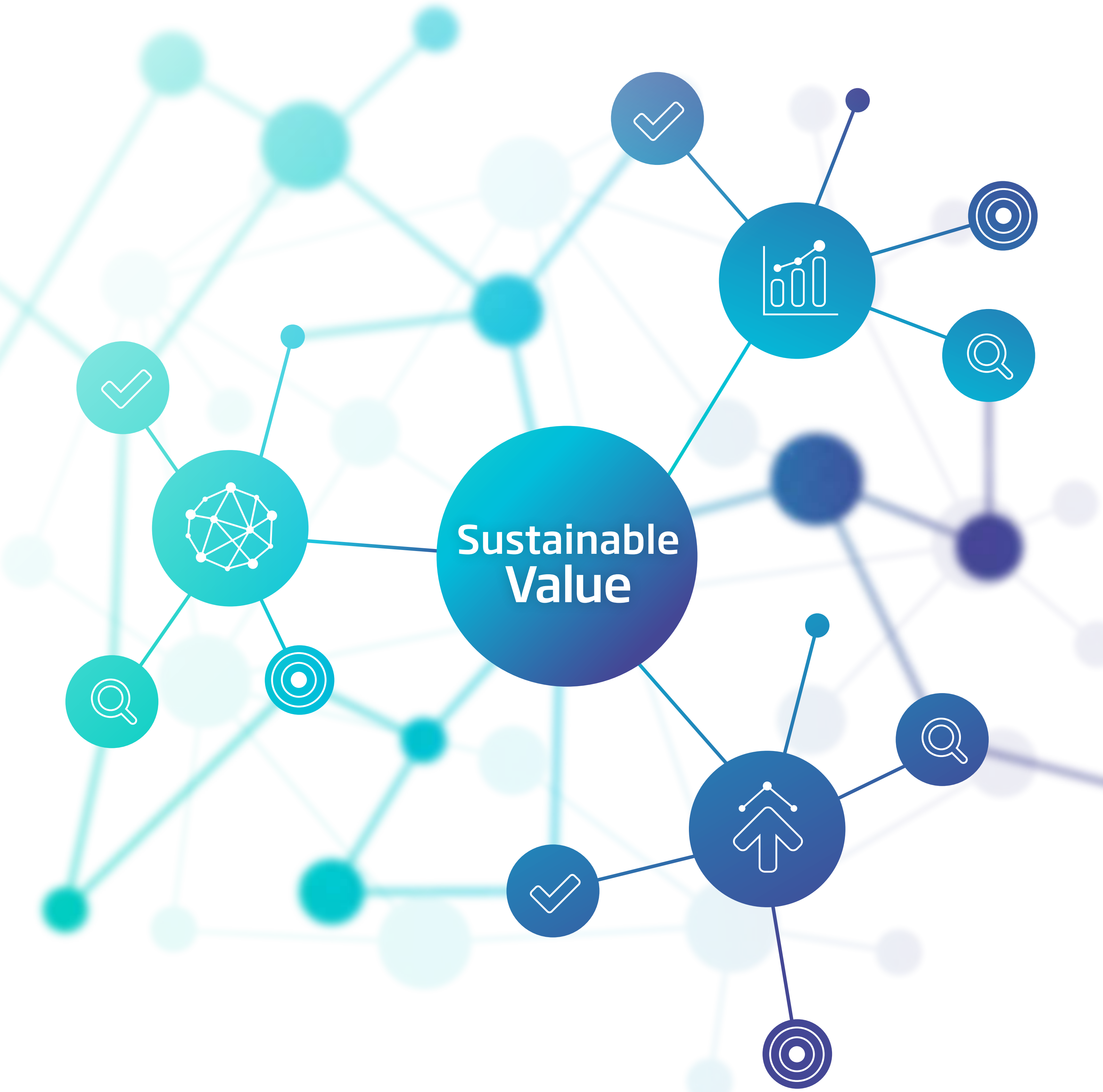
Brambles

Annual Report 2016



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Brambles Limited
ABN 89 118 896 021

Go to **Brambles.com** to review the Group's online annual review for 2016, including an interactive strategy scorecard and other features.

Forward-Looking Statements
Certain statements made in this Annual Report are "forward-looking statements" – that is, statements related to future, not past, events. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", 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 release. The forward-looking statements made in this Annual 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 release, except as may be required by law or by any appropriate regulatory authority.

Letter from the Chairman

18 August 2016

Brambles' Chairman Stephen Johns

Consistent with the theme of this year's Annual Report, Sustainable Value, we continue to focus on delivering long-term value for shareholders, our customers, our employees, and the communities in which we operate. Our strong results this year are a testament to the strength of our business model and the commitment of our employees at every level in the organisation.

Notwithstanding the market uncertainties and economic challenges in many of our markets around the world, our long-term growth strategy is not only delivering strong financial results but also enabling us to develop a more resilient and responsive company which is better positioned to deal with a more competitive and volatile world.

Our strength lies in our diversity and the resilience of the customers we serve in the fast moving consumer goods and fresh produce sectors. We are present in over 60 countries and we are benefitting from strong growth in emerging markets and improving stability in our established markets.

During the Year we continued to invest for the long term to enhance our strong network advantage and strengthen our relationships with customers. We invested US$407 million of growth capital expenditure, the majority of which is focussed in our business units serving the consumer staples and fresh produce supply chains.

We remain focused on the role technology can play in improving our business. During the Year we announced the creation of a Silicon Valley-based company, BXB Digital, focused on developing opportunities in relation to smart assets, data analytics and the Internet of Things.

We remain committed to the five-year targets we set in December 2013 and our ongoing business strategy. Our Strategy Scorecard on page 3 sets out our progress relative to our key targets and objectives.

Looking at this Year's results, in constant currency terms all the critical measures of financial performance showed improvement on the previous year; in particular sales, underlying profit, net debt to EBITDA and EBITDA interest cover. And, very importantly, our safety performance was excellent across all of our business units.

Dividend

Shareholders are seeing the benefits of Brambles continuing strong performance with total dividends for the year of 29 Australian cents per share, up one cent and 25% franked. Further details of the FY16 dividend and the Dividend Reinvestment Plan are set out on page 8.

Sustainability

During the Year, we announced our sustainability goals for 2020 which are linked to the United Nations' Sustainable Development Goals, released in 2015. Shareholders can read more about our sustainability strategy in the Operating & Financial Review on page 6, and obtain further details about our 2020 sustainability goals on our website. Our full Sustainability Review for 2016 will be published in October.

Corporate Governance

Brambles Corporate Governance Statement for 2016 has been posted on the Brambles website. The Statement sets out the key components of our governance framework in place during the Year. The Board believes that Brambles has met or exceeded all the requirements of the ASX Corporate Governance Principles and Recommendations.

Board Composition

In January this year, George El Zoghbi, joined the Board. George is an Australian executive who has had a highly successful international career in the food industry. George is Chief Operating Officer of US commercial businesses for Kraft Heinz Company, in Chicago, USA, and brings an invaluable customer perspective to the Board.

CEO Succession

On 18 August, we announced the retirement of our CEO, Tom Gorman, and the appointment of his successor, Graham Chipchase. Tom will retire as CEO and a Director of the Company effective 28 February 2017 and retire from the Brambles Group effective 30 June 2017.

Graham will commence with Brambles as CEO designate on 1 January 2017 and work closely with Tom in the two-month transitional period until he takes over as CEO on 1 March, 2017. Tom will be available to assist Graham until the end of June 2017.

Tom was appointed CEO in October 2009 and he has worked tirelessly to re-focus our Company and deliver value for our customers, our employees and our shareholders. Total shareholder return from the date Tom was announced as CEO until 12 August 2016, was 145%[1]. He will leave Brambles in a strong financial and market position with a clear focus on delivering on commitments. On behalf of the Board and all Brambles employees, I thank Tom for his outstanding contribution to our Company.

Until June this year Mr. Chipchase, 53, was Chief Executive Officer of Rexam plc, one of the world's largest consumer packaging companies with 56 plants in 26 countries. He joined Rexam in 2003 as Finance Director and successfully managed the company's plastics division until his appointment as CEO in 2010. During his tenure as CEO, Mr Chipchase refocused the company's strategy on core operations and strengthening customer relationships. He also improved the financial position of the business and delivered significant economic value to shareholders. Mr. Chipchase left Rexam in June 2016, following the acquisition of the company by US based Ball Corporation.

After completing an extensive CEO succession process that considered internal and external candidates, the Brambles Board is delighted to have found a candidate with Graham Chipchase's ability and experience to take Brambles forward and build on the Company's strategy of customer focus, disciplined capital allocation, and profitable growth. Graham has extensive and successful management experience leading a large FTSE listed company in a global business with similar characteristics to Brambles. He brings an impressive track record of success to the Brambles CEO role.

On behalf of all shareholders I thank our 14,500 staff for the dedication and hard work that delivered the results you see in this report.

Stephen Johns
Chairman

[1] Total shareholder return calculated for the period 6 October 2009 to 12 August 2016 and includes the impact of the Recall demerger.

Letter from the CEO

18 August 2016

Brambles' CEO Tom Gorman

Brambles' strong financial performance during the Year is a testament to the strength of our business model, the quality of our people, our network advantage and our commitment to delivering sustainable value for customers and shareholders.

People and Safety

As we do in every management review across our Company, I will start my review of the Year with an update on safety.

I am pleased to report that we were able to deliver another year of improvement in the Brambles Injury Frequency Rate, with no fatalities occurring across our operations in more than 60 countries.

I would like to thank all Brambles employees, the senior management team and my fellow Directors for their contribution to another successful year.

2016 Performance

Our performance during the Year reflected the continued execution of our growth strategy and our focus on driving direct and indirect cost efficiencies across our operations. At constant-currency, sales revenue increased 8% as we delivered strong growth with new and existing customers in both developed and emerging market businesses. At constant currency[2], operating profit was US$915 million, up 5%, and Underlying Profit[3] was US$993 million, up 9%. Return on Capital Invested was 15.3%. A full analysis of our financial results in the Operating & Financial Review on pages 4 to 13.

Strategic Actions

Over the course of the 2016 calendar year, we undertook several strategic actions aimed at allocating capital more effectively and better positioning certain businesses within our portfolio to generate sustainable profit growth and long term value creation.

In May, we announced the sale of the LeanLogistics transport management software business for US$115 million. We derived significant value from this business over the eight years it formed part of our portfolio however, the size and specialised nature of its operations provided limited opportunity for us to deliver further growth and value under our ownership.

In August, we entered into an agreement to form Hoover-Ferguson Group (HFG), an independent joint venture comprising our Oil & Gas container business unit and leading containers solution provider, Hoover Container Solutions. HFG will be 50% owned by Brambles and 50% owned by Hoover shareholders. This transaction provides us with long-term optionality in relation to the scale of, and allocation of capital to, the Group's Oil & Gas containers investment.

There were two small acquisitions completed during the year, in support of expanding our geographic footprint in the fresh food crate business, of IFCO Japan and Empacotecnia in Colombia.

As a result of our evolving portfolio of businesses, and in addition to the portfolio actions we have taken during the Year, we continue to review the structure of our businesses with a focus on delivering efficiencies and overhead cost reductions across our operations.

Customers

During the Year, we continued to add a significant number of new customers across our portfolio of businesses.

In line with our strategic imperative to be closer to the customer we continue to focus on delivering high quality, strategic solutions which make our customers' supply chains more efficient and sustainable.

I am pleased to report that our focus on the customer continues to pay off, with improved customer satisfaction scores during the Year.

Outlook

Subject to there being no material change in underlying economic conditions, in FY17 we expect to deliver constant-currency growth in sales revenue in the range of between 7% and 9% and Underlying Profit growth in the range of between 9% to 11%. We have forecast Underlying Profit to be between US$1,055 million and US$1,075 million, at 30 June 2016 foreign exchange rates.

We remain committed to delivering the five-year targets we set out in December 2013 which were to deliver annual constant-currency sales revenue growth in the high single digits, with Underlying Profit growth exceeding sales revenue growth, and achieving Return on Capital Invested of 20%[4] by the end of the 2019 financial year.

My retirement

On 18 August, I announced my retirement as Chief Executive Officer and a Director of the Company with effect from 28 February 2017 and from the Brambles Group with effect from 30 June 2017.

It has been both a pleasure and an honour to work with so many great people at Brambles. I am extremely proud of what our people have been able to accomplish during my tenure as CEO and am proud of the strong foundation for continued profitable growth I have helped establish. My decision to retire was not easy but I believe this is the right time for me to leave. Brambles is in great shape, our strategy is sound, and our team is aligned and committed. I wish my successor, Graham Chipchase, every success. I look to working with him as he transitions into his new role and to my future away from full-time executive life.

Tom Gorman
Chief Executive Officer

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[2] Calculated by translating reported period results into US dollars at the actual monthly exchange rates applicable in the prior corresponding period.

[3] Profit from continuing operations before finance costs, tax and Significant Items.

[4] FY19 targets were set exclusive of the impact of merger and acquisition activity and in line with certain assumptions in relation to macro-economic and operational risks (see Section 4.1).

Sustainable Value

Strategy Scorecard 2016

Investing in network advantage

FY16 key achievements

- US$407 million growth capital expenditure in support of growth with customers and geographic expansion
- Launch of BXB Digital to address opportunities in relation to smart assets, data analytics and the Internet of Things

FY17 focus areas

- Further US$400 million growth capex anticipated to support CHEP and IFCO expansion
- Initial US$10 million funding for BXB Digital

FY19 Targets[1]

Deliver annual percentage sales growth in the high single digits

Driving operational and organisational efficiency

FY16 key achievements

- Operational efficiencies largely offsetting direct cost pressures
- US$23 million indirect cost savings delivered under One Better business improvement program

FY17 focus areas

- Continued focus on operational efficiencies to offset direct cost pressures
- Continued focus on delivery of One Better business improvement program

FY19 Targets[1]

Deliver indirect and direct cost efficiencies to ensure profitable growth

Disciplined capital allocation for long-term growth

FY16 key achievements

- Divestment of LeanLogistics
- Bolt-on acquisitions to support RPCs growth: IFCO Japan, Empacotecnia

FY17 focus areas

- Complete formation of Oil & Gas Containers Joint Venture
- Continued capex allocation to well established businesses
- Focus on addressing businesses facing market and/or structural challenges

FY19 Targets[1]

Consistently improve Group Return on Capital Invested to at least 20% by FY19

Our customer value proposition enables a **strong and sustainable** competitive advantage...

...which drives superior rates of **economic returns**

... and positions us uniquely to deliver superior **levels of growth**

[1] FY19 Targets are provided on a constant-currency basis, exclusive of the impact of acquisitions since December 2013.

Operating & Financial Review

1. Overview of Operations

Brambles Limited is a supply-chain logistics company operating primarily through the CHEP and IFCO brands. Brambles is listed on the Australian Securities Exchange (ASX) and has its headquarters in Sydney, Australia, but operates in more than 60 countries, with its largest operations in North America and Western Europe.

Brambles provides supply-chain logistics services to its customers based upon the Group's longstanding expertise in the management of reusable unit-load equipment[1] such as pallets, crates and containers.

Brambles primarily serves customers in the fast-moving consumer goods (e.g. dry food, grocery, and health and personal care), fresh produce, beverage, retail and general manufacturing industries, counting many of the world's best known brands among its customers. The Group also operates specialist container logistics businesses serving the automotive, aerospace, and oil and gas sectors.

At 30 June 2016, the Group employed more than 14,500 people and owned more than 550 million pallets, crates and containers (after provisions) through a network of more than 850 service centres.

For financial reporting purposes, Brambles is grouped into three segments:

- **Pallets**, primarily serving the fast-moving consumer goods, fresh produce and beverage industries, and sub-divided into three regions:
  - Americas (comprising the CHEP pallet-pooling operations throughout that region and the CHEP recycled pallet management operations in North America);
  - Europe, Middle East & Africa (comprising the CHEP pallet-pooling operations in those regions, as well as India); and
  - Asia-Pacific (comprising the CHEP pallet-pooling operations in that region);
- **RPCs** (an acronym for Reusable Plastic or Produce Crates), serving the fresh produce and broader food industry and comprising the IFCO RPC pooling business worldwide and the CHEP RPC pooling businesses in Australia, New Zealand and South Africa; and
- **Containers**, comprising four distinct business units:
  - Automotive, serving the automotive manufacturing industry;
  - IBCs, primarily serving customers transporting raw materials in the food and general manufacturing industries using intermediate bulk containers (IBCs);
  - Oil & Gas, comprising Ferguson Group, a provider of container management solutions to the offshore oil and gas industry, and CHEP Catalyst & Chemical Containers, which rents containers and provides associated services in the refining sector; and
  - Aerospace, which rents containers and pallets for the transportation of baggage and cargo to airlines, as well as maintaining these and other airliner equipment.

In August 2016, Brambles entered into an agreement to merge its Oil & Gas containers business unit with leading containers solutions provider, Hoover Containers Logistics Solutions, to create an independent joint venture company – Hoover Ferguson Group (HFG), to be 50% owned by Brambles. The transaction is expected to complete in October 2016 (subject to regulatory clearance and customary conditions precedent).

2. Customer Value and Operating Model

Brambles enhances performance for customers by helping them transport goods through their supply chains more efficiently, safely and sustainably.

The Group's primary activity is the provision of reusable pallets, crates and containers for shared use by multiple participants throughout the supply chain, under a "sharing and reusing" model also known as "pooling".

Under various pooling models, Brambles provides standardised reusable pallets, crates and containers to customers from its service centres, as and when customers require. Customers then use that equipment to transport goods through their supply chains, and – depending on the specific pooling model in operation – either arrange for its return to Brambles or transfer it to another participant in the network for that participant's use prior to its return to Brambles.

By participating in Brambles' pooling system, customers eliminate the need to purchase and manage their own unit-load equipment, thereby reducing the capital requirements and complexity of their operations and simultaneously reducing waste from their supply chains. Customers benefit from the shared scale efficiencies generated by Brambles' network and systems, as well as the Group's asset management knowledge and development of additional value-adding services, products and solutions.

Brambles generates sales revenue predominantly from rental and other service fees that customers pay based on their usage of the Group's equipment. Brambles retains ownership of its equipment at all times, inspecting, cleaning and repairing them as required to maintain appropriate quality levels.

3. Shared Values

Brambles' shared values are articulated in its Code of Conduct and are a core component of the Group's culture:

- All things begin with the customer;
- We have a passion for success;
- We are committed to safety, diversity, people and teamwork;
- We believe in a culture of innovation; and
- We always act with integrity and respect for the communities in which we operate and the environment.

4. Business Strategies, Opportunities and Risks

Brambles' aspires to be a world-leading provider of logistics solutions, working together with its customers to make supply chains more efficient, safe and sustainable. Brambles' current areas of strategic focus are:

- **Investing in network advantage:** The strength and scale of Brambles' network of customers, people, service locations and asset management capability is inherent to the Group's value proposition to customers and shareholders alike. The Group is committed to investing to maintain this network advantage and enhance it through innovation and customer collaboration;
- **Driving operational and organisational efficiency:** Brambles supports its investment programs with internal efficiency initiatives that enable financial resources to be redirected to activities that are value-adding for customers. The Group targets continuous efficiencies in direct costs while the five-year organisational efficiency program, One Better, is focused on indirect cost reduction; and
- **Disciplined capital allocation for long-term growth:** In addition to funding its established businesses, Brambles seeks to allocate capital to organic business opportunities or acquisitions where the Group believes its specific supply-chain expertise can add value for customers and create value for shareholders.

The dynamic nature of the supply chains Brambles serves, provides the Group with 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; expanding into new supply chains or geographies; and/or exploring the digitisation of supply chains.

The principal factors that define growth opportunities for Brambles in the pooling of unit-load equipment are:

- Multiple parties use a common asset (i.e. a pallet, crate or container) to transport goods throughout the supply chain;
- Assets flow freely and at high velocity throughout the supply chain, creating complexity that Brambles can manage more effectively through a pooled environment than customers could alone;
- Ownership of assets is generally not a source of competitive differentiation to the asset user; and
- Pooling of assets can create a benefit in which all supply-chain participants can share.

[1] Equipment used for grouping multiple units of goods (e.g. boxes of grocery items) in standardised volumes and formats for ease of shipment and storage through the supply chain.

4.1 Strategic and Operating Risks

Brambles has identified a number of key factors that influence its strategic objectives and financial performance targets (refer to section 5) and which create areas of opportunity. These factors also create risks to the execution of Brambles' strategic objectives, which have been assessed in the context of the Group's risk management framework, as described under Principle 7 of the Corporate Governance Statement on Brambles' website. The table below outlines these key factors, the associated risks and mitigating actions Brambles implemented in FY16:

Key factors	Strategic and/or financial risk	Mitigating actions
Macro-economic environment	The challenging macro-economic environment may affect demand for Brambles' services and/or the Group's profitability	Continued focus on driving growth through investment in expanded customer value proposition, and targeted diversification in opportunities with attractive long-term characteristics
Industry trends, particularly in the context of dynamic retail, grocery and consumer goods supply chains	Industry trends (e.g. the fragmentation of the retail supply chain into multiple channels, demand for differing materials or designs for pooled equipment; the use of asset-tracking technology) could affect demand for Brambles' current service offerings, the value of its existing assets, and/or its profitability	Ongoing programs to drive customer intimacy throughout the supply chain and uncover opportunities to leverage the Group's unique global scale and value proposition
Internal execution capabilities, in particular maintaining control and quality of pooled equipment in line with customer needs	Failure to maintain adequate quality standards or control of Brambles' pooled equipment may result in reduced customer satisfaction or additional costs	- Strict adherence to equipment quality standards, including continuous monitoring of critical-to-quality metrics to assess and ensure quality of products issued to customers - Appointment of dedicated asset control teams across all business units and 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
Meeting customer demand for sustainable outsourced supply-chain solutions amid an intensifying competitive environment	Competitor activity, particularly in relation to changing customer demands and/or market structures, could affect Brambles' market penetration, revenue and profitability	Rejuvenated sustainability strategy and key brand programs focused on leveraging the inherent sustainability of Brambles' business models and driving new levels of customer engagement

Brambles has identified the following additional risks to its financial performance and operations. These risks have also been assessed in the context of Brambles' risk management framework and were addressed by the following mitigating actions in FY16:

Operating risk	Implication	Mitigating actions
Execution and integration of acquisitions	A failure to properly execute or integrate an acquisition could result in Brambles not realising its anticipated benefits and synergies	- Implementation of standard acquisition integration process for all acquisitions - Dedicated integration leader appointed to lead the integration process for each acquisition
Potential for interruption, compromise or failure of the systems and technology upon which Brambles relies to operate its business	A failure of this nature could adversely affect Brambles' ongoing profitability by impairing its ability to service, attract and retain customers	- Adoption of business continuity plans for interruptions to or failure of its information technology system - Implementation of processes for the detection and management of cybersecurity and other IT risks
Regulatory compliance, particularly as 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	- Code of Conduct which provides a framework for detailed policies addressing regulatory compliance, among other things - Adoption of Group-wide online compliance training programs to supplement face-to-face training - Appointment of a dedicated Compliance Manager whose responsibilities include monitoring the implementation and ongoing application of compliance management systems
Ability to attract, develop and retain high performing individuals, as well as having proper succession planning	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 "ready now" successors for senior executive positions throughout the Group - Formal mentoring programs offered to all Brambles employees

5. Investor Value Proposition

Brambles' relative competitive position is defined by the scale and density of its pooling networks, and the additional services and value these networks enable the Group to provide to customers. This concept is also referred to as Brambles' "network advantage".

