable and based on supportable assumptions by comparing actual cash flows for previous years to forecast cash flows and evaluating the evidence available for significant deviations. • Assessed the Group's ability to forecast future cash flows for the business by comparing previous forecasts with reported actual results from recent history. • Undertook testing of the mathematical accuracy of the models' calculations. • Assessed the reasonableness of the discount rate assumption by comparing it to market data, comparable companies and industry research, with the assistance of our valuation specialists. • Considered the sensitivity of the model to changes in key assumptions by applying other values within a range that we independently assessed as being reasonably possible.
Calculation of current and deferred taxation balances *(Refer to Note 6)* The calculation of taxation balances was a key audit matter because the Group operates in a large number of jurisdictions with different laws, regulations and authorities resulting in complex tax calculations.	We performed the following procedures: • Assessed the rationale on which current tax was calculated and deferred tax assets and liabilities were recognised. • Tested the Group tax analysis prepared by management, with the assistance of PwC tax specialists, who liaised directly with local PwC tax specialists in other territories where required.

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Key audit matter	*How our audit addressed the key audit matter*
Judgement is involved in a number of aspects of the tax calculations, including the assessment of recorded tax losses for recoverability. The calculation of income taxes is disclosed in Note 6 of the financial report including the key judgements made in the assessment of the taxation provision.	• Challenged whether the Group had sufficient taxable temporary differences to recognise tax losses by considering when these temporary differences will become taxable income compared to the expiry of the losses. We also assessed the rationale for and calculation of unrecognised deferred tax assets which are disclosed. • Considered and challenged the assumptions made by the Group in making judgemental tax provisions.
Disclosure of discontinued operations *(Refer to Note 9)* During the financial year the Group entered into and completed an agreement to sell its IFCO RPC business. The carrying value of the assets sold was $1,416.4m and profit from discontinued operations of $1,013.6m has been recognised. We considered the presentation of the IFCO RPC businesses as discontinued operations to be a key audit matter due to the financial size of the assets sold and gain after tax recognised.	We read the associated sale agreement to develop an understanding of the terms of the transaction and performed the following procedures: • Evaluated if the profit and loss information disclosed as discontinued operations was accurate and related only to the IFCO RPC business that was sold. • Together with PwC tax specialists and experts, tested the accuracy of the tax expense recorded related to this transaction. • Evaluated the calculation of the total gain recognised on the sale including: – agreeing the purchase price and associated working capital adjustments to the sale agreement; – agreeing the value of the assets and liabilities derecognised as a result of the sale to the completion balance sheet for the transaction; and – agreeing transaction costs and separation costs to supporting documentation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 29 to 48 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Brambles Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

pwc

Responsibilities

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

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Horl

Susan Horlin Partner	Sydney 21 August 2019

EPenny

Eliza Penny Partner	Sydney 21 August 2019

Auditor's Independence Declaration

As lead auditor for the audit of Brambles Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Brambles Limited and the entities it controlled during the period.

S. Horl

Susan Horlin
Partner
PricewaterhouseCoopers

Sydney
21 August 2019

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Five-Year Financial Performance Summary

US$m	2019	2018	2017	2016	2015
Continuing operations[1,2,3,4]					
Sales revenue[1,2,3,4]	**4,595.3**	4,470.3	5,104.3	4,900.1	5,440.5
EBITDA[1,2,3,4]	**1,225.2**	1,243.0	1,298.1	1,447.4	1,487.9
Depreciation and amortisation[1,2,3,4]	**(484.3)**	(464.3)	(526.7)	(502.1)	(546.1)
Operating profit[1,2,3,4]	**740.9**	778.7	771.4	945.3	941.8
Net finance costs[1,2,3,4]	**(88.5)**	(103.4)	(98.7)	(112.9)	(111.9)
Profit before tax[1,2,3,4]	**652.4**	675.3	672.7	832.4	829.9
Tax expense[1,2,3,4]	**(198.3)**	(121.8)	(227.8)	(240.1)	(242.3)
Profit from continuing operations[1,2,3,4]	**454.1**	553.5	444.9	592.3	587.6
Profit from discontinued operations[1,2,3,4]	**1,013.6**	139.2	(262.0)	(4.6)	(3.2)
Profit for the year[1,2,3,4]	**1,467.7**	692.7	182.9	587.7	584.4
Underlying Profit[1,2,3,4]	**803.7**	826.1	957.5	984.5	986.9
Significant Items[1,2,3,4]	**(62.8)**	(47.4)	(186.1)	(39.2)	(45.1)
Operating profit[1,2,3,4]	**740.9**	778.7	771.4	945.3	941.8
Weighted average number of shares (millions)	**1,593.4**	1,591.2	1,588.3	1,577.6	1,566.0
Earnings per share (US cents)					
Basic	**92.1**	43.5	11.5	37.3	37.3
From continuing operations[1,2,3,4]	**28.5**	34.8	28.0	37.5	37.5
On Underlying Profit after finance costs and tax[1,2,3,4]	**31.9**	33.0	38.5	39.2	39.7
ROCI[1,2,3,4]	**19%**	20%	17%	19%	16%
Capex on property, plant and equipment[1,2,3,4]	**1,060.4**	1,012.5	1,023.5	1,060.8	1,035.4
Balance sheet					
Capital employed	**3,905.9**	5,086.5	5,419.4	5,576.9	5,330.0
Net debt	**97.7**	2,308.1	2,572.7	2,621.8	2,688.9
Equity	**3,808.2**	2,778.4	2,846.7	2,955.1	2,641.1
Average Capital Invested[1,2,3,4,5]	**4,130.6**	4,115.4	5,646.4	5,096.4	6,251.5
Cash flow					
Cash Flow from Operations[1,2,3,4]	**431.8**	724.8	591.5	518.8	729.5
Free Cash Flow	**238.5**	554.4	224.2	171.7	404.1
Dividends paid, net of Dividend Reinvestment Plan	**328.1**	352.0	348.0	205.1	359.3
Free Cash Flow after dividends	**(89.6)**	202.4	(123.8)	(33.4)	44.8
Net debt ratios					
Net debt to EBITDA (times)	**0.1**	1.5	1.7	1.7	1.7
EBITDA interest cover (times)	**14.6**	15.0	15.2	13.5	13.7
Average employees[1,2,3,4]	**10,896**	10,441	13,882	13,816	13,854
Dividend declared per share (Australian cents)	**29.0**	29.0	29.0	29.0	28.0