Over time, Brambles' network advantage is strengthened through the disciplined expansion of its pooling networks and accompanying investment in customer service, creating a sustainable competitive advantage that enables the delivery of attractive returns to shareholders.

The scale of Brambles' established operations and customer relationships provides the Group with unique access to additional customer growth opportunities.

In December 2013, Brambles communicated the following financial targets, reflecting the Group's objective for the sustained delivery of its value proposition to investors through continued profitable growth:

- Annual percentage sales revenue growth in the high single digits (i.e. on average, between 7% and 9%), at constant currency;[2] and
- Consistent incremental improvement in Return on Capital Invested to at least 20% by the end of the 2019 financial year.

These targets were set exclusive of the impact of merger or acquisition activity and in line with certain assumptions in relation to macro-economic and operational risks (see Section 4.1).

5.1 Recent Financial Performance

Over the past five years, Brambles has consistently outperformed the benchmark Australian share index, the S&P/ASX200 Index, by delivering superior rates of profitable growth and shareholder returns.

Based on Bloomberg data for the five years ended 31 December 2015: Brambles' compound average growth rate in sales revenue was 5%, compared with 2% for the S&P/ASX200 Index, and Brambles' average post-tax return on capital was 16%, compared with 4% for the Index.

In the 2016 financial year, Brambles' delivered a total shareholder return[3] of 20%, compared with 1% for the S&P/ASX200 Accumulation Index and 19% for the S&P/ASX200 Industrials Accumulation Index. On a five-year basis, Brambles' total shareholder return has been 115%, compared with 43% for the S&P/ASX200 Index and 78% for the S&P/ASX200 Industrials.

While there is no guarantee that these absolute or relative returns will continue, Brambles believes that superior execution of its strategy will enable continued strong performance.

5.2 Performance Drivers and Metrics

The Group monitors performance and value creation through non-financial metrics (such as customer loyalty, safety performance and employee engagement and enablement) and through financial metrics (such as sales revenue growth, profitability, return on capital and shareholder returns).

There are three key drivers of Brambles' sales revenue growth:

- General increases in sales volumes in line with economic or industry trends (a relatively stable variable because the majority of Brambles' sales revenue comes from customers in the consumer staples sector);
- The rate at which the Group expands its operations (often described as "net new business wins"[4]); and
- Movements in pricing and changes in product/customer mix.

Brambles' key profit metric is Underlying Profit,[5] which is adjusted from statutory operating profit by removing Significant Items.[6] The main drivers of Underlying Profit are:

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

Brambles defines Return on Capital Invested as Underlying Profit divided by Average Capital Invested.[7] The main driver of Average Capital Invested is capital expenditure on pooling equipment, which is primarily influenced by the rate of sales growth and by asset efficiency factors, i.e. the amount of pooling equipment not recoverable or repairable each year (and therefore requiring replacement), and the frequency with which customers return or exchange pooling equipment. Brambles' main capital cost exposures are raw materials, primarily lumber and plastic resin.

The Group also monitors Brambles Value Added, which measures value generated over and above the cost of capital used to generate that value. Brambles Value Added is calculated by subtracting from Underlying Profit the product of Average Capital Invested multiplied by 12% (a notional representation of pre-tax cost of capital).

6. Sustainability

Brambles believes its operating model is inherently sustainable. By promoting the reuse of assets among multiple parties in the supply chain, Brambles' sharing and reusing operating model creates more efficient supply chains by reducing operating costs and demand on natural resources.

Brambles' sustainability framework organises the Group's sustainability activities in three areas: Better Business, Better Planet and Better Communities. During FY16, this framework was enhanced through the release of Brambles' 2020 sustainability goals. These goals focus on the strategic sustainability issues that preserve and create value, while managing actions that reduce the impacts of the Group's operations on the environment and communities in which it operates. Brambles' 2020 sustainability goals were mapped to the United Nations Sustainable Development Goals (SDGs)[8] released in 2015. The Group's goals were established through internal consultation with Brambles' businesses and input from customers, suppliers, peak industry bodies and sustainability practitioners.

During FY16, Brambles' management established a sustainability risk committee whose primary function, is to identify, assess, monitor and report on the Group's exposure to sustainability risks and determine whether the exposure to these risks is material.

In FY16, Brambles' sustainability risk committee conducted a review of material sustainability risks and issues, recognising: previously identified material sustainability issues; the third edition of the ASX Corporate Governance Principles & Recommendations, particularly Recommendation 7.4 concerning economic, environmental and social sustainability risks; and the Global Reporting Initiative's G4 reporting framework.

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2 Calculated by translating reported period results into US dollars at the actual monthly exchange rates applicable in the prior corresponding period.

3 Data sourced from Orient Capital. Total shareholder return reflects share price movements, assuming the reinvestment of dividends on the payment date and is adjusted for the demerger of Recall, the information management business, in December 2013.

4 The change in sales revenue in the reporting period resulting from business won or lost in that period and the previous financial year. The revenue impact of net new business wins is included across reporting periods for a total of 12 months from the date of the win or loss and calculated on a constant-currency basis.

5 Profit from continuing operations before finance costs, tax and Significant Items.

6 Items of income or expense that are (either individually or in aggregate) material to Brambles or to the relevant business segment and either outside the ordinary course of business or part of the ordinary activities of the business but unusual in size and nature.

7 A 12-month average of capital invested, calculated as net assets before tax balances, cash and borrowings but after adjustment for accumulated pre-tax Significant Items, actuarial gains and losses and net equity adjustments for equity-settled share-based payments.

8 Further information on Brambles' 2020 sustainability goals and their alignment to SDGs is located on Brambles' website http://www.brambles.com/sustainability.

This review identified the following material sustainability risks:

- **Materials sourcing:** Ongoing secure supply of materials for the production and repair of pooling equipment, in particular wood used for pallets, is critical to Brambles. In FY16, Brambles set a goal to achieve chain-of-custody certification for 100% of wood purchased[9] for manufacture and repair of CHEP pallets by 2020. In FY16, Brambles purchased 2.7 million cubic metres of wood for use in CHEP pooled pallets, up 416,300 cubic metres since FY15. During the Year, the volume of wood from certified sources remained in line with FY15 levels, at 97%, while the volume of wood carrying full chain-of-custody certification increased to 49%, from 43% in FY15. Brambles' sustainable sourcing objectives are directly linked to SDG 13 - Climate Action and SDG 15 - Sustainable Forestry; and
- **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. Brambles measures its safety performance through the Brambles Injury Frequency Rate (BIFR), which measures work-related injuries, fatalities, lost time, modified duties and incidents requiring medical treatment per million hours worked. Brambles' met its target of year-on-year improvement in the BIFR rate in FY16, recording a BIFR of 9.7, an improvement from 13.3 in FY15. This result reflects continuous improvement in the safety culture of Brambles. Brambles' Zero Harm Charter and safety targets align with SDG 3 Good Health and Wellbeing.

Further details of Brambles' sustainability framework and new sustainability goals are located on Brambles' website. A full review of Brambles' sustainability risks and performance will be included in the Group's Sustainability Review, scheduled for publication in October 2016.

7. Financial Position and Financial Risk Management

7.1 Capital Structure

Brambles manages its capital structure to maintain a solid investment-grade credit rating. During the financial year ended 30 June 2016, 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.

7.2 Treasury Policies

Brambles' treasury function is responsible for the management of certain financial risks within Brambles. 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.

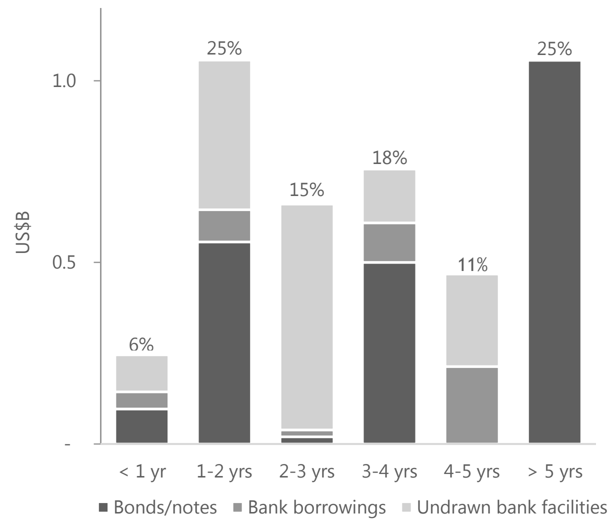
7.3 Funding and Liquidity

Brambles funded its operations during the 2016 financial year primarily through retained cash flow and borrowings. Brambles generally sources borrowings from relationship banks and debt capital market investors on a medium-to-long-term basis.

During the Year, Brambles issued US$500 million of guaranteed senior notes due in 2025 at a coupon of 4.125% in the US 144A market. Proceeds of the note issue were used to repay bank borrowings.

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 2020. Borrowings under the facilities are floating-rate, unsecured obligations with covenants and undertakings typical for these types of arrangements.

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



The average term to maturity of Brambles' committed credit facilities as at 30 June 2016 was 4.3 years (2015: 3.9 years). In addition to these facilities, Brambles enters into operating leases for office and operational locations and certain plant and equipment to achieve flexibility in the use of certain assets. The rental periods vary according to business requirements.

[9] An explanation of chain-of-custody certification, certified sources and other terms is on Brambles' website.

7.4 Net Debt and Key Ratios

US$M	June 2016	June 2015	Change
Current debt	201.7	127.5	74.2
Non-current debt	2,576.2	2,727.6	(151.4)
Gross debt	**2,777.9**	**2,855.1**	**(77.2)**
Less cash	(156.1)	(166.2)	10.1
Net debt	**2,621.8**	**2,688.9**	**(67.1)**
Key ratios	FY16	FY15	
Net debt to EBITDA	1.70x	1.75x	
EBITDA interest cover	13.5x	13.7x	

Brambles' financial policy is to target a net debt to EBITDA ratio less than 1.75 times. Key financial ratios continue to reflect the Group's strong balance sheet position and remain well within the financial covenants included in Brambles' major financing agreements.

7.5 Dividend Policy and Payment

Brambles has a 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. The Board has declared a final dividend for 2016 of 14.5 Australian cents per share, in line with the previous interim dividend and up 0.5 Australian cents per share on the previous final dividend. The 2016 final dividend is payable on 13 October 2016 to shareholders on the Brambles register at 5.00pm on 8 September 2016. The ex-dividend date is 7 September 2016.

Total dividends for the Year were 29.0 Australian cents per share, up 1 Australian cent per share. Brambles paid the 2016 interim dividend of 14.5 Australian cents per share on 14 April 2016.

Brambles' 2016 dividends are 25% franked. The unfranked component of the final dividend is conduit foreign income: shareholders not resident in Australia will not pay Australian dividend withholding tax on this dividend.

7.5.1 Dividend Reinvestment Plan

Brambles' Board maintained the Dividend Reinvestment Plan (DRP) for the 2016 financial year, in support of the Group's ongoing funding needs. Commencing with the 2016 final dividend, shares issued under the DRP will no longer attract a discount and any dilutive impact on earnings per share of DRP-issued shares will be neutralised through the transfer of existing shares to participating shareholders, via on-market purchases rather than issuing new shares to them.

8. Financial Review

8.1 Group Overview

8.1.1 Summary: Key Metrics

US$M			Change	
(Continuing operations)	FY16	FY15	Actual FX	Constant FX
Sales revenue	**5,535.4**	**5,440.5**	**2%**	**8%**
Operating profit	915.1	941.8	(3)%	5%
Significant Items	78.1	45.1		
Underlying Profit	**993.2**	**986.9**	**1%**	**9%**
Underlying Profit margin	**17.9%**	**18.1%**	**(0.2)pts**	**+0.1pts**
Average Capital Invested	6,486.4	6,251.5	4%	10%
Return on Capital Invested	**15.3%**	**15.8%**	**(0.5)pts**	**(0.2)pts**
Brambles Value Added[10]	**248.3**	**233.5**		**14.8**
Cash Flow from Operations	**513.8**	**729.5**	**(215.7)**	**(187.1)**

Brambles' financial results for the 12 months ended 30 June 2016 reflected the continued execution of the Group's growth strategy and commitment to delivering direct and indirect cost efficiencies across its operations.

The variance between actual and constant-currency growth reflects the strength of Brambles' reporting currency, the US dollar, relative to the Group's other operating currencies, in particular the euro, British pound, Australian dollar and Canadian dollar.

Sales revenue was US$5,535.4 million, up 2%. Constant-currency growth of 8% was in line with management's FY16 guidance for constant-currency sales revenue growth between 8% and 10%, and consistent with the Group's medium-term objective for average annual constant-currency sales revenue growth in the "high single digits". Constant-currency growth was primarily driven by: strong net new business wins, robust like-for-like volume growth and modest pricing gains in the developed markets pooled Pallets businesses; improved growth momentum in emerging markets Pallets businesses; continued expansion with new and existing retailers in European RPCs; and contributions from recent acquisitions.

Underlying Profit, which excludes Significant Items, was US$993.2 million, up 1%. Constant-currency growth of 9% was in line with management's FY16 guidance for constant-currency Underlying Profit growth of between 8% and 10%. Constant-currency growth reflected strong sales revenue growth, direct cost efficiencies in the Pallets and European RPCs segments, and US$23 million of overhead cost efficiencies resulting from the One Better program. These drivers more than offset the impact of increased operating costs in the North American recycled pallets business, short-term network inefficiencies in North American RPCs and ongoing industry headwinds in Oil & Gas.

Average Capital Invested was US$6,486.4 million, up 4% (up 10% at constant currency), reflecting the impact of acquisitions since 1 July 2014. Excluding these acquisitions (Braecroft, Ferguson Group, Rentapack, IFCO Japan and Empacotecnia), constant-currency Average Capital Invested growth was up 7%, reflecting growth capital expenditure to support expansion in the Pallets and RPCs businesses.

Return on Capital Invested was 15.3%, down 0.5 percentage points (down 0.2 percentage points at constant currency), reflecting the increase in Average Capital Invested. On a pro-forma FY19 target basis (excluding acquisitions[11] and foreign exchange impacts since December 2013 when Brambles set a target for Return on Capital Invested of 20% by FY19), Return on Capital Invested was 17.2%, up 0.1 percentage points (up 0.4 percentage points at constant currency) reflecting the improved profitability in the Pallets segment.

[10] Calculated at 30 June 2015 FX rates.

[11] Brambles' FY19 ROCI target of 20% excludes acquisitions made since December 2013 (the date the target was set). As such the Airworld, Braecroft, Ferguson Group, IFCO Japan, Rentapack, Transpac and Empacotecnia acquisitions are excluded from ROCI.

Brambles Valued Added, a measure of economic profit calculated at constant 30 June 2015 exchange rates, was US$248.3 million, up US$14.8 million, reflecting similar trends as Return on Capital Invested.

Cash Flow from Operations was US$513.8 million, down US$215.7 million, due to higher capex to support growth and one-time change to payment processes that drove increased working capital.

8.1.2 Profit Reconciliation

US$M			Change	
	FY16	FY15	Actual FX	Constant FX
Underlying Profit				
Pallets Americas	428.1	417.6	3%	8%
Pallets EMEA	354.5	343.9	3%	14%
Pallets Asia Pacific	65.1	71.6	(9)%	3%
Total Pallets	**847.7**	**833.1**	**2%**	**10%**
RPCs	131.4	131.5	0%	10%
Containers	48.4	59.3	(18)%	(11)%
Corporate	(34.3)	(37.0)	7%	(5)%
Total Underlying Profit	**993.2**	**986.9**	**1%**	**9%**
Significant Items	(78.1)	(45.1)		
Operating profit	**915.1**	**941.8**	**(3)%**	**5%**
Net finance costs	(114.0)	(111.9)	(2)%	(8)%
Tax expense	(243.7)	(242.3)	(1)%	(10)%
Profit after tax	**557.4**	**587.6**	**(5)%**	**2%**
Weighted average number of shares (M)	1,577.6	1,566.0	1%	1%
Basic EPS (US cents)	37.3	37.3	0%	7%
Basic EPS from continuing operations (US cents)	35.3	37.5	(6)%	1%

Operating profit of US$915.1 million, was down 3%, and up 5% on a constant-currency basis. This reflected the impact of US$78.1 million of Significant Items, comprising:

- Restructuring and integration costs of US$37.7 million ($30.4 million of which related to the One Better program);
- Goodwill impairment charge of US$38.0 million in the Oil & Gas business reflecting current market conditions in that sector;
- Acquisition-related costs of US$7.8 million; and
- A US$5.4 million gain on acquisitions, predominantly related to the IFCO Japan business.

Net finance costs were US$114.0 million, up 2%. Constant-currency growth of 8% reflected an increased proportion of long-term, higher fixed-rate debt.

Tax expense was US$243.7 million, up 1%. Constant-currency growth of 10%, reflected the lower tax deductibility of Significant Items in FY16. This resulted in an effective tax rate on operating profit of 30% (FY15: 29%). The effective tax rate on Underlying Profit was 29%, the same as FY15.

Profit after tax of US$557.4 million was down 5%. Constant-currency growth of 2% reflected higher net finance costs and tax expense which partly offset operating profit growth.

Basic earnings per share were 37.3 US cents, the same as FY15. Basic earnings per share from continuing operations of 35.3 US cents were down 6% in actual-currency terms. Constant-currency growth of 1%, reflected the increase in profit after tax partly offset by the higher weighted average number of shares on issue.

8.1.3 Cash Flow Reconciliation

US$M	FY16	FY15	Change
Underlying Profit	993.2	986.9	6.3
Depreciation and amortisation	545.8	546.1	(0.3)
EBITDA	**1,539.0**	**1,533.0**	**6.0**
Capital expenditure (cash basis)	(1,080.3)	(982.5)	(97.8)
Proceeds from sale of PP&E	103.6	78.4	25.2
Working capital movement	(146.9)	4.2	(151.1)
IPEP expense	74.8	79.7	(4.9)
Other	23.6	16.7	6.9
Cash Flow from Operations	**513.8**	**729.5**	**(215.7)**
Significant Items	(44.9)	(48.7)	3.8
Discontinued operations	(5.4)	(4.3)	(1.1)
Financing costs and tax	(291.8)	(272.4)	(19.4)
Free Cash Flow	**171.7**	**404.1**	**(232.4)**
Dividends paid	(205.1)	(359.3)	154.2
Free Cash Flow after dividends[12]	**(33.4)**	**44.8**	**(78.2)**

Cash Flow from Operations was US$513.8 million, down US$215.7 million. This reflected increased capital expenditure to fund growth in the Pallets segment and increased working capital due to one-time change to payment processes resulting in lower creditors.

Capital expenditure of US$1,080.3 million included: US$407 million to fund growth programs mainly in Pallets Americas, Pallets EMEA and European RPCs; and US$620 million to replace irrecoverable or scrapped pooling equipment. The remaining capital expenditure relates to other plant investments and the timing of payments.

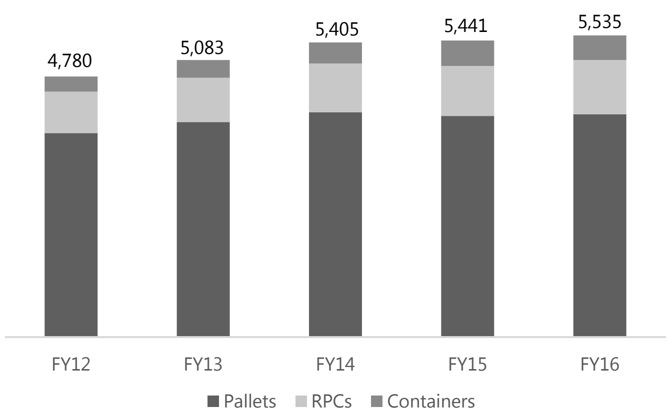
Proceeds from the sale of PP&E increased by US$25.2 million, reflecting a Group-wide alignment of reporting compensations for lost RPCs. Previously, parts of the business recorded compensations for lost RPCs in working capital.

Free Cash Flow after dividends[12] was a negative US$33.4 million, down US$78.2 million, reflecting the reduced Cash Flow from Operations. This was partly offset by lower dividends paid due to the reactivation of the Dividend Reinvestment Plan, which generated US$124.8 million of cash, and the translation impact of the weaker Australian dollar in which dividends are paid.

[12] Free Cash Flow after dividends excludes proceeds from the disposal of the LeanLogistics business, which was a net cash inflow of US$100.0 million.

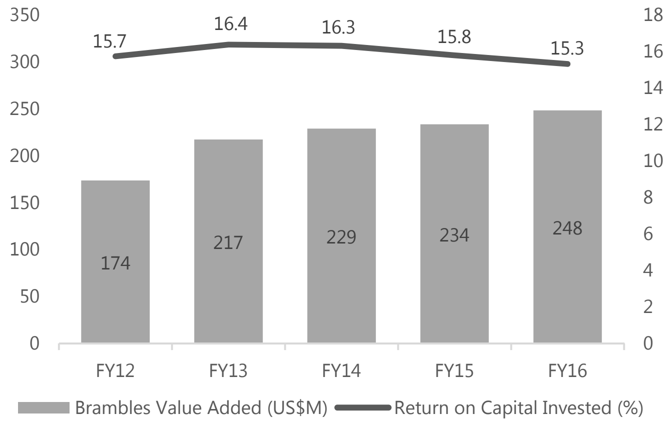
8.1.4 Five-Year Trends[13]

Group Sales Revenue (US$M)



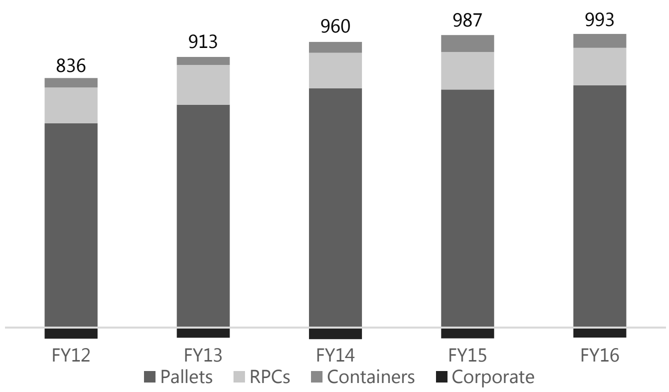
Brambles' sales revenue of US$5,535.4 million in FY16 reflected a five-year compound annual growth rate of 8%.[14] This was delivered despite relatively weak underlying economic conditions in the period. The growth reflected the execution of the Group's strategy: to expand the Pallets business through winning new customers, entering new markets and expanding its product offerings; to expand the RPCs operations through ongoing investment to support increased retailer conversions; to increase its presence in the Intermediate Bulk Containers and Automotive space through acquisitions and continued investment; and diversification through acquisition into new supply chains in the Containers segment such as Aerospace and Oil & Gas.

Return on Capital Metrics



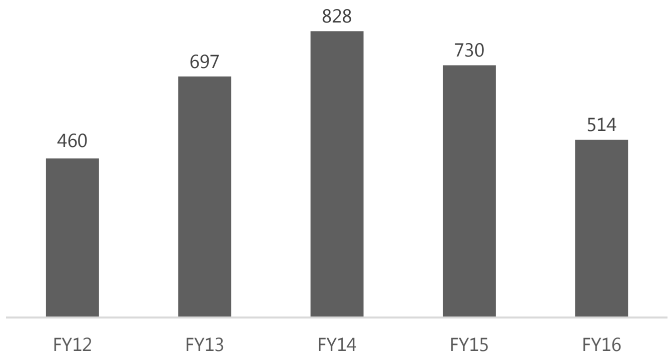
The trend in Brambles' key return on capital metrics (Return on Capital Invested and Brambles Value Added[14]) over the five-year period ended 30 June 2016 reflected the Group's expansion through both organic growth and acquisitions. Return on Capital Invested declined from 15.7% to 15.3% reflecting the impact on capital invested of acquired intangibles. Excluding the impact of acquisitions and foreign exchange movements since December 2013, Return on Capital Invested has increased to 17.2%. The trend in Brambles Value Added – a measure of economic profit over and above the cost of capital invested to create that profit – demonstrates how profit growth outstripped growth in the cost of capital, increasing to US$248 million in FY16.

Underlying Profit (US$M)



Brambles' Underlying Profit of US$993.2 million in FY16 reflected a five-year compound annual growth rate of 9%.[14][14] The profit growth primarily reflected sales revenue growth as well as the delivery of efficiencies primarily in the Pallets business. Key drivers of profit improvement in the period included: the successful execution of the Better Everyday program to increase pallet and service quality through FY10 to FY13 in the USA pooled pallet operations; the Global Supply Chain program to reduce operating costs by US$100 million from FY12 to FY15, primarily through plant network optimisation; and reductions in indirect costs worldwide as part of the One Better program.

Cash Flow from Operations (US$M)



By nature of Brambles' business, Cash Flow from Operations in a given period is largely driven by profitability, capital expenditure and movements in working capital balances. The five years to FY16 was a period of strong profit growth, facilitated largely by significant investments in capital expenditure for growth. In addition, improved asset control practices contributed to reduced replacement capital expenditure relative to sales growth. In FY12, capital expenditure was especially high relative to the size of the business, reflecting growth programs to support expansion in emerging markets of the Pallets business, and in the RPCs segment following the IFCO acquisition. In FY16, capital expenditure increased to support growth in the Pallets operations and there was a one-time change to payment processes that increased working capital.

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[13] Data shown excludes the contribution of the Recall business demerged in December 2013 and is shown at actual FX rates. LeanLogistics is excluded in FY15 and FY16 but included in earlier years.

[14] Compound annual growth rate and Brambles Value Added calculated at 30 June 2015 FX rates.

8.2 Segment Analysis

8.2.1 Pallets Americas

US$M			Change	
	FY16	FY15	Actual FX	Constant FX
Sales revenue	**2,427.8**	**2,333.4**	**4%**	**8%**
Operating profit	415.5	403.1	3%	8%
Significant Items	12.6	14.5		
Underlying Profit	**428.1**	**417.6**	**3%**	**8%**
Underlying Profit (ex North American recycled)	432.3	397.1	9%	14%
Average Capital Invested	2,370.4	2,268.6	4%	8%
Return on Capital Invested	**18.1%**	**18.4%**	**(0.3)pts**	**(0.1)pts**
Return on Capital Invested (ex North American recycled)	21.5%	20.7%	0.8pts	1.1pts
Brambles Value Added	**166.7**	**157.2**		**9.5**

Corporate actions

The LeanLogistics business, previously recognised in the Pallets Americas segment, was sold on 31 May 2016. LeanLogistics' FY16 results are included in discontinued operations and prior year comparatives for Pallets Americas have been restated.

Sales Revenue

Sales revenue in Pallets Americas was US$2,427.8 million, up 4% (up 8% at constant currency), reflecting strong net new business wins[15] and solid pricing and like-for-like volume growth.

North America sales revenue was US$2,186.1 million, up 6% (up 7% in constant currency). Net new business wins in the pooled pallet operations contributed 3% constant-currency growth, reflecting strong progress with the market segmentation strategy in the region. This strategy delivered a number of key wins in the protein and pharmaceutical sectors and the conversion of a large number of smaller customers in the US grocery sector from disposable "white-wood" alternatives. Like-for-like volume growth contributed 1% of constant-currency growth, while price and sales mix improved in all business units.

Within North America:

- USA pooled pallet revenue was US$1,489.3 million, up 8%;
- North American recycled pallet sales revenue was US$460.0 million, up 3% (up 4% at constant currency); and
- Canada sales revenue was US$236.8 million, down 5% (up 7% at constant currency).

Latin America sales revenue was US$241.7 million, down 8%. Constant-currency growth of 14%, was largely driven by strong like-for-like volume growth in Mexico, in line with improved economic conditions, and solid pricing growth, consistent with the inflationary environment in the region.

Profit

Underlying Profit was US$428.1 million, up 3% (up 8% in constant currency), reflecting a very strong profit performance in pooled pallet operations which more than offset operating challenges in the North American recycled pallet business.

Americas pooled pallet businesses (excluding North American recycled pallet business) delivered constant-currency Underlying Profit growth of 14%, reflecting strong volume, price and sales mix benefits and supply-chain efficiencies. Collectively, these benefits were more than sufficient to offset increases in direct costs in the period. On a constant-currency basis:

- Net plant costs increased by US$19 million, reflecting cost inflation pressures, particularly in Latin America in line with the broader inflationary environment in that region. US pallet durability measures had a net-neutral impact on plant costs in FY16 and are expected to deliver damage rate and cost benefits from FY17 onwards;
- Depreciation expense increased by US$15 million, in line with investment in the pallet pool to support expansion with new and existing customers; and
- Net transport costs increased by US$12 million with US third-party freight inflation moderating during FY16. Continued improvements in asset management and a reduction in the fuel surcharge also contributed to higher transportation costs.

Underlying Profit in the North American recycled pallet business declined by US$25 million reflecting pallet core-price inflation, lower volumes, increased indirect costs and other one-off adjustments.

Operating profit of US$415.5 million was up 3% (up 8% at constant currency). Significant Items of US$12.6 million primarily related to the One Better program and the first phase of the CHEP brand refresh project.

Return on Capital

Return on Capital Invested was 18.1%, down 0.3 percentage points (down 0.1 percentage points at constant currency), reflecting increased Average Capital Invested and the decline in Underlying Profit contribution from the North American recycled pallet business.

Return on Capital Invested for the Americas pooled pallet businesses (excluding the North American recycled pallet business) was 21.5%, up 1.1 percentage points at constant currency.

Capital expenditure[16] was US$449.8 million, up US$71.4 million, driven by investment to support strong sales volume growth in the pooled pallet businesses, replenish US plant-stock levels and manage the impact of increased cycle times associated with increased inventory levels in the US retail supply chain.

[15] The change in sales revenue in the reporting period resulting from business won or lost in that period and the previous financial year. The revenue impact of net new business wins is included across reporting periods for a total of 12 months from the date of the win or loss and calculated on a constant-currency basis.

[16] Capital expenditure on property, plant and equipment on an accruals basis.

8.2.2 Pallets EMEA

US$M			Change	
	FY16	FY15	Actual FX	Constant FX
Sales revenue	**1,343.1**	**1,380.5**	**(3)%**	**6%**
Operating profit	**351.8**	**341.8**	**3%**	**13%**
Significant Items	2.7	2.1		
Underlying Profit	**354.5**	**343.9**	**3%**	**14%**
Average Capital Invested	1,248.5	1,253.0	0%	9%
Return on Capital Invested	**28.4%**	**27.4%**	**1.0pts**	**1.2pts**
Brambles Value Added	**215.8**	**185.6**		**30.2**

Sales

Sales revenue in Pallets EMEA was US$1,343.1 million, down 3%. Constant-currency growth of 6%, reflected broadly equal contributions from like-for-like volume growth and net new business wins with minimal price growth in a low inflationary environment in Europe.

Europe sales revenue was US$1,194.2 million, down 3% (up 5% at constant currency). Like-for-like volume growth contributed 2% constant-currency growth, reflecting solid consumer demand across the major European economies particularly in the second half of the year. Net new business wins contributed 3% constant-currency growth, driven by continued market share expansion in continental Europe and minimal customer losses.

Within Europe:

- Mid Europe (comprising Germany, Italy, Benelux, Scandinavia, Switzerland and Austria) sales revenue was US$361.6 million, down 2%. Constant-currency growth of 6% was primarily driven by continued expansion with new and existing customers;
- UK & Ireland sales revenue was US$339.1 million, down 7%. Constant-currency growth was flat year-on-year as the rollover impact of prior-year contract losses in the first half of the year, and indexation-related price reductions offset solid contributions from new contract wins and like-for-like volume growth;
- Iberia sales revenue was US$229.6 million, down 2%. Constant-currency growth of 6% reflected net new business wins and improved like-for-like volume growth, particularly in the beverage sector;
- France sales revenue was US$153.6 million, down 3%. Constant-currency growth of 4% was driven by solid new business growth and a modest contribution from like-for-like volume growth; and
- Central & Eastern Europe sales revenue was US$110.3 million, up 8%. Constant-currency growth of 20% was driven by strong new business growth particularly in the region's largest markets, Poland and Turkey.

Africa, India & Middle East sales revenue was US$148.9 million, down 2% (up 16% at constant currency), primarily driven by like-for-like volume growth and price increases.

Profit

Underlying Profit was US$354.5 million, up 3%. Constant-currency growth of 14% reflected the delivery of plant and transport cost efficiencies in a low-inflation environment and indirect cost benefits associated with the One Better program.

Operating profit was US$351.8 million, up 3% (13% at constant currency). Significant Items of US$2.7 million primarily reflected One Better-related costs.

Return on Capital

Return on Capital Invested was 28.4%, up 1.0 percentage points (1.2 percentage points at constant currency), reflecting the continued strong profitability across the region. Capital expenditure was US$280.9 million, up US$24.9 million, reflecting investment to fund the growth with key customers in the region.

8.2.3 Pallets Asia-Pacific

US$M			Change	
	FY16	FY15	Actual FX	Constant FX
Sales revenue	**319.0**	**343.5**	**(7)%**	**5%**
Operating profit	**65.0**	**70.6**	**(8)%**	**4%**
Significant Items	0.1	1.0		
Underlying Profit	**65.1**	**71.6**	**(9)%**	**3%**
Average Capital Invested	323.6	357.1	(9)%	1%
Return on Capital Invested	**20.1%**	**20.1%**	**0.0pts**	**0.8pts**
Brambles Value Added	**27.5**	**25.9**		**1.6**

Sales

Sales revenue in Pallets Asia-Pacific was US$319.0 million, down 7%. Constant-currency growth of 5% largely reflected robust pricing gains and like-for-like volume growth in Australia and continued expansion with new and existing customers in Asia.

- Australia & New Zealand sales revenue was US$274.2 million, down 8% (up 5% at constant currency).
- Asia sales revenue was US$44.8 million, down 2%. Constant-currency growth of 6%, reflected continued growth in dynamic flow, wooden pallet volumes in China as the business transitions away from the legacy closed-loop, plastic pallet business.

Profit

Underlying Profit was US$65.1 million, down 9%. Constant-currency growth of 3% was largely driven by the pricing component of sales revenue in Australia, which was partially offset by reduced customer compensations in line with lower pallet losses in the period.

Operating profit was US$65.0 million, down 8% (up 4% in constant currency). Significant Items of US$0.1 million related to the One Better program.

Return on Capital

Return on Capital Invested was 20.1%, in line with FY15. At constant currency, Return on Capital Invested improved by 0.8 percentage points, reflecting the Underlying Profit growth and minimal growth in Average Capital Invested. Capital expenditure was US$51.2 million, down US$10.4 million, primarily reflecting lower investment in Asia.

8.2.4 RPCs

US$M			Change	
	FY16	FY15	Actual FX	Constant FX
Sales revenue	**991.8**	**917.6**	**8%**	**16%**
Operating profit	**134.4**	**130.8**	**3%**	**14%**
Significant Items	(3.0)	0.7		
Underlying Profit	**131.4**	**131.5**	**0%**	**10%**
Average Capital Invested	1,623.7	1,541.2	5%	11%
Return on Capital Invested	**8.1%**	**8.5%**	**(0.4)pts**	**0.0pts**
Brambles Value Added	**(60.1)**	**(53.4)**		**(6.7)**

Sales

Sales revenue in RPCs was US$991.8 million, up 8%. Constant-currency growth of 16% reflected the continued expansion of RPC programs with existing and new retail partners in Europe and the contribution of acquisitions.

All major markets delivered solid like-for-like volume growth and modest pricing gains. Excluding the impact of the acquisitions of Rentapack (Chile), IFCO Japan and Empacotecnia (Colombia), RPCs' constant-currency sales revenue growth was 12%.

- Europe sales revenue was US$621.4 million, up 7%. Constant-currency growth of 15% was primarily driven by very strong volume growth with existing retail partners (including REWE in Germany, The Co-operative Food Group in the UK and DIA in Spain) and with new retail partners, most significantly Intermarché in France. Performance in the second-half of the year was particularly strong with constant-currency sales revenue growth of 17%.
- North America sales revenue was US$199.2 million, up 4%, as growth with key retail partners (including Walmart, Kroger, Loblaws and HEB) more than offset the impact of significantly reduced volumes, with Safeway following its decision to revert to the use of cardboard boxes within its supply chain. Price increases implemented during FY16 contributed modestly to the growth.
- Sales revenue in the other regions was US$171.2 million, up 19%. Constant-currency growth of 38% reflected the acquisitions of Rentapack, IFCO Japan and Empacotecnia. Excluding these acquisitions, constant-currency sales revenue growth of 11% was driven by continued expansion in Australia, South Africa and Latin America.

Profit

Underlying Profit of US$131.4 million was flat on the prior year. Constant-currency growth of 10% primarily reflected the sales revenue growth and scale-related network and transportation efficiencies in Europe. These benefits were partly offset by higher depreciation costs in line with the growth and diversification of the RPC pool. In North America, short-term network inefficiencies created by the loss of volumes with Safeway in the first half of the year have been addressed and profit margins improved in the second half of the year.

Operating profit was US$134.4 million, up 3% (up 14% at constant currency). Significant Items of US$3.0 million largely reflected a fair value gain recognised on the acquisition of IFCO Japan, offset by costs associated with the One Better program and IFCO branding.

Return on Capital

Return on Capital Invested was 8.1%, down 0.4 percentage points (flat at constant currency). The Underlying Profit growth was offset by a strong increase in Average Capital Invested due to continued relatively high levels of capital expenditure in the segment to support growth and platform diversity. Capital expenditure was US$231.0 million, down US$7.3 million.

8.2.5 Containers

US$M			Change	
	FY16	FY15	Actual FX	Constant FX
Sales revenue	**453.7**	**465.5**	**(3)%**	**5%**
Operating profit	**7.7**	**58.1**	**(87)%**	**(91)%**
Significant Items	40.7	1.2		
Underlying Profit	**48.4**	**59.3**	**(18)%**	**(11)%**
Average Capital Invested	957.6	874.1	10%	18%
Return on Capital Invested	**5.1%**	**6.8%**	**(1.7)pts**	**(1.7)pts**
Brambles Value Added	**(70.5)**	**(46.5)**		**(24.0)**

Corporate actions

On 5 August 2016, Brambles announced the combination of its Oil & Gas business into an independent joint venture company, Hoover-Ferguson Group (HFG). The Oil & Gas business' results in FY16 are reported in continuing operations.

Sales

Sales revenue in the Containers segment was US$453.7 million, down 3%. At constant currency, sales revenue was up 5% as growth in the Intermediate Bulk Containers, Automotive and Aerospace businesses more than offset a decline in the Oil & Gas business. Excluding the Oil & Gas business, constant-currency sales revenue growth was 8%.

Automotive sales revenue was US$145.9 million, down 1%. Constant-currency sales revenue was up 7%, as strong like-for-like volume growth and contract wins in North America and Europe more than offset the ongoing decline of the Australian automotive industry.

Intermediate Bulk Containers sales revenue was US$131.8 million, up 2%. Constant-currency growth of 10% was driven by strong market share gains in Pallecon Europe and North America.

Aerospace sales revenue was US$78.3 million, up 1%. Constant-currency growth of 5% reflected strong growth in the pooling business associated with the rollout of the Cathay Pacific contract. This increase more than offset volume declines in the repair business.

Oil & Gas sales revenue was US$97.7 million, down 12%. A constant-currency decline of 5% reflected a 31% decline in Ferguson's like-for-like sales revenue, in line with the reduction in expenditures by customers in the offshore oil and gas sector following heavy falls in the oil price. This was partly offset by the additional two months' Ferguson ownership and increased customer maintenance activity at refineries in the Catalyst & Chemical business.

Profit

Underlying Profit was US$48.4 million, down 18% (down 11% in constant currency), as sales revenue growth was insufficient to offset margin pressure associated with industry trends in Oil & Gas and short-term cost pressures in Intermediate Bulk Containers. Excluding the Oil & Gas business, constant-currency Underlying Profit growth was 27%, primarily reflecting strong profit leverage in the Automotive business.

Operating profit was US$7.7 million, down 87% (down 91% in constant currency). Significant Items of US$40.7 million included a US$38.0 million goodwill impairment charge in the Oil & Gas business, reflecting current market conditions in the sector. The balance of Significant Items related to the One Better program.

Return on Capital

Return on Capital Invested was 5.1%, down 1.7 percentage points, reflecting the increase in Average Capital Invested as a result of the Ferguson acquisition and the decline in Underlying Profit. Capital expenditure was US$82.1 million, down US$18.9 million, primarily due to minimal requirements in Ferguson.

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. He is 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 degree 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. Age: 69.

Christine Cross Non-Executive Director (Independent)

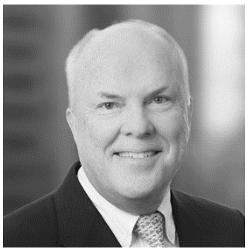
Member of the Remuneration Committee

Joined Brambles as a Non-Executive Director in January 2014. She is a Non-Executive Directorship of Sonae Group, Kathmandu, Plantasjen, Hilton Food Group and Coca-Cola European Partners and previously served on the Boards of Woolworths, Next, Empire Canada, Fairmont Hotel Group Canada and Taylor Wimpey and as Chief Retail Advisor for PricewaterhouseCoopers. Christine is a food scientist by background, having lectured at Edinburgh and Bath Universities for 15 years prior to joining Tesco. From 1989 to 2003, she held a variety of Director-level roles at Tesco, focusing on own brand, non-food and global sourcing, and international and small format expansion. Christine left Tesco in 2003 and now runs a retail advisory business providing international best practice in customer-led business planning and value chain management. She currently retains the title of Visiting Professor at Belfast and Hull University Business Schools. Christine has a Bachelor of Education degree, Master of Science in Food Science degree and a Diploma in Management. Age: 65.

George El Zoghbi Non-Executive Director (Independent)

Member of the Remuneration Committee

Joined Brambles as a Non-Executive Director in January 2016. George has extensive international consumer packaged goods and supply-chain experience. He is currently Chief Operating Officer of US commercial businesses for Kraft Heinz Company, based in Chicago, USA, and prior to the merger of Kraft Foods Group and Heinz in July 2015, George was Chief Operating Officer of Kraft. 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 Program at MC London Business School in the United Kingdom. Age: 49.



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 a Non-Executive Director of Coca-Cola Amatil and Chairman of Foodbank Australia. Previously, Tony was a Non-Executive Director of 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 HJ Heinz, Diageo and Seagram. He holds a Bachelor of Law degree from Queen Mary College, London and a Master of Business Administration degree from Columbia Business School, New York. Age: 68.