1 IFCO is presented within discontinued operations in 2019 and 2018. Periods prior to 2018 include IFCO within continuing operations and are consistent with previously published data.

2 CHEP Recycled is presented within discontinued operations in 2018, 2017 and 2016. Oil & Gas and Aerospace businesses are presented within discontinued operations in 2017 and 2016. Periods prior to 2016 include CHEP Recycled, Oil & Gas and Aerospace businesses within continuing operations and are consistent with previously published data.

3 Periods prior to 2018 have not been restated for impact of the new accounting standards AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers.

4 LeanLogistics is presented within discontinued operations in 2016 and 2015.

5 Average Capital Invested (ACI) prior to 2016 is based on the previous ACI definition, which reflects adjustments for accumulated pre-tax Significant Items and is consistent with previously published data. The ACI definition was amended in December 2016 to exclude adjustments for accumulated pre-tax Significant Items (refer Glossary).

Glossary

Acquired Shares	Brambles Limited shares purchased by Brambles' employees under MyShare
actual currency/actual FX	Results translated into US dollars at the applicable actual monthly exchange rates ruling in each period
AGM	Annual General Meeting
ACI (Average Capital Invested)	A 12-month average of capital invested; capital invested is calculated as net assets before tax balances, cash and borrowings, but after adjustment for pension plan actuarial gains or losses and net equity adjustments for equity-settled share-based payments
AU cents	Australian cents
BIFR (Brambles Injury Frequency Rate)	Safety performance indicator that measures the combined number of fatalities, lost-time injuries, modified duties and medical treatments per million hours worked
BIL	Brambles Industries Limited, which was one of the two listed entities in the previous dual-listed companies structure
BIP	Brambles Industries plc, which was one of the two listed entities in the previous dual-listed companies structure
Board	The Board of Directors of Brambles Limited, details of which are on pages 23 to 25
BVA (Brambles Value Added)	The value generated over and above the cost of the capital used to generate that value. It is calculated using fixed June 2018 exchange rates as: Underlying Profit; plus Significant Items that are part of the ordinary activities of the business; less Average Capital Invested, adjusted for accumulated pre-tax Significant Items that are outside the ordinary course of business, multiplied by 12%
CAGR (Compound Annual Growth Rate)	The annualised percentage at which a measure (e.g. sales revenue) would have grown over a period if it grew at a steady rate
Cash Flow from Operations	Cash flow generated after net capital expenditure but excluding Significant Items that are outside the ordinary course of business
Circular economy	A circular economy regenerates and circulates key resources, ensuring products, components and materials are at their highest utility and value, at all times
CGPR	The Australian Securities Exchange Corporate Governance Council Corporate Governance Principles & Recommendations, Third Edition
Company	Brambles Limited (ACN 118 896 021)
Constant currency/constant FX	Current period results translated into US dollars at the actual monthly exchange rates applicable in the comparable period, so as to show relative performance between the two periods
Continuing operations	Continuing operations refers to CHEP Americas, CHEP EMEA and CHEP Asia-Pacific (each primarily comprising pallet and container pooling businesses in that region operating under the CHEP brand), and Corporate (corporate centre including BXB Digital)
Disclosable Executives	Brambles Limited’s Executive Directors, Non-Executive Directors and other Group executives whose remuneration details are required to be disclosed in the Remuneration Report
discontinued operations	Operations which have been divested/demerged or which are held for sale
DRP (Dividend Reinvestment Plan)	The Brambles Dividend Reinvestment Plan, under which Australian and New Zealand shareholders can elect to apply some or all of their dividends to the purchase of shares in Brambles Limited instead of receiving cash
DLC	Dual-listed companies structure: the contractual arrangement between Brambles Industries Limited and Brambles Industries plc from August 2001 to December 2006 under which they operated as if a single economic enterprise, while retaining separate legal identities, tax residences and stock exchange listings
Economic value	A measure of the broader financial benefit provided by an organisation

Glossary – continued

EPS (Earnings Per Share)	Profit after finance costs, tax, minority interests and Significant Items, divided by the weighted average number of shares on issue during the period
EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation)	Operating profit from continuing operations after adding back depreciation and amortisation
ELT	Brambles' Executive Leadership Team, details of which are on pages 26 to 28
Free Cash Flow	Cash flow generated after net capital expenditure, finance costs and tax, but excluding the net cost of acquisitions and proceeds from business disposals
FY (Financial Year)	Brambles' financial year is 1 July to 30 June; FY19 indicates the financial year ended 30 June 2019
Group or **Brambles**	Brambles Limited and all of its related bodies corporate
IBCs (Intermediate Bulk Containers)	Palletised containers used for the transport and storage of bulk products in a variety of industries including the food, chemical, pharmaceuticals and transportation industries
IPEP (Irrecoverable Pooling Equipment Provision)	Provision held by Brambles to account for pooling equipment that cannot be economically recovered and for which there is no reasonable expectation of receiving compensation
Key Management Personnel	Members of the Board of Brambles Limited and Brambles' Executive Leadership Team
KPI(s)	Key Performance Indicator(s)
LTI	Long-Term Incentive
Matching Awards	Matching share rights over Brambles Limited shares allocated to employees when they purchase Acquired Shares under MyShare; when an employee's Matching Awards vest, Matching Shares are allocated
Matching Shares	Shares allocated to employees who have held Acquired Shares under MyShare for two years, and who remain employed at the end of that two-year period; one Matching Share is allocated for every Acquired Share held
MyShare	The Brambles Limited MyShare Plan, an all-employee share plan, under which employees acquire ordinary shares by means of deductions from their after-tax pay and must hold those shares for a two-year period. If an employee holds those shares and remains employed at the end of the two-year period, Brambles will match the number of shares that employee holds by issuing or transferring to them the same number of shares they held for the qualifying period, at no additional cost to the employee
Operating profit	Statutory definition of profit before finance costs and tax; sometimes called EBIT (earnings before interest and tax)
Performance Period	A two-to-three-year period over which the achievement of performance conditions is assessed to determine whether STI and LTI share awards will vest
Performance Share Plan or PSP	The Brambles Limited Performance Share Plan (as amended)
PAT (Profit after Tax)	Profit after finance costs, tax, minority interests and Significant Items
RPCs	Reusable/returnable plastic/produce container/crate, generally used for shipment and display of fresh produce items
ROCI (Return on Capital Invested)	Underlying Profit divided by Average Capital Invested
Sharing economy	An economic system in which assets or services are shared between different agents, either free or for a fee
Significant Items	Items of income or expense which are, either individually or in aggregate, material to Brambles or to the relevant business segment and: outside the ordinary course of business (e.g. gains or losses on the sale or termination of operations, the cost of significant re-organisations or restructuring); or part of the ordinary activities of the business but unusual because of their size and nature
STI	Short-Term Incentive

Glossary – continued

TSR (Total Shareholder Return)	Measures the returns that a company has provided for its shareholders, reflecting share price movements and reinvestment of dividends over a specified performance period
Underlying EPS	Profit after finance costs, tax and minority interests but before Significant Items, divided by the weighted average number of shares on issue during the period
ULP (Underlying Profit)	Profit from continuing operations before finance costs, tax and Significant Items
Unification	The unification of the dual-listed companies structure (between Brambles Industries Limited and Brambles Industries plc) under a new single Australian holding company, Brambles Limited, which took place in December 2006
Unit-load equipment	A term for any tools or platforms (such as pallets, crates and containers) used for the shipment or storage of multiple units of goods (for example, boxes of grocery items) in standardised volumes and formats for ease of shipment and storage through the supply chain
Year	Brambles' 2019 financial year

Notes

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Contact Information

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Investor & Analyst Queries

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Email: investorrelations@brambles.com

Share Registry

Access to shareholding information is available to investors through Boardroom Pty Limited

Boardroom Pty Limited

GPO Box 3993, Sydney NSW 2001, Australia

Telephone: 1300 883 073 (within Australia)
+61 (0) 2 9290 9600 (from outside Australia)
Facsimile: +61 (0) 2 9279 0664
Email: bramblesesp@boardroomlimited.com.au
Website: www.boardroomlimited.com.au

Share Rights Registry

Employees or former employees of Brambles who have queries about the following interests:

Performance share rights under the performance share plans;

Matching share rights under MyShare; or

Shares acquired under MyShare or other share interests held through Sargon CT Pty Ltd, may contact Boardroom Pty Limited, whose contact details are set out above.

American Depository Receipts Registry

Deutsche Bank Shareholder Services
American Stock Transfer & Trust Company Operations Centre
6201 15th Avenue Brooklyn NY 11219 USA

Telephone: +1 866 706 0509 (toll free)
+1 718 921 8124