Tom Gorman Chief Executive Officer

Chairman of the Executive Leadership Team

Joined Brambles as Group President, CHEP EMEA in March 2008 and became Chief Executive Officer in November 2009. Previously, Tom had a long career with the Ford Motor Company, and served in many executive roles including as President, Ford Australia from March 2004 until January 2008. Before joining Ford, he worked for the Bank of Boston. Tom holds a Bachelor of Arts degree in Economics & International Relations from Tufts University, Massachusetts and a Master of Business Administration degree with distinction from Harvard Business School, Massachusetts. Tom will retire as Chief Executive Officer and Director on 28 February 2017. Age: 56.

David Gosnell Non-Executive Director (Independent)

Member of the Audit Committee and the Nominations Committee

Re-joined Brambles as a Non-Executive Director in December 2011. He is a Non-Executive Director of Coats and Coats Group. David retired from his role as President of Global Supply & Procurement for Diageo in 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 sterling procurement budget. 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. Prior to joining Diageo in 1998, David spent 20 years at HJ Heinz, where he served on the UK board and held various European operational positions. He holds a Bachelor of Science degree in Electrical & Electronic Engineering from Middlesex University and is a Fellow of the Institute of Engineering and Technology, England. Age: 59.

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 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. Age: 63.

Carolyn Kay Non-Executive Director (Independent)

Member of the Audit Committee

Joined Brambles as a Non-Executive Director in June 2006. She is a Non-Executive Director of Scentre Group, John Swire & Sons Pty Ltd, Chief Executive Women and The General Sir John Monash Foundation, an External Board Member of Allens Linklaters and a member of the Future Fund Board of Guardians. She was also formerly a Non-Executive Director of a number of organisations including Commonwealth Bank of Australia and Infrastructure NSW. Carolyn has more than 30 years' experience in the finance sector and worked as an executive in finance at Morgan Stanley in London and Melbourne, JP Morgan in New York and Melbourne and Linklaters & Paines in London. She holds Bachelor of Law and Arts degrees from the University of Melbourne and a Graduate Diploma in Management from the Australian Graduate School of Management. Carolyn is a Fellow of the Australian Institute of Company Directors, a member of Chief Executive Women and Women Corporate Directors and has a Centenary Medal for services to Australian society in business leadership. Age: 55.

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 Commonwealth Bank of Australia, at which he is Chairman of its Audit Committee. Previously, Brian was a Non-Executive Director and Deputy Chairman of Ten Network Holdings. 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. Age: 70.

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 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 finance, 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 & New Zealand and as a member of the Asia-Pacific management committee. Age: 51.

Board & Executive Leadership Team - continued

Executive Leadership Team

Tom Gorman Chief Executive Officer

Chairman of the Executive Leadership Team

(See biography on page 14.)

Jean Holley Chief Information Officer

Joined Brambles in September 2011 from telecommunications services company Tellabs Inc., where she was Executive Vice President & Chief Information Officer. Previously, Jean held roles including Vice President & Chief Information Officer at building materials group USG Corporation and senior information technology and information systems roles at environmental services company Waste Management Inc. Jean is also a member of the Board of Directors for VASCO Data Security International, Inc. She has a Master of Science degree in Computer Science & Engineering from the Illinois Institute of Technology and a Bachelor of Science degree in Computer Science & Electrical Engineering from the Missouri University of Science & Technology. Age: 57.

Peter Mackie Group President, Pallets

Became Group President, Pallets in March 2013, having previously held the following Executive Leadership Team positions: Group President, Pallets Americas and Group President, CHEP Asia-Pacific. Previously, Peter held the positions of: Acting Group President, CHEP Europe, Middle East & Africa; President, CHEP Europe; Senior Vice President, Customer Service, CHEP Europe; Vice President, Strategy, CHEP Europe; and Managing Director, CHEP UK & Ireland. Before joining CHEP in 2001, Peter held senior roles with Boots and The BOC Group. Peter is a qualified chartered engineer and has a Master of Business Administration degree from London Business School. Age: 50.

Wolfgang Orgeldinger Group President, RPCs

Became Group President, RPCs in August 2013, having first joined Brambles in March 2011, following the acquisition of IFCO Systems. Wolfgang served as Chief Operating Officer of IFCO from January 2002 to August 2011 and Chief Information Officer, with responsibility for e-logistics and IT, from December 2000 to January 2002. Before joining IFCO, Wolfgang was a member of the Executive Board at Computer 2000, a European IT distributor, and held various executive roles. Prior to that, he worked for nine years in management positions at Digital Equipment. He holds an MBA from the University of Bayreuth, Germany. Age: 59.

Jason Rabbino Group President, Containers and Head, Group Strategy

Joined Brambles in May 2012 from diversified industrial company Tyco International, where he was Senior Vice President of Enterprise Solutions. Previously, Jason held a number of senior executive roles in Tyco's ADT electronic security solutions business, managed services company Aramark Corporation and management consultancy McKinsey & Company. Before entering the corporate world, he was an officer and aviator in the United States Navy. He has a Master of Business Administration degree from the Wharton School of the University of Pennsylvania. Jason was appointed as Head, Group Strategy on 1 June 2014. Age: 47.

Nick Smith Group Senior Vice President, Human Resources

Joined Brambles in November 2007. Previously, he was Group Human Resources Director for Inchcape, the international automotive retail group. Prior to this, Nick spent a number of years in the telecommunications industry, firstly with British Telecom and then with Cable & Wireless. During this period, Nick spent three years working for Cable & Wireless Optus in Australia, where he was Human Resources Director. He has also worked for KPMG and Macquarie Bank. Nick is a qualified management accountant, has a Bachelor of Science (Economics) degree in International Politics and a Master of Business Administration degree. Age: 55.

Zlatko Todorcevski Chief Financial Officer

Joined Brambles as Chief Financial Officer in October 2012. Previously, Zlatko was Chief Financial Officer of oil and gas exploration and production company Oil Search Limited. Prior to that, he had a long international career with BHP and BHP Billiton including as Chief Financial Officer, Energy. Zlatko is a Fellow of CPA Australia and Fellow of Chartered Secretaries Australia. He holds a Master of Business Administration degree and a Bachelor of Commerce degree from the University of Wollongong, Australia. Zlatko will retire as Chief Financial Officer in February 2017. Age: 48.

Directors’ Report – 2016 Remuneration Report

Executive Summary

Business Performance
Remuneration for senior executives in FY16 reflected another year of strong Brambles results and continued execution of Brambles’ business strategy, as detailed in the Operating & Financial Review pages 4 to 13.

Annual Short-Term Incentive
Annual Short-Term Incentive (STI) cash awards for continuing senior executives ranged from 55% to 78% of base salary. These STI outcomes were driven by Brambles’ financial performance and executives’ achievement of specific personal objectives.

Long-Term Incentive
Brambles’ performance over the three years to FY16 triggered 75% of Long-Term Incentive (LTI) awards granted in FY14 to vest. This reflects TSR performance of 35.89% above the Median company in the ASX100, together with sales CAGR of over 6.5% and Brambles Value Added (BVA) above the $800 million threshold.

Executive salaries
In October 2015, salary reviews across the company were restricted to reflect the economic circumstances at that time. As a consequence, some members of the Executive Leadership Team (ELT) opted not to take an increase for the year. Across the ELT, the average increase was below 1.0%, ranging from 0% to 3.2%. Details of ELT salaries are shown in Section 6.3.1. There were no changes to the members of ELT in FY16.

Non-Executive Directors fees
The annual review of Non-Executive Directors' fees was carried out during the Year. In FY15, the Board decided to defer the effective date of their 2015 fee increase from 1 January 2015 to 1 July 2015. Base fees for the Board Chairman and other Non-Executive Directors increased by 2% from 1 July 2015. Non-Executive Director fees are detailed in Section 7.1.

Remuneration strategy
During the Year, the Remuneration Committee carried out its annual review of the Brambles’ remuneration strategy, structure and policy including share-based incentive plans. The Committee concluded that the current approach continues to strongly align executives’ interests with those of the Company and its shareholders.

Contents

1. Background

The Remuneration Report provides information on Brambles’ remuneration policy, the link between that policy and the performance of Brambles and remuneration information about Brambles’ Key Management Personnel. Brambles’ Key Management Personnel are its:

a) Non-Executive Directors;

b) Executive Directors; and

c) Group executives who have authority and responsibility for planning, directing and controlling the Group’s activities. This is defined as those who, for some or all of the year ended 30 June 2016 (the Year), were members of the Executive Leadership Team (ELT).

In this report, executives coming within paragraphs 1(b) and 1(c) 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 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 Equity-Based Awards

Unless otherwise specified, the fair values of the STI and LTI share awards (see Section 3) included in the tables in this report have been estimated by Ernst & Young 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 23 on page 66 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 using the volume-weighted average share price for the five-day period to the grant date. This is termed a "face value approach".

1.2 Claw Back of Awards

The rules of Brambles’ 2006 Performance Share Plan (2006 Share Plan) include a clawback provision. Under this provision, the Board may cancel any STI or LTI share award that has been granted but which has not vested, if the Board reasonably considers that the participant has engaged or participated in conduct that adversely affects, or is likely to adversely affect, the Company’s financial position or reputation. Such conduct includes, but is not limited to, any misrepresentation, material misstatements of the Company’s financial position due to error or omission, and negligence.

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, attract and retain high-calibre executives, align executive rewards with the creation of shareholder value, and motivate executives to achieve challenging performance targets.

Section 3.1 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.

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. Where benchmarking was needed, the comparative companies considered were 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 30 June 2015. This approach provides a sound basis for delivering a non-discriminatory pay structure for all Group employees.

3. Remuneration Structure

Remuneration is divided into those components which are 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 element 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 3.2.1.

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 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 share awards vest two years following the grant date subject to continuing employment. The STI share award value is derived from the executives' STI cash award up to a maximum of 100% of the STI cash award. They are exercisable for six years from the date of grant.

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

Disclosable Executives have the opportunity to receive an annual performance based equity grant in the form of LTI share awards. Vesting occurs three years from the date the award is granted and is subject to satisfaction of performance conditions over a three-year performance period (Performance Period). If awards vest, they are exercisable for up to six years from the date of grant. The awards are governed by the 2006 Share Plan rules, which have been approved by shareholders. Any Board discretion, such as vesting in the event of a change of control, is clearly prescribed under the 2006 Share Plan rules.

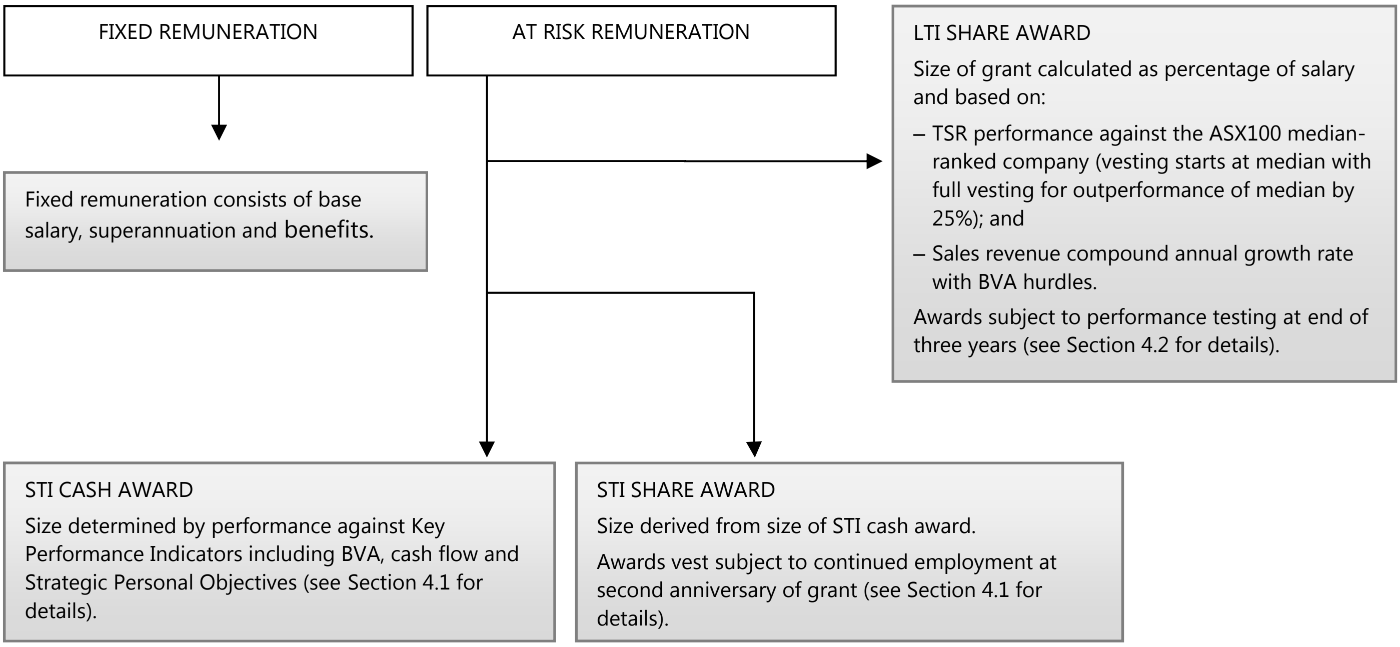
Under the "good leaver" provisions of those rules, there is no accelerated vesting in the case of terminations and all unvested LTI share awards are forfeited in the case of resignations, or terminations for cause.

The remuneration structure and the key features of Fixed and At Risk Remuneration are summarised in Table 3.0 and diagrammatically represented in the diagram that follows Table 3.0. The application of the At Risk element of remuneration is further described in Section 4.

Table 3.0 – Remuneration Structure - Fixed and Variable pay

Remuneration Element	Performance Measures	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 set at median level.	N/A
AT RISK REMUNERATION			
STI Cash Award financial measures (comprising 70% of the STI cash award)	- BVA - Cash Flow from Operations - Profit after tax (PAT) (for CEO and CFO) - Sales revenue growth (for Group President, Containers)	Financial KPIs are chosen to link executives' rewards with the financial performance of the Group, the pursuit of profitable growth and the efficient use of capital and generation of cash. A focus on BVA helps ensure efficient use of capital within Brambles. Profit after tax (PAT) captures interest and tax charges not directly incorporated in BVA. Cash Flow from Operations is used as a measure to ensure a strong focus on the generation of cash.	The key levels of performance possible against each of the financial KPIs 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 non-financial measures (comprising 30% of the STI cash award)	- Safety - Business strategy and growth objectives - Customer satisfaction and retention - People and talent management	Non-financials are set to link executives' performance to Brambles' overall strategic objectives.	Non-financial objectives and their associated performance measures are set at the beginning of the financial year and assessed in full detail by the Remuneration Committee at year-end.
STI Share Award (deferred equity)	As per STI Cash Award	Provides continuing alignment of executives' interests with shareholders' for an additional 2 years beyond the financial year to which the award relates. Provides a major retention mechanism for executives.	The size of the STI Share Award is derived from the STI Cash Award. This results in half of the total STI Award being deferred into Brambles share rights which vest subject to continued employment on the second anniversary of the grant (i.e. 2-year deferral).
LTI Share Award (3-year performance period)	Relative TSR (comprising half of the LTI Share Award)	<u>Creation of shareholder value</u> 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 actually received by Brambles' shareholders is sufficiently high relative to the return they could have received by investing in a portfolio of alternative shares over the same period of time.	For LTI share awards granted from FY16, 50% of LTI share awards will vest if the Company's relative TSR performance over the 3-year Performance Period equals the TSR of the median-ranked ASX100 company. 100% will vest for out-performance of the TSR of the median-ranked ASX100 company by 25% over the 3-year Performance Period. If Brambles' TSR performance is between these two levels, vesting will be on a pro rata straight-line basis.
LTI Share Award (3-year performance period)	Sales Revenue and BVA growth (comprising half of the LTI Share Award)	<u>Profitable growth</u> 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 BVA hurdles. This is designed to drive profitable business growth, to ensure quality of earnings is maintained at a strong level and to deliver increased shareholder value. Both sales revenue CAGR and BVA are measured in constant currency.	Each year, a sales revenue CAGR/BVA matrix is set by the Remuneration Committee for each LTI share award based on budget targets approved by the Board. The matrix is published in the subsequent year's Remuneration Report. This allows the Board to set targets for each LTI share award that reward strong performance over a 3-year period in light of the prevailing and forecast economic and trading conditions.

Diagrammatic representation of Brambles' Remuneration Structure



3.1 Remuneration and the Link to Business Strategy

Brambles' business strategy is set out in the Operational & Financial Review on pages 4 to 13. 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 BVA as a key performance indicator (KPI) in STI cash awards and the use of compound annual growth rate (CAGR) sales revenue targets with BVA 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 BVA and cash flow targets 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 share awards, 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 an executive's STI cash award is subject to the achievement of specific personal objectives. These include objectives focussed 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 total shareholder return (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 outcome, creation of shareholder value and the delivery of the Group's strategy are set out in Section 4.

Definitions of BVA, TSR and CAGR measurements and the methods by which they are calculated are included in the Glossary on pages 85 and 86.

3.2 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.

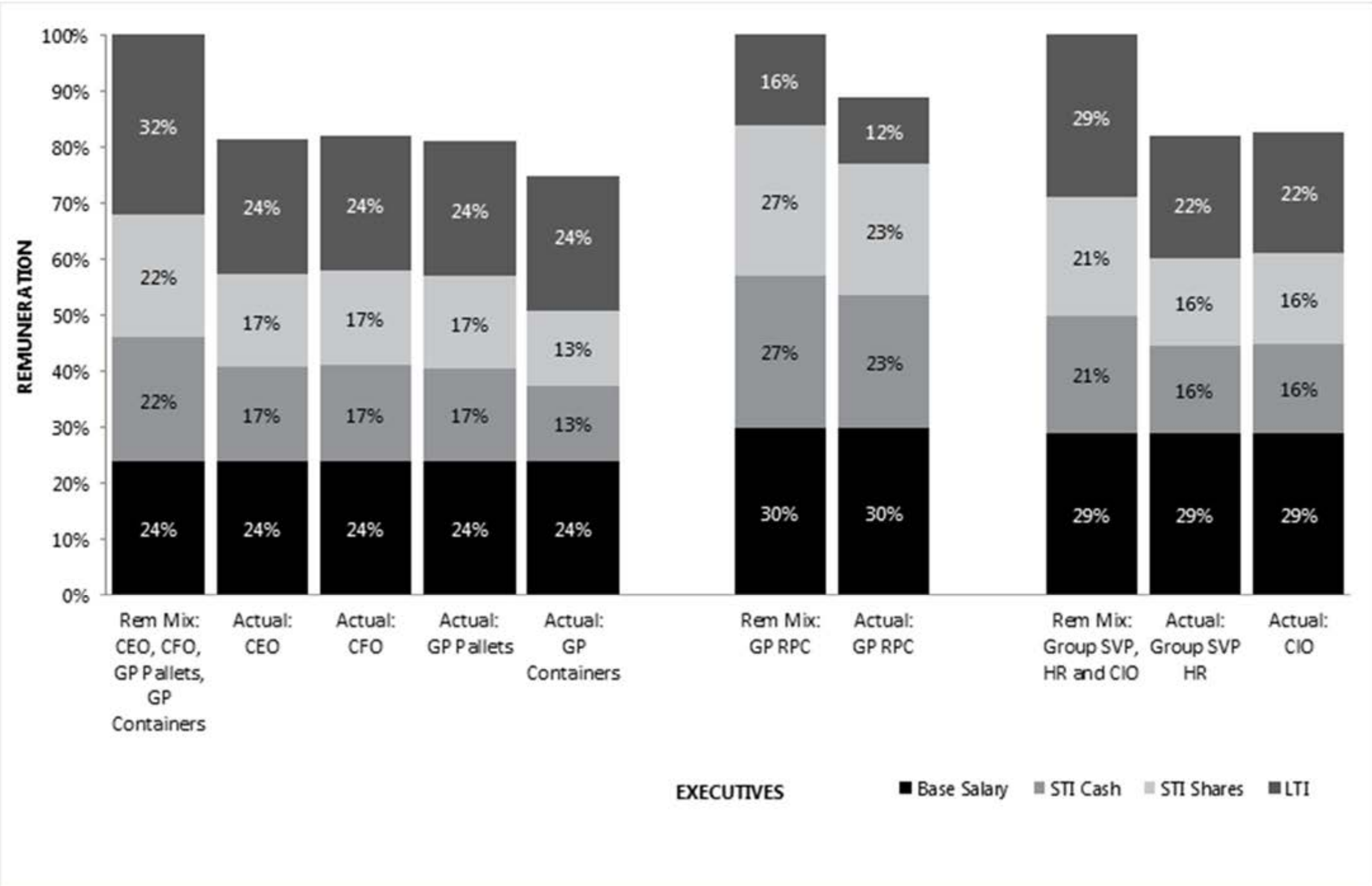
Chart 3.2.1 below illustrates the level of actual remuneration received by Disclosable Executives compared with their respective total remuneration package mix. The remuneration mix (Rem Mix) is the Disclosable Executive's base salary plus his or her STI cash and STI share awards assuming the maximum level of performance (see Section 4.1.1) and full vesting of all LTI share awards.

The respective columns of Chart 3.2.1 labelled Actual comprise:

- Base salary: base salary for FY16;
- STI cash: the STI cash award received in respect to FY16 performance (see Section 4.1);
- STI shares: the STI share award earned in respect to FY16 performance, the vesting of which is deferred until FY18 (see Section 4.1); and
- LTI shares: the proportion of the FY14–FY16 LTI share awards that will vest at the end of the year (see Section 4.2.3).

The Rem Mix column represents the maximum value of each element of the respective executive's remuneration package mix that could be received in each case by the individual Disclosable Executive.

Chart 3.2.1- Remuneration Mix



4. Performance of Brambles & At Risk Remuneration

As outlined in the Operating & Financial Report on pages 4 to 13, FY16 reflects another year of strong business results.

At Risk Remuneration for executives is entirely dependent upon performance against KPIs set by the Remuneration Committee.

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

Disclosable Executive	Financial KPIs					Non-Financial KPIs
	Group BVA	Segment BVA/ sales	Group PAT	Group cash flow	Segment cash flow	
CEO, CFO	30%	-	20%	20%	-	30%
Group Presidents: Pallets, RPCs, Containers	25%	25%	-	-	20%	30%
Other Disclosable Executives	50%	-	-	20%	-	30%

4.1 STI Key Performance

Disclosable Executives have the opportunity to receive annual STI cash and share awards based on performance against KPIs. The actual levels of performance achieved for the Year against the financial KPIs are summarised in the following table:

KPIs[1]	Level of performance achieved during the Year[2]
Brambles BVA	Between Target and Maximum
Brambles PAT	Between Target and Maximum
Brambles Cash Flow from Operations[3]	Achieved Target
Pallets BVA	Between Target and Maximum
Pallets Cash Flow from Operations[3]	Achieved Target
Containers Sales	Between Threshold and Target
Containers Cash Flow from Operations[3]	Achieved Target
IFCO RPCs BVA	Achieved Maximum
IFCO RPCs Cash Flow from Operations[3]	Achieved Target

Details of the 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. Half of the STI Award is provided as cash, the other half is deferred into equity for two years to provide a continuing link to Company performance. The market value of Brambles shares is used to determine the number of STI Awards granted.

4.1.1 Actual STI Cash Payable and Forfeited for FY16

Name	% of Target Financials KPIs achieved	% of non-financial KPIs achieved	Maximum STI Cash as % of base salary	% of maximum STI cash payable	% of maximum STI cash forfeited
Disclosable Executives					
Tom Gorman	122%	93%	90%	76%	24%
Zlatko Todorcevski	122%	100%	90%	77%	23%
Jean Holley	122%	97%	75%	76%	24%
Peter Mackie	125%	83%	90%	75%	25%
Wolfgang Orgeldinger	147%	92%	90%	87%	13%
Jason Rabbino	90%	93%	90%	61%	39%
Nick Smith	122%	87%	75%	74%	26%

4.2 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 awards to the CEO, CFO and Group Presidents of Pallets and Containers may not exceed 130% of those executives' respective base salaries. The maximum value of LTI awards for the Group President of RPC is 50% of base salary due to prior contract arrangements. The maximum value of LTI awards for the other Disclosable Executives is 100% of their respective base salaries.

In all cases, the market value (face value) of Brambles shares is used to determine the number of LTI Share Awards granted.

4.2.1 LTI Share Award Performance Conditions

LTI share awards have two sets of performance conditions (TSR and sales revenue with a BVA hurdle), each with equal weighting. The tables in 4.2.3 on the next page show the level of performance and vesting for each of the two components, which each comprise half of the LTI Award.

4.2.2 Sales CAGR/BVA LTI Performance Matrix for FY16 to FY18

The table on the next page is the sales revenue CAGR/BVA matrix for LTI share awards made during the Year. The LTI performance matrix shown encompasses the entire Brambles Group. As a policy principle, the Committee takes into account major acquisitions or divestments during a performance period in determining the final outcome of the CAGR/BVA 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.

1 Definitions of BVA, PAT, Cash flow from Operations and EBITDA measurements and the methods by which they are calculated are included in the Glossary on pages 85 and 86.

2 Financial targets set for FY16 under Brambles' incentive plans will 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 incentive purposes.

3 "Achieved Target" for BVA, PAT or Sales reflects performance within +/- 1% of Target. STI payments are calculated using the actual performance against Target.

Vesting %	Cumulative three-year BVA at fixed 30 June 2015 FX rates (US$M)		
Sales revenue CAGR[4]	700	850	1,000
4%	-	20%	40%
5%	20%	40%	60%
6%	40%	60%	80%
7%	60%	80%	100%
8%	80%	100%	100%
9%	100%	100%	100%

The sales revenue CAGR currently provides for half-point vesting between the percentages shown if the sales revenue outcome is more than halfway between the vesting levels. For example, a sales revenue CAGR of 5.7% and a BVA outcome of US$1,000 million would provide vesting of 70%. For LTI share awards granted from FY16 there will also be a half point vesting scale between the respective BVA hurdles. For example, a sales revenue CAGR of 7% and a BVA outcome of US$950 million would provide vesting of 90%.

4.2.3 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 2016
FY12	Relative TSR	1 July 2011	18.0 percentage points	83.3% LTI TSR Award
FY13	Relative TSR	1 July 2012	29.8 percentage points	84.2% LTI TSR Award
FY14	Relative TSR	1 July 2013	35.9 percentage points	100.0% LTI TSR Award

The following table provides similar details for awards 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 2016: vesting if current performance is maintained until earliest testing date (% of original award)
FY15	Relative TSR	1 July 2014	20.0 percentage points	88.0% LTI TSR awards
FY16	Relative TSR	1 July 2015	13.4 percentage points	76.7% LTI TSR awards

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

Awards made during	Performance condition	Start of performance period	Vesting triggered (% of original award): prior period and period to 30 June 2016
FY12	Sales revenue CAGR/BVA	1 July 2011	20.0% of LTI sales revenue CAGR/BVA awards
FY13	Sales revenue CAGR/BVA	1 July 2012	30.0% of LTI sales revenue CAGR/BVA awards
FY14	Sales revenue CAGR/BVA	1 July 2013	50.0% of LTI sales revenue CAGR/BVA awards

The following table provides similar details for LTI share awards the performance period of which has not yet expired:

Awards made during	Performance condition	Start of performance period	Period to 30 June 2016 vesting if current performance is maintained until earliest testing date (% of original award)
FY15	Sales revenue CAGR/BVA	1 July 2014	50.0% LTI sales revenue CAGR/BVA awards
FY16	Sales revenue CAGR/BVA	1 July 2015	60.0% LTI sales revenue CAGR/BVA awards

Total level of Vesting of LTI Share Awards

The combined vesting of the two LTI components for 2014, 2015 and 2016 is shown below:

Awards made during	Start of performance period	End of performance period	Total vesting (TSR and sales revenue CAGR/BVA combined)
FY12	1 July 2011	30 June 2014	51.6%
FY13	1 July 2012	30 June 2015	57.1%
FY14	1 July 2013	30 June 2016	75.0%

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

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

4.3 Summary of STI and LTI Awards under the 2006 Share Plan

The table below contains details of the STI and LTI awards granted under the 2006 Share Plan in which former or current Disclosable Executives have unvested and/or unexercised awards that could affect remuneration in this or future reporting periods. The awards in bold relate to targets which were relevant to vesting during the Year. STI and LTI awards do not have an exercise price and carry no dividend or voting rights. In all cases the awards are Share Rights, with the size of the award being determined by the percentage of salary and have a maximum life of six years from grant date. For STI awards the vesting period is two years and in the case of LTI awards the performance/vesting period is three years.

Details pertaining to the MyShare Plan are detailed in section 5.

2006 Share Plan Awards	Vesting condition
STI Awards	**100% vesting based on continuous employment**
TSR LTI Awards (2015 and prior years)	**40% vesting if TSR is equal to the median ranked company. 100% vesting if 25% above the median ranked company.** Vesting between minimum and maximum on a straight line basis.
TSR LTI Awards (post-2016 grant)	50% vesting if TSR is equal to the median ranked company. 100% vesting if 25% above the median ranked company. Vesting between minimum and maximum on a straight line basis.
FY13–FY15 BVA LTI Award	**20% vesting occurs if CAGR is 5% and BVA is US$848M over three-year period. 100% vesting occurs if CAGR is 7% and BVA is US$1,248M over three-year period.**
FY14–FY16 BVA LTI Award	20% vesting occurs if CAGR is 5% and BVA is US$800M over three-year period. 100% vesting occurs if CAGR is 7% and BVA is US$1,200M over three-year period.
FY15–FY17 BVA LTI Award	20% vesting occurs if CAGR is 5% and BVA is US$800M over three-year period. 100% vesting occurs if CAGR is 7% and BVA is US$1,200M over three-year period.
FY16–FY18 BVA LTI 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.

The terms and conditions of each grant of share rights 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. The STI share awards vest on the second anniversary of their grant date, subject to continued employment to that date. The LTI TSR awards vest on the third anniversary of their grant date, subject to continued employment to that date and meeting a TSR performance condition. The LTI BVA vest on the third anniversary of their grant date, subject to continued employment to that date and meeting a sales revenue CAGR and BVA performance condition.

2006 Share Plan Awards	Grant date	Expiry date	Value at grant	Status/vesting date
LTI TSR/ LTI 13–15 BVA	25 September 2012	25 September 2018	A$6.07 (BVA)/ A$3.41 (TSR)	30% (BVA) 84.17% (TSR) vested at 25 September 2015
LTI TSR/ LTI 13–15 BVA	12 October 2012	12 October 2018	A$6.23 (BVA)/ A$3.50 (TSR)	30% (BVA) 84.17% (TSR) vested at 25 September 2015
STI/ LTI TSR/ LTI 14–16 BVA	25 September 2013	25 September 2019	A$8.45 (STI)/ A$8.16 (BVA)/ A$4.19 (TSR)	STI – 100% vested at 25 September 2015 LTI – 25 September 2016
STI/ LTI TSR/ LTI 15–17 BVA	25 September 2014	25 September 2020	A$9.15 (STI)/ A$8.83 (BVA)/ A$5.00 (TSR)	STI – 25 September 2016 LTI – 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 – 25 September 2017 LTI – 25 September 2018

5. 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, which the Company matches on a one-for-one basis after a two-year qualifying period. There is automatic vesting of the Matching Shares on the second anniversary of the first acquisition.

Under the MyShare Plan, Brambles has over 4,000 participants who held 3,153,338 Brambles shares in total at 30 June 2016.

Disclosable Executives are eligible to participate in MyShare. Acquired Shares, Dividend Shares and vested Matching Shares obtained by Disclosable Executives through MyShare are included in Section 6.6. Matching Shares allocated but not yet vested are shown in Sections 6.5 and 6.7.

During the Year 798,896 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$11.28 per share. The accounting share value at grant ranged from A$9.17 to A$12.72 based on the monthly share price value. For further details of the share grant values please refer to the Financial Report.

The terms and conditions of each grant of share rights 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	Status/vesting date
MyShare 2014[6]	Each month from 31 March 2014 to 27 February 2015	1 April 2016	Values range per month from A$8.74 to A$10.45	100% vested on 31 March 2016
MyShare 2015[7]	Each month from 31 March 2015 to 29 February 2016	1 April 2017	Values range per month from A$9.17 to A$11.74	31 March 2017
MyShare 2016[8]	Each month from 31 March 2016 to 29 July 2016	1 April 2018	Values range per month from A$11.55 to A$12.72	31 March 2018

6. Executive Directors and Disclosable Executives

6.1 Executive Director Changes

There were no changes to Brambles' Executive Directors during the Year.

6.2 Other Disclosable Executive Changes

There were no changes to Other Disclosable Executives during the Year.

6.3 Service Contracts

Disclosable Executives 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. These standard service contracts state that any termination payments made would be reduced by any value to be received under any new employment.

Other than Peter Mackie, executives remunerated on a base salary approach receive pension contributions not exceeding 15% of base salary.

In October 2015, salary reviews across the company were restricted to reflect the economic circumstances at that time. As a consequence, some ELT members opted not to take a salary increase for the Year. The Remuneration Committee has decided to take this into account when conducting salary reviews for the FY17 year. Across ELT the average increase was below 1.0%, ranging from 0% to 3.2%. Details of ELT 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 2015	Base salary at 30 June 2016
Disclosable Executives		
T Gorman, CEO	A$2,186,000	A$2,186,000
Z Todorcevski, CFO	A$1,140,000	A$1,140,000
J Holley, Chief Information Officer	US$465,000	US$480,000
P Mackie,[9] Group President, Pallets	£460,000	£460,000
W Orgeldinger, Group President, RPCs (from 1 October 2013)	€660,000	€660,000
J Rabbino, Group President, Containers and Head, Group Strategy	US$695,000	US$710,000
N Smith, Group Senior Vice President, Human Resources	A$675,000	A$675,000

[6] The Matching Awards granted under MyShare vest on 31 March 2016, subject to continuing employment and the retention of the associated Acquired Shares. On vesting they are automatically exercised.

[7] The Matching Awards granted under MyShare vest on 31 March 2017, subject to continuing employment and the retention of the associated Acquired Shares. On vesting they are automatically exercised.

[8] The plan "MyShare 2016" ends on 28 February 2017. For FY16 reporting purposes, data is only available up to 29 July 2016. The remaining information will be reported in next year's Annual Report. The Matching Awards granted under MyShare vest on 31 March 2018, subject to continuing employment and the retention of the associated Acquired Shares. On vesting they are automatically exercised.

[9] Mr Mackie received employer superannuation (pension) contributions of 21% of base salary for income up to £153,700 and 15% of base salary for income above that amount.

6.4 Total Remuneration & Benefits for the Year

The purpose of the table below is to enable shareholders to understand the 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. The value of equity granted during the Year is based on theoretical accounting values including those relating to unvested share awards. The values are a statutory disclosure requirement.

(US$'000)		Short-term employee benefits			Post-employment benefits	Other		Share-based payment			
Name	Year	Cash/ salary/ fees US$'000	Cash bonus US$'000	Non-monetary benefits[10] US$'000	Super-annuation US$'000	Termination/ sign-on payments/ retirement benefits	Other[11] US $'000	Total before equity US$'000	Options/ Awards US$'000	As % of total	Total US$'000
EXECUTIVE DIRECTORS											
T J Gorman[12]	**FY16**	**2,031**	**1,085**	**182**	**-**	**-**	**61**	**3,359**	**2,522**	**43%**	**5,881**
	FY15	2,174	1,058	289	-	-	55	3,576	2,550	42%	6,126
CURRENT DISCLOSABLE EXECUTIVES											
Z Todorcevski[12]	**FY16**	**953**	**576**	**13**	**22**	**-**	**3**	**1,567**	**1,281**	**45%**	**2,848**
	FY15	1,074	562	16	25	-	19	1,696	1,219	42%	2,915
J K Holley	**FY16**	**498**	**275**	**-**	**71**	**-**	**17**	**861**	**503**	**37%**	**1,364**
	FY15	483	232	-	62	-	17	794	444	36%	1,238
P S Mackie[12]	**FY16**	**791**	**457**	**1**	**44**	**-**	**2**	**1,295**	**967**	**43%**	**2,262**
	FY15	829	390	1	27	-	2	1,249	881	41%	2,130
W Orgeldinger[12]	**FY16**	**730**	**571**	**37**	**8**	**-**	**5**	**1,351**	**648**	**32%**	**1,999**
	FY15	788	419	32	8	-	5	1,252	376	23%	1,628
J D Rabbino	**FY16**	**736**	**390**	**-**	**106**	**-**	**17**	**1,249**	**882**	**41%**	**2,131**
	FY15	720	367	-	89	-	17	1,193	689	37%	1,882
N P Smith[12]	**FY16**	**561**	**273**	**2**	**25**	**-**	**(10)**	**851**	**619**	**42%**	**1,470**
	FY15	635	269	2	29	-	8	943	625	40%	1,568
Totals	**FY16**	**6,300**	**3,627**	**235**	**276**	**-**	**95**	**10,533**	**7,422**		**17,955**
	FY15	6,703	3,297	340	240	-	123	10,703	6,784		17,487

[10] "Non-monetary benefits" include car parking, motor vehicles, personal/spouse travel, club membership and fringe benefit tax.

[11] "Other" includes leave entitlement taken within FY16 and health/salary continuance insurances.

[12] The year-on-year comparison of remuneration is affected by the movement of exchange rates from A$1=US$0.8301, €1=US1.1946 and £1=1.5734 for FY15 and A$1=US$0.7270, €1=US1.1058 and £1=1.4719 for FY16.

6.5 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 2006 Share Plan, the terms and conditions of which are set out in Sections 4.3. Matching Awards were made under MyShare, the terms and conditions of which are set out in Section 5.

Name	Type of award	Number	Value at grant (US$'000)[13]
Disclosable Executives			
T Gorman	STI	130,913	894
	LTI	291,816	1,993
	MyShare Matching	444	4
	Totals	**423,173**	**2,891**
Z Todorcevski	STI	69,535	475
	LTI	152,182	1,039
	MyShare Matching	444	4
	Total	**222,161**	**1,518**
J Holley	STI	33,987	232
	LTI	68,096	465
	MyShare Matching	500	4
	Total	**102,583**	**701**
P Mackie	STI	55,274	377
	LTI	133,290	910
	MyShare Matching	474	4
	Total	**189,038**	**1,291**
W Orgeldinger	STI	57,428	392
	LTI	53,994	369
	MyShare Matching	456	4
	Total	**111,878**	**765**
J Rabbino	STI	53,729	367
	LTI	132,312	903
	MyShare Matching	419	3
	Total	**186,460**	**1,273**
N Smith	STI	33,242	227
	LTI	69,312	473
	MyShare Matching	443	4
	Total	**102,997**	**704**

[13] The total value of the relevant equity award(s) is valued as at the date of grant using the methodology set out in Section 4. 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.

6.6 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.

Under recently updated guidelines, members of Brambles' ELT are encouraged, over the five-year period commencing from the date they joined the ELT, to achieve and maintain a shareholding equal to 100% of their base salary before tax. In circumstances where executives wish to sell shares, they will require the approval of the Chairman (in the case of the CEO) or the CEO (in the case of all other ELT members), under Brambles' Securities Trading Policy.

Ordinary shares	Balance at the start of the Year	Net changes during the Year	Balance at the end of the Year[14]
Disclosable Executives			
T Gorman[15]	268,260	388,339	656,599
Z Todorcevski[16]	116,143	178,808	294,951
J Holley[17]	87,692	45,036	132,728
P Mackie[17]	95,724	68,620	164,344
W Orgeldinger[17]	2,709	830	3,539
J Rabbino[17]	715	67,555	68,270
N Smith[15][18]	74,393	95,009	169,402

6.7 Interests in Share Rights[19]

The following table shows details of rights over Brambles Limited ordinary shares in which the Disclosable Executives held relevant interests: share rights, being awards made on 25 September 2012, 12 October 2012, 25 September 2013, 25 September 2014 and 25 September 2015 under the 2006 Share Plan; and Matching Awards, being conditional rights awarded during the Year under MyShare.

	Balance at the start of the Year	Granted during the Year	Exercised during the Year[20]	Lapsed during the Year	Balance at the end of the year[21]	Vested and exercisable at the end of the year	Value at exercise
	Number	Number[22]	Number	Number[23]	Number	Number	US$'000
Disclosable Executives							
T Gorman	1,311,214	423,173	(387,895)	(181,938)	1,164,554	-	2,660
Z Todorcevski	645,920	222,161	(178,364)	(90,588)	599,129	-	1,219
J Holley	227,389	102,583	(66,999)	(28,631)	234,342	-	459
P Mackie	451,059	189,038	(121,820)	(55,876)	462,401	-	833
W Orgeldinger	190,004	111,878	(523)	-	301,359	37,450	5
J Rabbino	381,036	186,460	(96,783)	(45,979)	424,734	-	662
N Smith	315,915	102,997	(94,509)	(43,244)	281,159	-	647

[14] On 29 July 2016, the following Disclosable Executives acquired ordinary shares under MyShare, which are held by AET Structured Finance Services Pty Limited: Tom Gorman (31), Zlatko Todorcevski (31), Jean Holley (28), Peter Mackie (25), Wolfgang Orgeldinger (29), Jason Rabbino (24) and Nick Smith (31).

[15] Of which AET Structured Finance Services Pty Limited holds 4,295 shares for Tom Gorman and 99,402 shares for Nick Smith.

[16] Of which 500 shares were held by Zlatko Todorcevski and Robert Todorcevski, 291,697 shares were held by Tentwentyfive Pty Ltd and 2,754 are held by AET Structured Finance Services Pty Limited.

[17] All of these shares are held by AET Structured Finance Services Pty Limited.

[18] Of which 70,000 held by Lisa Smith.

[19] Of the awards detailed in Section 4.3, the following plans' items are relevant to Disclosable Executives: Tom Gorman, Zlatko Todorcevski, Jean Holley, Peter Mackie, Jason Rabbino and Nick Smith (STI, LTI TSR, LTI 13–15 BVA, LTI BVA 14–16, LTI 15–17 BVA, LTI 16–18 BVA and MyShare 2014, 2015 and 2016); Wolfgang Orgeldinger (STI, LTI TSR, LTI BVA 14–16, LTI 15–17 BVA, LTI 16–18 BVA and MyShare 2014, 2015 and 2016). Lapses occurred for Tom Gorman, Zlatko Todorcevski, Jean Holley, Peter Mackie, Jason Rabbino and Nick Smith (LTI TSR and LTI 13–15 BVA). Exercises occurred for Tom Gorman, Zlatko Todorcevski, Jean Holley, Peter Mackie, Jason Rabbino and Nick Smith (STI, LTI TSR, LTI 13–15 BVA and MyShare 2014); Wolfgang Orgeldinger (MyShare 2014)

[20] 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. All of the share rights exercised during the Year vested during the Year.

[21] On 29 July 2016, the following Disclosable Executives received Matching Awards under MyShare: Tom Gorman (31), Zlatko Todorcevski (31), Jean Holley (28), Peter Mackie (25), Wolfgang Orgeldinger (29), Nick Smith (31) and Jason Rabbino (24).

[22] During the Year, 3,142,754 equity-settled performance share rights were granted under the 2006 Share Plan, of which 422,729 were granted to Tom Gorman and 221,717 were granted to Zlatko Todorcevski. 798,896 Matching Awards were granted under MyShare during the Year, of which 444 were granted to Tom Gorman and 444 were granted to Zlatko Todorcevski. Approval for these issues of securities to Tom Gorman was obtained under ASX Listing Rule 10.14 at the AGM held on 6 November 2014."

[23] "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 Director. In setting the fees, advice is sought from external remuneration advisors on the appropriate level of fees, taking into account the responsibilities of 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.

In FY15 the Board decided to defer the effective date of their 2015 fee increase from 1 January 2015 to 1 July 2015. Base fees for the Board Chairman and other Non-Executive Directors increased by 2% from 1 July 2015. Non-Executive Director fees are detailed below.

The annual review of Non-Executive Directors' fees for 2016 was carried out during the Year. As a result of the review, revised fees have been determined for Non-Executive Director and Board Chairman fees.

The revised fees for the Chairman and Non-Executive Directors that apply from 1 July 2016 are:

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

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

- Supplement for Audit Committee Chairman: A$50,000;
- Supplement for Remuneration Committee Chairman: A$40,000;
- Supplement for Audit and Remuneration Committee membership: A$10,000;
- Travel allowance per long-haul flight: A$5,000.

The above supplemental Committee fees do not apply to the Board Chairman.

The next fee review will take effect from 1 July 2017.

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 Brambles' 2006 Share Plan 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:

Ordinary shares	Balance at start of Year	Changes during Year	Balance at end of Year
Current Non-Executive Directors			
C Cross	-	-	-
G El Zoghbi	-	-	-
A G Froggatt[24]	14,890	-	14,890
D P Gosnell[25]	22,910	-	22,910
T Hassan[26]	15,000	-	15,000
S P Johns[27]	47,500	1,278	48,778
S C H Kay[28]	14,877	-	14,877
B Long[29]	8,000	-	8,000
S Perkins	-	-	-

Pursuant to Brambles' Securities Trading Policy, Directors (amongst others) were prevented from being able to acquire shares for most of FY16 due both to scheduled close periods under that policy and to the conduct of the project which ultimately resulted in the creation of the Oil & Gas containers joint venture announced to the market on 5 August 2016. The Non-Executive Directors who do not currently hold Brambles Shares intend to acquire such shares during the course of FY17, subject to being able to do so under the Securities Trading Policy.

[24] Of which 7,000 shares were held by Christine Joanne Froggatt and 7,890 shares were held by Anthony Grant Froggatt.

[25] Held by Charles Stanley & Co Australia in the name of Susan Gosnell.

[26] Held by RBC Dexia Custodian on behalf of Tahira Hassan.

[27] Of which 28,240 shares were held by Canzak Pty Ltd, and 20,538 shares were held by Caran Pty Limited. Additional shares acquired through participation in DRP.

[28] Of which 4,900 were held by Sarah Carolyn Hailes Kay, 5,500 were held by Carolyn Kay ATF Superannuation Fund A/C, and 4,477 were held by Sarah Carolyn Kay and Simon Swaney ATF Carolyn Kay Superannuation Fund A/C.

[29] Of which 4,000 were held by BJ & VG Long Investments Pty Limited ATF BJ Long Super Fund A/C and 4,000 were held by BJ and VG Long Investment Pty Limited.

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 the table below in US dollars. The full names of the Non-Executive Directors and the dates of any changes in Non-Executive Directors are shown in the Directors' Report – Other Information. Non-Executive Directors do not receive any share-based payment.

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[30]	Total[31]
CURRENT NON-EXECUTIVE DIRECTORS					
C Cross[32]	**FY16**	**158**	**8**	**-**	**166**
	FY15	185	9	-	194
G El Zoghbi[32]	**FY16**	**73**	**3**	**10**	**86**
	FY15	-	-	-	-
A G Froggatt[32]	**FY16**	**168**	**16**	**13**	**197**
	FY15	197	19	3	219
D Gosnell[32]	**FY16**	**158**	**8**	**3**	**169**
	FY15	181	9	25	215
T Hassan[32]	**FY16**	**158**	**8**	**6**	**172**
	FY15	185	9	33	227
S P Johns[32]	**FY16**	**425**	**25**	**11**	**461**
	FY15	407	29	3	439
S C H Kay[32]	**FY16**	**148**	**14**	**0**	**162**
	FY15	166	16	3	185
B J Long[32]	**FY16**	**175**	**16**	**11**	**202**
	FY15	193	18	-	211
S Perkins[32]	**FY16**	**148**	**14**	**-**	**162**
	FY15	16	2	-	18
Totals	**FY16**	**1,611**	**112**	**54**	**1,777**
	FY15	1,530	111	67	1,708

30 "Other" includes personal/spouse travel, meals and fringe benefits tax.

31 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.

32 The year-on-year comparison of remuneration is affected by the movement of exchange rates from A$1=US$0.8301, €1=US1.1946 and £1=1.5734 for FY15 and A$1=US$0.7270, €1=US1.1058 and £1=1.4719 for FY16.

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;
- Approving the remuneration arrangements for Disclosable Executives and the Company Secretary; and
- Reviewing the remuneration policy and individual arrangements for other senior executives.

During the Year, members of the Committee were Tony Froggatt (Committee chairman), Stephen Johns, Tahira Hassan and Christine Cross. 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 Company Secretary and Group Vice President of Remuneration & Benefits, as well as Brambles’ external remuneration advisor, Ernst & Young.

During the Year, the Committee held six 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 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.

Sections 4.3 summarise 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 Ernst & Young 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 Ernst & Young.

During the Year, no remuneration recommendations, as defined by the Act (Recommendations), were provided by Ernst & Young. Ernst & Young also provided taxation, internal audit, share rights 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 Ernst & Young 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 Ernst & Young may provide Brambles’ management, which excludes Recommendations;
- Any requests to Ernst & Young from Brambles management that might constitute a Recommendation are to be referred by Ernst & Young to the Committee for its consideration and direction;
- Ernst & Young is not permitted to provide Recommendations to Brambles’ management;
- If Ernst & Young 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 Ernst & Young attend all Committee meetings;
- Except for the CEO and Group Senior Vice President, Human Resources, Disclosable Executives do not attend Committee meetings;
- The CEO and Group Senior Vice President, Human Resources do not attend those parts of any Committee meeting when their remuneration is being reviewed or discussed; and
- The Committee meets with Ernst & Young 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.

Directors' Report – Other 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 2016 (the Year).

Principal Activities

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

Further details of the Group's activities are set out in Section 1 of the Operating & Financial Review on page 4.

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 Letter from the Chairman on page 1, the Letter from the CEO on page 2, the Strategy Scorecard on page 3 and the Operating & Financial Review from pages 4 to 13.

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 84.

Significant Changes in State of Affairs

There were no significant changes to the state of affairs of the Group for the Year.

Matters since the End of the Financial Year

The Directors are not aware of any matter or circumstance that has arisen since 30 June 2016 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 except as may be stated in the Letter from the Chairman on page 1, the Letter from the CEO on page 2 and the Operating & Financial Review on pages 4 to 13.

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 in the Letter from the Chairman on page 1, the Letter from the CEO on page 2, the Strategy Scorecard on page 3 and the Operating & Financial Review on pages 4 to 13.

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 25% franked. The dividend will be paid on 13 October 2016 to shareholders on the register on 8 September 2016.

On 14 April 2016, an interim dividend for the Year was paid, which was 14.5 Australian cents per share and 25% franked. On 8 October 2015, a final dividend for the year ended 30 June 2015 was paid, which was 14 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 for which they served as a Director during the Year, is set out below.

The qualifications, experience and special responsibilities for Directors are set out on pages 14 and 15.

Christine Cross	1 July 2015 to date
George El Zoghbi	1 January 2016 to date
Anthony Grant Froggatt	1 July 2015 to date
Thomas Joseph Gorman	1 July 2015 to date
David Peter Gosnell	1 July 2015 to date
Tahira Hassan	1 July 2015 to date
Stephen Paul Johns	1 July 2015 to date
Sarah Carolyn Hailes Kay	1 July 2015 to date
Brian James Long	1 July 2015 to date
Scott Redvers Perkins	1 July 2015 to date

Secretary

Details of the qualifications and the experience of the Company Secretary of Brambles Limited are as follows: Robert Nies Gerrard joined Brambles in 2003 as Senior Counsel and was appointed Group Company Secretary in February 2008. Prior to joining Brambles, he was General Counsel to, and Company Secretary of, Roc Oil Company Limited; Group Legal Manager, Cairn Energy plc; General Counsel to, and Company Secretary of, Command Petroleum Limited; and a solicitor with Allen Allen & Hemsley. He holds a Masters of Law (LLM) from the University of Sydney and Bachelor of Science (BSc) and Bachelor of Law (LLB) degrees from the University of New South Wales. He 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 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 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 and to 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.

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. Additionally, employees are expected to care for the environment by adopting a specified set of environmental principles. Every business unit must ensure that those principles are adhered to, including in countries that may not yet have enacted laws for the protection of the environment. Brambles has set environmental performance targets.

Reporting of performance against those targets is contained in Brambles' 2016 Sustainability Review which will be available on Brambles' website in October 2016. 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 Brambles' website at www.brambles.com.

The Chief Executive Officer and the Group Presidents of the Pallets, RPCs and Containers business segments, 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 comparison with industry benchmarks and provide incentives for improvement. Reporting on health and safety performance will be shown in the 2016 Sustainability Review, which will be available on Brambles' website in October 2016.

Employees

The 2016 Sustainability Review, available on Brambles' website in October 2016, will contain details of Brambles' performance as an employer.

Directors' Meetings

Details of the Board committee memberships are given in the Directors' biographies on pages 14 and 15. 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	
Directors	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
C Cross	12	12	-	-	-	-	5	5	-	-
G El Zoghbi	6	6	-	-	-	-	2	2	-	-
A G Froggatt	12	12	2	2	-	-	5	5	7	7
T J Gorman	12	12	4	4	-	-	-	-	-	-
D P Gosnell	12	12	-	-	6	6	-	-	7	7
T Hassan	10	12	-	-	-	-	4	5	-	-
S P Johns	12	12	5	5	-	-	5	5	7	7
S C H Kay	12	12	4	4	6	6	-	-	-	-
B J Long	12	12	4	4	6	6	-	-	-	-
S R Perkins	12	12	3	3	6	6	-	-	-	-

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.

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 2013.

Director	Listed company	Period directorship held
C Cross	Next plc	2005 to May 2014
	Sonae Group plc	2009 to current
	Kathmandu Holdings Limited	2012 to current
	Woolworths Limited	2012 to November 2015
	Coca-Cola European Partners plc	May 2016 to current
	Hilton Food Group plc	March 2016 to current
G El Zoghbi	None	-
A G Froggatt	Billabong International Limited	2008 to 2013
	Coca-Cola Amatil Limited	2010 to current
T J Gorman	None	-
D P Gosnell	Coats plc	2015 to current
	Coats Group plc	2015 to current
T Hassan	Recall Holdings Limited	2013 to May 2016
S P Johns	None	-
S C H Kay	Commonwealth Bank of Australia	2003 to March 2015
	Scentre Group Limited	February 2016 to current
B J Long	Commonwealth Bank of Australia	2010 to current
	Ten Network Holdings Limited	2010 to July 2016
S R Perkins	Woolworths Limited	2014 to current
	Origin Energy Limited	2015 to current

Innovation, Research and Development

Innovation, whether of an incremental or step-change nature, is integral to Brambles' growth strategy. Brambles is focusing on three key areas: innovating to address customers' current and future needs; accelerating tomorrow's growth opportunities; and fostering and driving a culture of innovation. In 2011, Brambles launched an Innovation Fund, which has reviewed and funded a significant number of early-stage new business ideas. Brambles carries out research and development activities, which activities comprise:

- Continuously testing its pallets, crates and containers to make them more durable, sustainable and safer for use in the supply chain;
- Enhancing existing, and developing new designs of pallets, containers and other supply chain platforms, for both new and existing markets;
- Improving pallet and container repair processes and equipment;
- Testing and developing unique identifier technologies, including radio frequency identification; and
- Reviewing market segments and geographies where pooling solutions could deliver both shareholder and customer value.

During the Year, Brambles launched BXB Digital, which is based in Silicon Valley, Northern California and will advance its asset tracking capabilities and the development of data-driven digital solutions.

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 beaches 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 is 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' 2016 Corporate Governance Statement is on Brambles website at www.brambles.com/corporate-governance-overview.

Interests in Securities

Pages 28 and 29 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 22 and 23 of the Financial Report on pages 65 and 66.

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:

- 53,069 grants under the 2016 MyShare offer;
- 34,409 exercises resulting in the issue of fully paid ordinary shares: 6,515 under the 2015 MyShare offer; 2,687 under the 2016 MyShare offer; 25,207 under the 2006 PSP STI Awards; and
- 356,655 lapses: 8,554 under the 2015 MyShare offer; 5,064 under the 2016 MyShare offer; 15,524 under the 2006 PSP STI Awards; 8,572 under the 2006 PSP TSR LTI Awards; 310,590 under the 2006 PSP FY14-FY16 BVI LTI Award; 2,418 under the 2006 PSP FY15-FY17 BVA LTI Award; 5,933 under the 2006 PSP FY16-FY18 BVA LTI Award.

Share Buy-Backs

No ordinary shares were bought-back and cancelled during the Year. There is no current on-market buy-back in operation.

Risk Management

A discussion of Brambles' risk profile, management and mitigation of risks can be found on page 5 in the Operating & Financial Review and in Principle 7 of Brambles 2016 Corporate Governance Statement.

Treasury Policies

A discussion of the implementation of treasury policies and mitigation of treasury risks can be found on pages 7 and 8 in the Operating & Financial Review.

Non-Audit Services and Auditor Independence

The amount of US$0.23 million was paid or is payable to PricewaterhouseCoopers, 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 compliance projects and tax consulting advice.

The Audit Committee has reviewed the provision of non-audit services by PricewaterhouseCoopers 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 PricewaterhouseCoopers 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 5 August 2016 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 83.

Annual General Meeting

The AGM will be held at 2.00pm (AEDT) on 16 November 2016 at The Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney, NSW 2000.

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

Stephen Johns	**Tom Gorman**
Chairman	**Chief Executive Officer**
18 August 2016	

Shareholder Information

Directors

S P Johns
(Non-Executive Chairman)

C Cross
(Non-Executive Director)

G El Zoghbi
(Non-Executive Director)

A G Froggatt
(Non-Executive Director)

T J Gorman
(Chief Executive Officer)

D P Gosnell
(Non-Executive Director)

T Hassan
(Non-Executive Director)

S C H Kay
(Non-Executive Director)

B J Long
(Non-Executive Director)

S R Perkins
(Non-Executive Director)

Company Secretary

R N Gerrard

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.

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 is managed by a broker would have the same HIN for each shareholding.

Share Sale Facility

Ordinarily, Issuer Sponsored shareholders must establish a relationship with a broker in order to sell their shares. However, Brambles' share registry provides Issuer Sponsored shareholders with an alternative to traditional share sale services. If you would like to take advantage of this service to sell your entire Brambles shareholding, please contact Link Market Services at the address set out in Contact Information on the back cover of the Annual Report. Please note that under anti-money laundering regulations, Link Market Services may require shareholders to complete an identification information form.

If you are a Broker Sponsored shareholder, please contact your broker if you wish to sell your Brambles shares.

Dividend

Shareholders not participating in the Dividend Reinvestment Plan may elect to receive dividend payments in Australian dollars or pounds sterling, by contacting Link Market Services at the address set out in Contact Information on the back cover of the Annual Report.

Annual General Meeting

The Brambles Limited 2016 AGM will be held at 2.00pm (AEDT) on 16 November 2016 at The Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales 2000.

Financial Calendar

Final Dividend 2016

Ex-dividend date – Wednesday, 7 September 2016

Record date – Thursday, 8 September 2016

Payment date – Thursday, 13 October 2016

2017 (Provisional)

Announcement of interim results – mid February 2017

Interim dividend – mid April 2017

Announcement of final results – mid August 2017

Final dividend – mid October 2017

AGM – November 2017

Analysis of Holders of Equity Securities as at 29 July 2016

Substantial Shareholders

Brambles has been notified of the following substantial shareholdings:

Holder	Number of ordinary shares	% of issued ordinary share capital[1]
Commonwealth Bank of Australia	152,968,834	9.64%
MFS Investment Management on behalf of Sun Life Financial Inc.	125,699,812	8.02%

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

Number of Ordinary Shares on Issue and Distribution of Holdings

	Holders	Shares
1 – 1,000	31,057	14,864,168
1,001 – 5,000	29,971	69,166,119
5,001 – 10,000	5,181	36,302,172
10,001 – 100,000	3,027	62,174,697
100,001 and over	126	1,403,517,427
Total	69,362	1,586,024,583

The number of members holding less than a marketable parcel of 38 ordinary shares (based on a market price of A$13.45 on 29 July 2016) is 1,017 and they hold a total of 9,608 ordinary shares. The voting rights of ordinary shares are described below.

Number of Share Rights on Issue and Distribution of Holdings

	Holders	Share rights
1 – 1,000	3,072	931,275
1,001 – 5,000	33	112,698
5,001 – 10,000	25	179,407
10,001 – 100,000	90	2,689,354
100,001 and over	14	4,066,047
Total	3,234	7,978,781

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	626,976,684	39.53%
J P MORGAN NOMINEES AUSTRALIA LIMITED	298,617,156	18.83%
NATIONAL NOMINEES LIMITED	194,942,205	12.29%
CITICORP NOMINEES PTY LIMITED	101,646,843	6.41%
BNP PARIBAS NOMS PTY LTD <DRP>	41,312,619	2.60%
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	17,545,223	1.11%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	17,010,100	1.07%
AMP LIFE LIMITED	13,323,996	0.84%
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	11,702,170	0.74%
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	7,939,372	0.50%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	6,448,223	0.41%
ARGO INVESTMENTS LIMITED	5,501,609	0.35%
AET SFS PTY LTD <BRAMBLES - MYSHARE>	3,098,972	0.20%
AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED	2,100,000	0.13%
SHARE DIRECT NOMINEES PTY LTD	2,042,392	0.13%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,032,381	0.13%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,877,512	0.12%
AET SFS PTY LTD <BRAMBLES - PSP>	1,835,403	0.12%
IOOF INVESTMENT MANAGEMENT LIMITED	1,778,749	0.11%
FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD - NOMINEE A/C>	1,748,819	0.11%
Percentage of total holdings of 20 largest holders	1,359,480,428	85.72%

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 www.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 will be excluded on a vote by a show of hands. On a poll, 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 the resolution has one vote for each ordinary share held. 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.

Financial Report

for the year ended 30 June 2016

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Consolidated Income Statement

for the year ended 30 June 2016

	Note	2016 US$M	2015 US$M
Continuing operations			
Sales revenue	4	**5,535.4**	5,440.5
Other income		**90.4**	114.7
Operating expenses	5	**(4,710.7)**	(4,614.2)
Share of results of joint ventures and associates		**-**	0.8
Operating profit		**915.1**	941.8
Finance revenue		**17.9**	13.8
Finance costs		**(131.9)**	(125.7)
Net finance costs	7	**(114.0)**	(111.9)
Profit before tax		**801.1**	829.9
Tax expense	8	**(243.7)**	(242.3)
Profit from continuing operations		**557.4**	587.6
Profit/(loss) from discontinued operations	11	**30.3**	(3.2)
Profit for the year attributable to members of the parent entity		**587.7**	584.4
Earnings per share (US cents)	9		
Total			
- basic		**37.3**	37.3
- diluted		**37.1**	37.2
Continuing operations			
- basic		**35.3**	37.5
- diluted		**35.2**	37.4

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

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2016

	Note	2016 US$M	2015 US$M
Profit for the year		**587.7**	584.4
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial losses on defined benefit pension plans		**(3.6)**	(1.0)
Income tax on items that will not be reclassified to profit or loss	8A	**0.8**	0.3
		(2.8)	(0.7)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign subsidiaries	24	**(90.2)**	(350.0)
		(90.2)	(350.0)
Other comprehensive loss for the year		**(93.0)**	(350.7)
Total comprehensive income for the year attributable to members of the parent entity		**494.7**	233.7

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

Consolidated Balance Sheet

as at 30 June 2016

	Note	2016 US$M	2015 US$M
Assets			
Current assets			
Cash and cash equivalents	26	**156.1**	166.2
Trade and other receivables	13	**1,150.0**	1,044.6
Inventories	14	**86.2**	81.3
Other assets	15	**77.6**	59.0
Total current assets		**1,469.9**	1,351.1
Non-current assets			
Investments		**-**	5.9
Property, plant and equipment	16	**4,732.3**	4,424.7
Goodwill and intangible assets	17	**1,635.2**	1,751.0
Deferred tax assets	8C	**36.0**	41.9
Other assets	15	**22.9**	20.0
Total non-current assets		**6,426.4**	6,243.5
Total assets		**7,896.3**	7,594.6
Liabilities			
Current liabilities			
Trade and other payables	18	**1,268.4**	1,285.8
Borrowings	20	**201.7**	127.5
Tax payable		**74.4**	63.2
Provisions	19	**114.3**	103.0
Total current liabilities		**1,658.8**	1,579.5
Non-current liabilities			
Borrowings	20	**2,576.2**	2,727.6
Provisions	19	**27.7**	19.2
Retirement benefit obligations	21	**47.5**	55.0
Deferred tax liabilities	8C	**627.0**	564.3
Other liabilities	18	**4.0**	7.9
Total non-current liabilities		**3,282.4**	3,374.0
Total liabilities		**4,941.2**	4,953.5
Net assets		**2,955.1**	2,641.1
Equity			
Contributed equity	22	**6,173.3**	6,027.4
Reserves	24	**(7,191.5)**	(7,101.8)
Retained earnings	24	**3,973.3**	3,715.5
Total equity		**2,955.1**	2,641.1

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

Consolidated Cash Flow Statement

for the year ended 30 June 2016

	Note	2016 US$M	2015 US$M
Cash flows from operating activities			
Receipts from customers		**6,118.3**	6,128.3
Payments to suppliers and employees		**(4,659.6)**	(4,532.7)
Cash generated from operations		**1,458.7**	1,595.6
Interest received		**1.6**	1.7
Interest paid		**(113.0)**	(107.5)
Income taxes paid on operating activities		**(180.4)**	(166.6)
Net cash inflow from operating activities	26B	**1,166.9**	1,323.2
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,080.7)**	(983.6)
Proceeds from sale of property, plant and equipment		**103.6**	78.4
Payments for intangible assets		**(14.6)**	(13.8)
Proceeds from disposal of businesses		**100.0**	-
Acquisition of subsidiaries, net of cash acquired		**(27.5)**	(497.8)
Loan outflows with associates		**(3.4)**	-
Net cash outflow from investing activities		**(922.6)**	(1,416.8)
Cash flows from financing activities			
Proceeds from borrowings		**1,617.2**	1,578.3
Repayments of borrowings		**(1,674.7)**	(1,120.5)
Net outflow from hedge instruments		**(8.2)**	(38.5)
Proceeds from issues of ordinary shares		**1.0**	-
Dividends paid, net of Dividend Reinvestment Plan[1]		**(205.1)**	(359.3)
Net cash (outflow)/inflow from financing activities		**(269.8)**	60.0
Net decrease in cash and cash equivalents		**(25.5)**	(33.6)
Cash and deposits, net of overdrafts, at beginning of the year		**156.7**	221.8
Effect of exchange rate changes		**(16.0)**	(31.5)
Cash and deposits, net of overdrafts, at end of the year	26A	**115.2**	156.7

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

[1] The Dividend Reinvestment Plan was reactivated in FY16 (refer to Note 10).

Consolidated Statement of Changes in Equity

for the year ended 30 June 2016

	Note	Contributed equity US$M	Reserves[1] US$M	Retained earnings US$M	Total US$M
Year ended 30 June 2015					
Opening balance		5,993.4	(6,742.5)	3,500.1	2,751.0
Profit for the year		-	-	584.4	584.4
Other comprehensive income		-	(350.0)	(0.7)	(350.7)
Total comprehensive income		-	(350.0)	583.7	233.7
Share-based payments:	24				
- expense recognised		-	21.8	-	21.8
- shares issued		-	(34.0)	-	(34.0)
- equity component of related tax		-	2.9	-	2.9
Transactions with owners in their capacity as owners:					
- dividends declared	24	-	-	(368.3)	(368.3)
- issues of ordinary shares, net of transaction costs	22	34.0	-	-	34.0
Closing balance		6,027.4	(7,101.8)	3,715.5	2,641.1
Year ended 30 June 2016					
Opening balance		**6,027.4**	**(7,101.8)**	**3,715.5**	**2,641.1**
Profit for the year		**-**	**-**	**587.7**	**587.7**
Other comprehensive loss		**-**	**(90.2)**	**(2.8)**	**(93.0)**
Total comprehensive income		**-**	**(90.2)**	**584.9**	**494.7**
Share-based payments:	24				
- expense recognised		**-**	**23.6**	**-**	**23.6**
- shares issued		**-**	**(20.1)**	**-**	**(20.1)**
- equity component of related tax		**-**	**2.2**	**-**	**2.2**
Transactions with owners in their capacity as owners:					
- dividends declared	24	**-**	**-**	**(332.3)**	**(332.3)**
- issues of ordinary shares, net of transaction costs	22	**145.9**	**-**	**-**	**145.9**
- transfers between reserves		**-**	**(5.2)**	**5.2**	**-**
Closing balance		**6,173.3**	**(7,191.5)**	**3,973.3**	**2,955.1**

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

[1] Refer Note 24 for further information on reserves.

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2016

Note 1. 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 2016. These financial statements have been authorised for issue in accordance with a resolution of the Directors on 18 August 2016.

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* (Act).

The financial statements are drawn up in accordance with the conventions of historical cost accounting, except for derivative financial instruments and financial assets at fair value through profit or loss.

References to 2016 and 2015 are to the financial years ended 30 June 2016 and 30 June 2015 respectively.

LeanLogistics was divested effective 31 May 2016. LeanLogistics' comprehensive income and cash flows for the period up to the date of divestment has been presented within discontinued operations. Prior year comparatives for the income statement have been restated. LeanLogistics' assets and liabilities are excluded from the consolidated balance sheet at 30 June 2016.

Note 2. Significant Accounting Policies

The consolidated financial statements and all comparatives have been prepared using the accounting policies set out below which are consistent with the prior year.

Changes in Accounting Policies

There have not been any significant changes to Brambles' accounting policies during the current period.

Basis of Consolidation

The consolidated financial statements of Brambles include the assets, liabilities and results of Brambles Limited and all its legal subsidiaries. The consolidation process eliminates all inter-entity accounts and transactions. Any financial statements of overseas subsidiaries that have been prepared in accordance with overseas accounting practices have been adjusted to comply with AAS before inclusion in the consolidation process. The financial statements of all material subsidiaries are prepared for the same reporting period.

Business Combinations

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of non-controlling shareholders is stated at the non-controlling proportion of the fair values of the assets and liabilities recognised. Any acquisition-related transaction costs are expensed in the period of acquisition.

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

Investment in Controlled Entities

Shares in controlled entities, as recorded in the parent entity, are recorded at cost, less provision for impairment.

Investment in Joint Ventures and Associates

Associates are those entities in which Brambles has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which Brambles has joint control, whereby Brambles has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

Investments in joint venture and associate entities are accounted for using the equity method in the consolidated financial statements, and include any goodwill arising on acquisition. Under this method, Brambles' share of the post-acquisition profits or losses of the joint venture and associate is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

If Brambles' share of losses in a joint venture or associate equals or exceeds its interest in the joint venture or associate, Brambles does not recognise further losses unless it has incurred obligations or made payments on behalf of the joint venture or associate.

Loans to equity accounted joint ventures or associates under formal loan agreements that are long term in nature are included as investments.

Where there has been a change recognised directly in the joint venture's equity, Brambles recognises its share of any changes as a change in equity.

Discontinued Operations

The trading results for business operations disposed during the year or classified as held for sale are disclosed separately as discontinued operations in the income statement. The amount disclosed includes any related impairment losses recognised and any gains or losses arising on disposal.

Presentation Currency

The consolidated and summarised parent entity financial statements are presented in US dollars.

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, UK and international investors and analysts.

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 the income statement, except where deferred in equity as qualifying cash flow hedges, qualifying net investment hedges or are attributable to part of the net investment in foreign subsidiaries and joint ventures.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are recognised directly in equity.

The results and cash flows of Brambles Limited, subsidiaries and joint ventures 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, subsidiaries and joint ventures are translated into US dollars at the exchange rate ruling at the balance sheet date. The share capital of Brambles Limited is translated into US dollars at historical rates. All resulting exchange differences arising on the translation of Brambles' overseas and Australian entities are recognised as a separate component of equity.

The financial statements of foreign subsidiaries and joint ventures that report in the currency of a hyperinflationary economy are restated in terms of the measuring unit current at the balance sheet date before they are translated into US dollars.

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	**2016**	**0.7270**	**1.1058**	**1.4719**
	2015	0.8301	1.1946	1.5734
Year end	**30 June 2016**	**0.7467**	**1.1123**	**1.3453**
	30 June 2015	0.7673	1.1220	1.5729

Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to Brambles and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of duties and taxes paid (Goods and Services Tax and local equivalents).

Revenue for services is recognised when invoicing the customer following the provision of the service and/or under the terms of agreed contracts in accordance with agreed contractual terms in the period in which the service is provided.

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 property 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.

Dividend Revenue
Dividend revenue is recognised when Brambles' right to receive the payment is established. Dividends received from investments in subsidiaries and joint ventures are recognised as revenue, even if they are paid out of pre-acquisition profits.

Finance Revenue
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.

Borrowing Costs
Borrowing costs are recognised as expenses in the year in which they are incurred, except where they are included in the cost of qualifying assets.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year. No borrowing costs were capitalised in 2016 or 2015.

Pensions and Other Post-Employment Benefits
Payments to defined contribution pension schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where Brambles' obligations under the schemes are equivalent to those arising in a defined contribution pension scheme.

A liability in respect of defined benefit pension schemes 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 scheme's 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 costs of providing pensions under defined benefit schemes are calculated using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. 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 the statement of comprehensive income in the period in which they arise.

The costs of other post-employment liabilities are calculated in a similar way to defined benefit pension schemes and spread over the period during which benefit is expected to be derived from the employees' services, in accordance with the advice of qualified actuaries.

Executive and Employee Share-Based Compensation Plans
Incentives in the form of share-based compensation benefits are provided to executives and employees under performance share and MyShare employee share plans approved by shareholders.

Performance share awards are fair valued by qualified actuaries at their grant dates in accordance with the requirements of AASB 2: Share-based Payments, using a binomial model. The cost of equity-settled transactions 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).

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 and at each subsequent reporting date.

The cost of such phantom shares is charged to the income statement over the relevant vesting periods, with a corresponding increase in provisions.

The fair value calculation of performance shares granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, Brambles reviews its estimate of the number of performance shares that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Assets

Cash and Cash Equivalents

For purposes of the cash flow statement, cash and cash equivalents include deposits at call 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, net of outstanding bank overdrafts. Bank overdrafts are presented within borrowings in the balance sheet.

Receivables

Receivables due within one year do not carry any interest and are recognised at amounts receivable less an allowance for any uncollectible amounts. Trade receivables are recognised when services are provided and settlement is expected within normal credit terms.

Bad debts are written-off when identified. A provision for doubtful receivables is established when there is a level of uncertainty as to the full recoverability of the receivable, based on objective evidence. Significant financial difficulties of the debtor, probability that the debtor will enter liquidation, receivership or bankruptcy, and default or significant delay in payment are considered indicators that the trade receivable is doubtful.

The amount of the provision is measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors. When a trade receivable for which a provision had been recognised becomes uncollectible in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Inventories

Inventories on hand are valued at the lower of cost and net realisable value and, where appropriate, provision is made for possible obsolescence. Work in progress, which represents partly-completed work undertaken at pre-arranged rates but not invoiced at the balance sheet date, is recorded at the lower of cost or net realisable value.

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.

Recoverable Amount of Non-Current Assets

At each reporting date, Brambles assesses whether there is any indication that an asset, or cash generating unit 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 an asset is the greater of its fair value less costs to sell and its value in use.

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 the income statement in the reporting period in which the write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market-related risk adjusted discount rate.

Property, Plant and Equipment

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 the income statement in the period they are incurred.

Depreciation is charged in the financial statements so as to write-off the cost of all PPE, other than freehold land, to their residual value on a straight-line or reducing balance basis over their expected useful lives to Brambles. 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: 50 years
- pooling equipment: 5–10 years
- 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 lease, or the estimated useful life of the improvement to Brambles, whichever is the shorter.

Provision is made for irrecoverable pooling equipment based on experience in each market. The provision is presented within accumulated depreciation.

The carrying values of PPE are reviewed for impairment when circumstances indicate their carrying values may not be recoverable. Assets are assessed within the cash generating unit to which they belong. Any impairment losses are recognised in the income statement.

The recoverable amount of PPE is the greater of its fair value less costs to sell and its value in use. Value in use is determined as estimated future cash flows discounted to their present value using a pre-tax discount rate reflecting current market assessments of the time value of money and the risk specific to the asset.

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 the income statement and presented within other income in the period in which the asset is derecognised.

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is not amortised.

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 is included in intangible assets. Goodwill on acquisitions of joint ventures is included in investments in joint ventures.

Upon acquisition, any goodwill arising is allocated to each cash generating unit expected to benefit from the acquisition. Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment loss is recognised when the recoverable amount of the cash generating unit is less than its carrying amount.

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.

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 the income statement 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
- 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 cash generating unit 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 the income statement when the asset is derecognised.

Liabilities

Payables

Trade and other creditors represent liabilities for goods and services provided to Brambles prior to the end of the financial year which remain unpaid at the reporting date. The amounts are unsecured and are paid within normal credit terms.

Non-current payables are discounted to present value using the effective interest method.

Provisions

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 the income statement.

Interest-Bearing Liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the borrowing proceeds (net of transaction costs) and the redemption amount is recognised in the income statement 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.

Employee Entitlements

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 and contract entitlements. Annual leave and sick leave entitlements are presented within trade and other payables.

Liabilities for annual leave, as well as those employee entitlements which 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.

Dividends

A provision for dividends is only recognised where the dividends have been declared prior to the reporting date.

Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

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.

Finance leases

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 property, plant and equipment held under lease. A lease liability of equal value is also recognised.

Lease payments are allocated between finance charges and a reduction of the lease liability so as to achieve a constant period rate of interest on the lease liability outstanding each period. The finance charge is recognised as a finance cost in the income statement.

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

Income Tax

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.

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 are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. 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.

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.

Current and deferred tax attributable to amounts recognised directly in equity are also recognised directly in equity.

Financial Assets

Brambles classifies its financial assets in the following two categories: financial assets at fair value through profit or loss; and loans and receivables. The classification depends on the purpose for which the financial assets were acquired.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

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

Financial assets are recognised on Brambles' balance sheet when Brambles becomes a party to the contractual provisions of the instrument. Derecognition takes place when Brambles no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Derivatives and Hedging Activities

Derivative instruments used by Brambles, which are used solely for hedging purposes (i.e. to offset foreign exchange and interest rate risks), comprise interest rate swaps and forward foreign exchange contracts. Such derivative instruments are used to alter the risk profile of Brambles' existing underlying exposure in line with Brambles' risk management policies.

Derivative financial instruments are stated at fair value. 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.

For the purposes of hedge accounting, hedges are classified as either fair value hedges, cash flow hedges or net investment hedges.

Fair value hedges
Fair value hedges are derivatives that hedge exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment. In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement.

Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

Hedge accounting is discontinued prospectively if the hedge is terminated or no longer meets the hedge accounting criteria. In this case, any adjustment to the carrying amounts of the hedged item for the designated risk for interest-bearing financial instruments is amortised to the income statement following termination of the hedge relationship.

Cash flow hedges
Cash flow hedges are derivatives that hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction.

In relation to cash flow hedges to hedge forecast transactions which meet the conditions for hedge accounting, 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 within equity and the ineffective portion is recognised in the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

Net investment hedges
Hedges for net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income within equity and the ineffective portion is recognised in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed or sold.

Derivatives that do not qualify for hedge accounting
Where derivatives do not qualify for hedge accounting, gains or losses arising from changes in their fair value are taken directly to net profit or loss for the year.

Contributed Equity

Ordinary shares including share premium are classified as contributed equity. No gain or loss is recognised in the income statement 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.

Earnings Per Share (EPS)

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, adjusted for any bonus element.

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 revenues 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.

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, adjusted for any bonus element.

New Accounting Standards and Interpretations Issued But Not Yet Applied

At 30 June 2016, certain new accounting standards and interpretations have been published that will become mandatory in future reporting periods. Brambles has not early-adopted these new or amended accounting standards and interpretations in 2016.

AASB 9: Financial Instruments is applicable to annual reporting periods beginning on or after 1 January 2018. AASB 9 addresses the classification, measurement and derecognition of financial assets and liabilities, introduces a new impairment model and introduces new rules for hedge accounting. AASB 9 may affect Brambles' accounting for financial assets and liabilities, however it is not expected to have a significant impact on Brambles' financial statements.

AASB 15: Revenue from Contracts with Customers is applicable to annual reporting periods beginning on or after 1 January 2018 and is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The new standard replaces the principle under the current standard of recognising revenue when risks and rewards transfer to the customer. Brambles is yet to assess the impact of the new rules on its revenue recognition policy.

AASB 16: Leases requires lessees to recognise most leases on the balance sheet. AASB 16 is effective for reporting periods beginning or after 1 January 2019. Brambles is yet to assess the impact of the new standard on its financial statements.

Rounding of Amounts

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.

Note 3. 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. Those estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Irrecoverable Pooling Equipment Provisioning

Loss is an inherent risk of pooling equipment operations. Brambles' pooling equipment operations around the world differ in terms of business model, 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.

Impairment of Goodwill

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. The recoverable amount of the goodwill in continuing operations is determined based on the higher of the fair value less costs to sell and the value in use calculations undertaken at the cash generating unit level. These calculations require the use of key assumptions which are set out in Note 17.

Income Taxes

Brambles is a global company 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. Refer to Note 8 for further details.

Note 4. Segment Information

Brambles' segment information is provided on the same basis as internal management reporting to the CEO and reflects how Brambles is organised and managed.

Brambles has six reportable segments, being Pallets - Americas, Pallets - EMEA, Pallets - Asia-Pacific (each pallet-pooling businesses), Reusable Plastic Crates (RPCs) (crate-pooling businesses), Containers (container-pooling businesses) and Corporate (corporate centre).

Segment performance is measured on sales revenue, Underlying Profit, Cash Flow from Operations and Brambles Value Added (BVA). Underlying Profit is the main measure of segment profit. A reconciliation between Underlying Profit and operating profit is set out below.

Segment sales revenue is measured on the same basis as in the income statement. 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.

	Sales revenue		Cash Flow from Operations[1]		Brambles Value Added[2]	
	2016 US$M	2015 US$M	2016 US$M	2015 US$M	2016 US$M	2015 US$M
By operating segment						
Pallets – Americas	**2,427.8**	2,333.4	**179.7**	338.8	**166.7**	157.2
Pallets – EMEA	**1,343.1**	1,380.5	**222.4**	260.0	**215.8**	185.6
Pallets – Asia-Pacific	**319.0**	343.5	**56.3**	71.2	**27.5**	25.9
Pallets	**4,089.9**	4,057.4	**458.4**	670.0	**410.0**	368.7
RPCs	**991.8**	917.6	**54.0**	63.5	**(60.1)**	(53.4)
Containers	**453.7**	465.5	**29.7**	30.7	**(70.5)**	(46.5)
Corporate	**-**	-	**(28.3)**	(34.7)	**(31.1)**	(35.3)
Continuing operations	**5,535.4**	5,440.5	**513.8**	729.5	**248.3**	233.5
By geographic origin						
Americas	**2,755.2**	2,635.8				
Europe	**2,074.4**	2,076.4				
Australia	**373.7**	409.7				
Other	**332.1**	318.6				
Total	**5,535.4**	5,440.5				

	Operating profit[3]		Significant Items before tax[4]		Underlying Profit[4]	
	2016 US$M	2015 US$M	2016 US$M	2015 US$M	2016 US$M	2015 US$M
By operating segment						
Pallets – Americas	**415.5**	403.1	**(12.6)**	(14.5)	**428.1**	417.6
Pallets – EMEA	**351.8**	341.8	**(2.7)**	(2.1)	**354.5**	343.9
Pallets – Asia-Pacific	**65.0**	70.6	**(0.1)**	(1.0)	**65.1**	71.6
Pallets	**832.3**	815.5	**(15.4)**	(17.6)	**847.7**	833.1
RPCs	**134.4**	130.8	**3.0**	(0.7)	**131.4**	131.5
Containers	**7.7**	58.1	**(40.7)**	(1.2)	**48.4**	59.3
Corporate	**(59.3)**	(62.6)	**(25.0)**	(25.6)	**(34.3)**	(37.0)
Continuing operations	**915.1**	941.8	**(78.1)**	(45.1)	**993.2**	986.9

Note 4. Segment Information – continued

	Capital expenditure[5]		Depreciation and amortisation	
	2016 US$M	2015 US$M	2016 US$M	2015 US$M
By operating segment				
Pallets – Americas	**449.8**	378.4	**219.1**	211.9
Pallets – EMEA	**280.9**	256.0	**117.5**	124.0
Pallets – Asia-Pacific	**51.2**	61.6	**36.5**	40.1
Pallets	**781.9**	696.0	**373.1**	376.0
RPCs	**231.0**	238.3	**104.9**	102.0
Containers	**82.1**	101.0	**66.6**	66.4
Corporate	**0.2**	0.1	**1.2**	1.7
Continuing operations	**1,095.2**	1,035.4	**545.8**	546.1

	Segment assets		Segment liabilities	
	2016 US$M	2015 US$M	2016 US$M	2015 US$M
By operating segment				
Pallets – Americas	**2,559.9**	2,354.6	**382.1**	382.2
Pallets – EMEA	**1,463.3**	1,419.7	**257.0**	310.6
Pallets – Asia-Pacific	**415.1**	397.6	**65.6**	75.5
Pallets	**4,438.3**	4,171.9	**704.7**	768.3
RPCs	**2,240.4**	2,025.1	**617.7**	521.5
Containers	**968.2**	1,100.4	**77.2**	112.6
Corporate	**51.3**	31.8	**62.3**	51.4
Continuing operations	**7,698.2**	7,329.2	**1,461.9**	1,453.8
Discontinued operations	**-**	44.3	**-**	17.1
Total segment assets and liabilities	**7,698.2**	7,373.5	**1,461.9**	1,470.9
Cash and borrowings	**156.1**	166.2	**2,777.9**	2,855.1
Current tax balances	**6.0**	7.1	**74.4**	63.2
Deferred tax balances	**36.0**	41.9	**627.0**	564.3
Equity-accounted investments	**-**	5.9	**-**	-
Total assets and liabilities	**7,896.3**	7,594.6	**4,941.2**	4,953.5
Non-current assets by geographic origin[6]				
Americas	**2,954.8**	2,833.4		
Europe	**2,618.7**	2,615.6		
Australia	**334.4**	319.6		
Other	**465.8**	424.7		
Total	**6,373.7**	6,193.3		

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 Brambles Value Added (BVA) is a non-statutory profit measure and represents the value generated over and above the cost of the capital used to generate that value. It is calculated using fixed 30 June 2015 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 part of the ordinary activities of the business, multiplied by 12%.

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 6). It is presented to assist users of the financial statements to better understand Brambles' business results.

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

6 Non-current assets exclude derivative financial instruments and deferred tax assets.

Note 5. Operating Expenses – Continuing Operations

	2016 US$M	2015 US$M
Employment costs	**878.9**	877.1
Service suppliers:		
- transport	**1,089.8**	1,080.5
- repairs and maintenance	**785.4**	741.6
- subcontractors and other service suppliers	**521.3**	492.0
Raw materials and consumables	**462.0**	447.7
Occupancy	**199.8**	208.2
Depreciation of property, plant and equipment	**504.2**	500.9
Impairment of goodwill and property, plant and equipment (Refer to Note 6 and Note 16)	**39.7**	5.0
Irrecoverable pooling equipment provision (IPEP) expense	**74.8**	79.7
Amortisation of intangible assets	**41.6**	45.2
Net foreign exchange gains	**(1.1)**	(1.6)
Other	**114.3**	137.9
	4,710.7	4,614.2

Note 6. 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 are:

- 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.

	2016 US$M			2015 US$M		
	Before tax	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Items outside the ordinary course of business:						
- acquisition-related costs[1]	**(7.8)**	**0.2**	**(7.6)**	(10.3)	0.1	(10.2)
- restructuring and integration costs[2]	**(37.7)**	**12.3**	**(25.4)**	(34.8)	10.8	(24.0)
- impairment of goodwill[3]	**(38.0)**	**-**	**(38.0)**	-	-	-
- acquisition gains[4]	**5.4**	**(0.1)**	**5.3**	-	-	-
Significant Items from continuing operations	**(78.1)**	**12.4**	**(65.7)**	(45.1)	10.9	(34.2)

1 Professional fees and other transaction costs were incurred in relation to IFCO Japan and other acquisition activities in 2016. In 2015 acquisition-related costs were incurred for the Ferguson, Rentapack and other acquisition activities.

2 Redundancy, integration and other restructuring costs include US$30.4 million relating to the One Better program (2015: US$28.0 million).

3 Comprises goodwill impairment of the Oil & Gas cash generating unit (CGU) (Refer to Note 17).

4 The remaining two-thirds of IFCO Japan was acquired on 18 August 2015. On acquisition, the existing interest was remeasured at fair value resulting in a gain of US$5.0 million. In addition, there was another minor acquisition during the year which resulted in an acquisition gain of US$0.4m.

Note 7. Net Finance Costs – Continuing Operations

	2016 US$M	2015 US$M
Finance revenue		
Bank accounts and short-term deposits	**1.0**	0.9
Derivative financial instruments	**16.3**	12.2
Other	**0.6**	0.7
	17.9	13.8
Finance costs		
Interest expense on bank loans and borrowings	**(120.7)**	(121.5)
Derivative financial instruments	**(6.7)**	(0.6)
Other	**(4.5)**	(3.6)
	(131.9)	(125.7)
Net finance costs	**(114.0)**	(111.9)

Note 8. Income Tax

	2016 US$M	2015 US$M
A) Components of Tax Expense		
Amounts recognised in the income statement		
Current income tax – continuing operations:		
- income tax charge	**192.9**	201.8
- prior year adjustments	**(9.6)**	3.0
	183.3	204.8
Deferred tax – continuing operations:		
- origination and reversal of temporary differences	**57.7**	54.8
- previously unrecognised tax losses	**(5.0)**	(10.3)
- prior year adjustments	**7.7**	(7.0)
	60.4	37.5
Tax expense – continuing operations	**243.7**	242.3
Tax expense/(benefit) – discontinued operations (Note 11)	**17.3**	(0.1)
Tax expense recognised in the income statement	**261.0**	242.2
Amounts recognised in the statement of comprehensive income		
- on actuarial losses on defined benefit pension plans	**(0.8)**	(0.3)
Tax benefit recognised directly in the statement of comprehensive income	**(0.8)**	(0.3)

Note 8. Income Tax – continued

	2016 US$M	2015 US$M
B) Reconciliation Between Tax Expense and Accounting Profit Before Tax		
Profit before tax – continuing operations	**801.1**	829.9
Tax at standard Australian rate of 30% (2015: 30%)	**240.3**	249.0
Effect of tax rates in other jurisdictions	**(19.4)**	(23.9)
Prior year adjustments	**(5.1)**	(4.0)
Prior year tax losses written-off	**3.2**	-
Current year tax losses not recognised	**4.9**	8.0
Foreign withholding tax unrecoverable	**6.3**	6.4
Change in tax rates	**(0.5)**	1.1
Non-deductible expenses	**18.4**	11.3
Other taxable items	**0.8**	4.9
Prior year tax losses recouped/recognised	**(5.0)**	(10.3)
Other	**(0.2)**	(0.2)
Tax expense – continuing operations	**243.7**	242.3
Tax expense/(benefit) – discontinued operations (Note 11)	**17.3**	(0.1)
Total income tax expense	**261.0**	242.2

	2016 US$M		2015 US$M	
	Assets	Liabilities	Assets	Liabilities
C) Components of Deferred Tax Assets and Liabilities				
Deferred tax assets and liabilities shown in the balance sheet are represented by cumulative temporary differences attributable to:				
Items recognised through the income statement				
Employee benefits	**28.0**	**-**	21.9	-
Provisions	**39.4**	**-**	36.9	-
Losses available against future taxable income	**231.8**	**-**	241.0	-
Accelerated depreciation for tax purposes	**-**	**(891.4)**	-	(805.0)
Other	**86.2**	**(106.1)**	46.1	(85.3)
	385.4	**(997.5)**	345.9	(890.3)
Items recognised in the statement of comprehensive income				
Actuarial losses/(gains) on defined benefit pension plans	**9.1**	**(0.8)**	11.6	(1.2)
Share-based payments	**12.8**	**-**	11.6	-
	21.9	**(0.8)**	23.2	(1.2)
Set-off against deferred tax (liabilities)/assets	**(371.3)**	**371.3**	(327.2)	327.2
Net deferred tax assets/(liabilities)	**36.0**	**(627.0)**	41.9	(564.3)

Note 8. Income Tax – continued

	2016 US$M		2015 US$M	
	Assets	Liabilities	Assets	Liabilities
D) Movements in Deferred Tax Assets and Liabilities				
At 1 July	**41.9**	**(564.3)**	44.3	(541.0)
(Charged)/credited to the income statement	**(2.4)**	**(58.0)**	24.7	(62.2)
Credited directly to equity	**0.8**	**-**	0.3	-
Acquisition of subsidiary	**0.3**	**(3.7)**	5.3	(32.7)
Divestment of subsidiaries	**(0.1)**	**7.6**	-	-
Offset against deferred tax (liabilities)/assets	**(3.0)**	**3.0**	(25.1)	25.1
Foreign exchange differences	**(1.5)**	**(11.6)**	(7.6)	46.5
At 30 June	**36.0**	**(627.0)**	41.9	(564.3)

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. At reporting date, Brambles has unused tax losses of US$1,015.7 million (2015: US$1,062.3 million) available for offset against future profits. A deferred tax asset has been recognised in respect of US$681.4 million (2015: US$730.3 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$334.3 million (2015: US$332.0 million) due to the unpredictability of future profit streams in the relevant jurisdictions. Tax losses of US$530.9 million (2015: US$558.0 million), which have been recognised in the balance sheet, have an expiry date between 2017 and 2035 (2015: between 2016 and 2035), however it is expected that these losses will be recouped prior to expiry. The remaining tax losses of US$150.5 million (US$172.3 million), which have been recognised in the balance sheet, can be carried forward indefinitely.

At reporting date, undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised in the consolidated financial statements are US$1,762.9 million (2015: US$1,045.5 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 after 12 months of 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 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, attitude towards tax planning, and its approach in dealing with tax authorities. The Tax Policy is included in Brambles Limited's Code of Conduct. In addition, commencing this year Brambles Limited's Sustainability Review will include a Tax Report which will include, amongst other things, details such as the corporate income tax paid by, and effective tax rates of, Brambles. The Sustainability Review is scheduled for publication in October 2016 and will be posted on Brambles' website.

Note 9. Earnings Per Share

	2016 US cents	2015 US cents
Earnings per share		
- basic	**37.3**	37.3
- diluted	**37.1**	37.2
From continuing operations		
- basic	**35.3**	37.5
- diluted	**35.2**	37.4
- basic, on Underlying Profit after finance costs and tax	**39.5**	39.7
From discontinued operations		
- basic	**2.0**	(0.2)
- diluted	**1.9**	(0.2)

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 earnings per share to the extent to which they are dilutive. Details are set out in Note 23.

	2016 Million	2015 Million
A) Weighted Average Number of Shares During the Year		
Used in the calculation of basic earnings per share	**1,577.6**	1,566.0
Adjustment for share rights	**6.1**	4.8
Used in the calculation of diluted earnings per share	**1,583.7**	1,570.8

	2016 US$M	2015 US$M
B) Reconciliations of Profits used in Earnings Per Share Calculations		
Statutory profit		
Profit from continuing operations	**557.4**	587.6
Profit/(loss) from discontinued operations	**30.3**	(3.2)
Profit used in calculating basic and diluted EPS	**587.7**	584.4
Underlying Profit after finance costs and tax		
Underlying Profit (Note 4)	**993.2**	986.9
Net finance costs (Note 7)	**(114.0)**	(111.9)
Tax expense on Underlying Profit	**(256.1)**	(253.2)
Underlying Profit after finance costs and tax	**623.1**	621.8
which reconciles to statutory profit:		
Underlying Profit after finance costs and tax	**623.1**	621.8
Significant Items after tax (Note 6)	**(65.7)**	(34.2)
Profit from continuing operations	**557.4**	587.6

Note 10. Dividends

A) Dividends During the Year

	Interim 2016	Final 2015
Dividend per share (in Australian cents)	14.5	14.0
Cost (in US$ million)[1]	174.6	155.3
Payment date	14 April 2016	8 October 2015

[1] The interim dividend and final dividend amounts include US$56.5 million and US$68.3 million respectively, relating to the non-cash Dividend Reinvestment Plan participation.

Dividends during the year total US$329.9 million (2015: US$359.3 million), which differs to the amount recognised in equity (US$332.3 million) due to the impact of foreign exchange movements on the Australian dividend payments between the dividend record and payment dates.

B) Dividend Declared after 30 June 2016

	Final 2016
Dividend per share (in Australian cents)	**14.5**
Cost (in US$ million)	**176.1**
Payment date	**13 October 2016**
Dividend record date	**8 September 2016**

As this dividend had not been declared at 30 June 2016, it is not reflected in these financial statements.

C) Franking Credits

	2016 US$M	2015 US$M
Franking credits available for subsequent financial years based on an Australian tax rate of 30%	**38.7**	32.4

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 receivables at the reporting date; and
- franking credits that may be prevented from being distributed in subsequent financial years.

The final 2016 dividend will be franked at 25%.

Note 11. Discontinued Operations

Discontinued operations primarily comprise the LeanLogistics business which was divested effective 31 May 2016. As a consequence of the divestment, LeanLogistics is presented in discontinued operations in the current and comparative reporting periods. In addition to LeanLogistics, discontinued operations comprise net adjustments relating to divestments completed in prior years.

Financial information for discontinued operations is summarised below:

	2016 US$M	2015 US$M
Operating loss	**(5.1)**	(3.3)
Relating to:		
- LeanLogistics[1]	**(3.5)**	(3.3)
- other discontinued operations	**(1.6)**	-
Profit on divestment of LeanLogistics	**52.7**	-
Profit/(loss) before tax	**47.6**	(3.3)
Tax (expense)/benefit[2]	**(17.3)**	0.1
Profit/(loss) for the year from discontinued operations	**30.3**	(3.2)

[1] Operating loss includes US$2.4 million of depreciation and amortisation expense (2015: US$2.9 million).

[2] Tax expense recognised in 2016 relates to the divestment of LeanLogistics.

Significant Items outside the ordinary course of business relating to discontinued operations recognised during 2016 were US$53.0 million, which included the profit on divestment of LeanLogistics (2015: US$(1.5) million).

Note 12. Business Combinations

On 18 August 2015, Brambles acquired the remaining two-thirds of IFCO Japan in a transaction valuing IFCO Japan at ¥4.84 billion (US$38.9 million) and paying cash consideration of US$17.4 million. Goodwill of US$17.9 million has been recognised for this acquisition. A gain of US$5.0 million has been recognised in the income statement in relation to the remeasurement of the existing interest in IFCO Japan to fair value (refer Note 6).

In addition to the above acquisition, there were other minor acquisitions during the period with immaterial impact.

Note 13. Trade and Other Receivables

	2016 US$M	2015 US$M
Current		
Trade receivables	**904.1**	817.0
Provision for doubtful receivables	**(14.4)**	(14.6)
Net trade receivables	**889.7**	802.4
Other debtors	**149.1**	141.6
Accrued and unbilled revenue	**111.2**	100.6
	1,150.0	1,044.6

Trade receivables are non-interest bearing and are generally on 30–90 day terms. A provision for doubtful receivables is established when there is a level of uncertainty as to the full recoverability of the receivable, based on objective evidence. A provision of US$7.6 million (2015: US$5.6 million) has been recognised as an expense in the current year for specific trade and other receivables for which such evidence exists.

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

Note 13. Trade and Other Receivables – continued

	Trade receivables		Other debtors	
	2016 US$M	**2015 US$M**	**2016 US$M**	**2015 US$M**
At 30 June, the ageing analysis of trade receivables and other debtors by reference to due dates was as follows:				
Not past due	**730.9**	618.9	**74.6**	65.3
Past due 0–30 days but not impaired	**118.5**	134.3	**6.8**	5.2
Past due 31–60 days but not impaired	**19.8**	26.4	**8.5**	3.8
Past due 61–90 days but not impaired	**5.7**	9.5	**4.5**	2.4
Past 90 days but not impaired	**14.8**	13.3	**54.7**	64.9
Impaired	**14.4**	14.6	**-**	-
	904.1	817.0	**149.1**	141.6

Refer to Note 25 for other financial instruments' disclosures.

Note 14. Inventories

Raw materials and consumables	**51.3**	53.1
Work in progress	**0.6**	2.4
Finished goods	**34.3**	25.8
	86.2	81.3

Note 15. Other Assets

Current

Prepayments	**49.6**	46.8
Current tax receivable	**6.0**	7.1
Derivative financial instruments (Note 25)	**22.0**	5.1
	77.6	59.0

Non-current

Prepayments	**4.4**	6.2
Derivative financial instruments (Note 25)	**16.7**	8.3
Other receivables	**1.8**	5.5
	22.9	20.0

Note 16. Property, Plant and Equipment

	2016 US$M			2015 US$M		
	Land and buildings	**Plant and equipment**	**Total**	**Land and buildings**	**Plant and equipment**	**Total**
Opening net carrying amount	**40.8**	**4,383.9**	**4,424.7**	27.4	4,340.1	4,367.5
Additions	**6.8**	**1,088.4**	**1,095.2**	5.1	1,031.5	1,036.6
Acquisition of subsidiaries	**-**	**24.9**	**24.9**	15.3	186.1	201.4
Divestment of subsidiaries	**-**	**(1.2)**	**(1.2)**	-	-	-
Disposals	**(1.6)**	**(109.9)**	**(111.5)**	(0.7)	(79.7)	(80.4)
Depreciation charge	**(2.8)**	**(501.4)**	**(504.2)**	(2.9)	(498.4)	(501.3)
Impairment of plant and equipment	**-**	**(1.7)**	**(1.7)**	-	(5.0)	(5.0)
IPEP expense	**-**	**(74.8)**	**(74.8)**	-	(79.7)	(79.7)
Foreign exchange differences	**(3.1)**	**(116.0)**	**(119.1)**	(3.4)	(511.0)	(514.4)
Closing net carrying amount	**40.1**	**4,692.2**	**4,732.3**	40.8	4,383.9	4,424.7
At 30 June						
Cost	**68.4**	**7,508.5**	**7,576.9**	68.4	7,111.7	7,180.1
Accumulated depreciation	**(28.3)**	**(2,816.3)**	**(2,844.6)**	(27.6)	(2,727.8)	(2,755.4)
Net carrying amount	**40.1**	**4,692.2**	**4,732.3**	40.8	4,383.9	4,424.7

The net carrying amounts above include plant and equipment held under finance lease US$38.3 million (2015: US$34.2 million); leasehold improvements US$19.0 million (2015: US$20.4 million); and capital work in progress US$22.9 million (2015: US$26.6 million).

Note 17. Goodwill and Intangible Assets

A) Net Carrying Amounts and Movements During the Year

	2016 US$M				2015 US$M			
	Goodwill	Software	Other[1]	Total	Goodwill	Software	Other[1]	Total
Opening carrying amount	**1,530.5**	**42.7**	**177.8**	**1,751.0**	1,322.4	47.2	173.9	1,543.5
Additions	**-**	**10.8**	**1.7**	**12.5**	-	11.7	2.1	13.8
Disposals	**-**	**(0.2)**	**-**	**(0.2)**	-	(0.1)	(0.1)	(0.2)
Acquisition of subsidiaries	**49.2**	**0.2**	**4.5**	**53.9**	351.4	0.1	53.8	405.3
Divestment of subsidiaries	**(33.3)**	**(5.4)**	**(0.2)**	**(38.9)**	-	-	-	-
Amortisation charge	**-**	**(11.1)**	**(30.5)**	**(41.6)**	-	(15.2)	(32.5)	(47.7)
Impairment loss[2]	**(38.0)**	**-**	**-**	**(38.0)**	-	-	-	-
Foreign exchange differences	**(54.8)**	**(0.6)**	**(8.1)**	**(63.5)**	(143.3)	(1.0)	(19.4)	(163.7)
Closing carrying amount	**1,453.6**	**36.4**	**145.2**	**1,635.2**	1,530.5	42.7	177.8	1,751.0
At 30 June								
Gross carrying amount	**1,491.6**	**309.3**	**296.4**	**2,097.3**	1,530.5	328.4	309.9	2,168.8
Accumulated impairment	**(38.0)**	**-**	**-**	**(38.0)**	-	-	-	-
Accumulated amortisation	**-**	**(272.9)**	**(151.2)**	**(424.1)**	-	(285.7)	(132.1)	(417.8)
Net carrying amount	**1,453.6**	**36.4**	**145.2**	**1,635.2**	1,530.5	42.7	177.8	1,751.0

[1] Other intangible assets primarily comprise acquired customer relationships, customer lists and agreements.

[2] Based on the fair value less costs to sell model used during impairment testing, a goodwill impairment loss of US$38.0 million has been recognised in relation to the Oil & Gas CGU, reflecting the current market conditions in the oil and gas sector.

B) Summary of Net Carrying Amount

	2016 US$M	2015 US$M
Goodwill acquired through business combinations is allocated to cash generating units (CGU), which are the smallest identifiable groupings of Brambles' cash generating assets. A summary of the goodwill allocation is presented as follows:		
Pallets - Americas	**281.6**	315.2
Pallets - EMEA	**34.5**	38.3
Pallets - Asia-Pacific	**48.6**	24.9
Pallets	**364.7**	378.4
RPCs	**671.1**	648.0
Oil & Gas	**240.0**	320.5
IBCs	**136.3**	139.5
Aerospace	**41.5**	44.1
Containers	**417.8**	504.1
Total goodwill	**1,453.6**	1,530.5

Note 17. Goodwill and Intangible Assets – continued

C) Goodwill Recoverable Amount Testing – Continuing Operations

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 five-year period with an appropriate terminal value at the end of that period. Management has determined the recoverable amount of the Oil & Gas CGU by assessing its fair value less costs to sell. This valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. 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 five 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 five-year plan. Five-year growth rates ranged between 5.3% and 10.0% (average rates: Pallets 6.6%; RPCs 10.0%; Oil & Gas 5.3%; IBCs 9.1% and Aerospace 8.0%). Growth rates for 2015 ranged between 6.4% and 15.6%.

Terminal value

The terminal value calculated after year five 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. Average terminal growth rates used in the financial projections were: Pallets 2.5%; RPCs 2.0%; Oil & Gas 1.9%; IBCs 2.2% and Aerospace 2.0%. Average terminal growth rates for 2015 ranged between 2.1% and 2.9%.

Discount rates

Discount rates used are the pre-tax WACC and include a premium for market risks appropriate to each country in which the CGU operates. WACCs ranged between 7.3% and 11.4% (average rates: Pallets 10.4%; RPCs 8.2%; Oil & Gas 9.6%; IBCs 8.9% and Aerospace 10.6%). Average WACC rates for 2015 ranged between 7.9% and 9.2%.

Sensitivity

With the exception of the Oil & Gas and Aerospace CGUs, 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.

During impairment testing it was noted that Aerospace has a reduced headroom in the value in use calculation. All other things being equal, a reasonably possible change in any of the key assumptions may cause the carrying amount of the Aerospace CGU to be impaired.

In relation to the Oil & Gas CGU, all other things being equal, a reasonably possible change in any of the key assumptions may cause an increase in the goodwill impairment being recognised.

Note 18. Trade and Other Payables

	2016 US$M	2015 US$M
Current		
Trade payables	**396.5**	496.9
GST/VAT, refundable deposits and other payables	**533.9**	471.1
Accruals and deferred income	**335.9**	313.8
Derivative financial instruments (Note 25)	**2.1**	4.0
	1,268.4	1,285.8
Non-current		
Derivative financial instruments (Note 25)	**-**	1.8
Other liabilities	**4.0**	6.1
	4.0	7.9

Trade payables and other current payables are non-interest bearing and are generally settled on 30–90 day terms.
Refer to Note 25 for other financial instruments' disclosures.

Note 19. Provisions

	2016 US$M		2015 US$M	
	Current	Non-current	Current	Non-current
Employee entitlements	**83.1**	**4.6**	71.6	3.9
Other	**31.2**	**23.1**	31.4	15.3
	114.3	**27.7**	103.0	19.2

Note 20. Borrowings

	2016 US$M		2015 US$M	
	Current	Non-current	Current	Non-current
Unsecured				
Bank overdrafts	**40.9**	**-**	9.5	-
Bank loans	**38.2**	**405.6**	39.9	964.0
Loan notes[1]	**112.9**	**2,142.0**	68.7	1,738.8
Finance lease liabilities	**9.7**	**28.6**	9.4	24.8
	201.7	**2,576.2**	127.5	2,727.6

1 In October 2015, US$500 million of guaranteed senior notes were issued to qualified institutional buyers in the United States 144A bond market with a term of 10 years and a coupon rate of 4.125%.

Note 21. 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.
US$17.0 million (2015: US$21.9 million) has been recognised as an expense in the income statement representing contributions paid and payable to these plans by Brambles at rates specified in the rules of the plans, of which US$16.6 million relates to continuing operations (2015: US$21.3 million).

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.

The plan assets and the present value of the defined benefit obligation recognised in Brambles' balance sheet are based upon the most recent formal actuarial valuations which have been updated to 30 June 2016 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 2016. The present value of the defined benefit obligation and the past service cost were measured using the projected unit credit method.

A net expense of US$3.1 million has been recognised in the income statement in respect of defined benefit plans (2015: US$0.2 million), of which US$2.4 million net expense relates to continuing operations (2015: US$0.2 million). Included within the total expense recognised during the year is a net interest cost of US$1.4 million (2015: US$1.5 million).

The amounts recognised in the balance sheet are as follows:

	2016 US$M	2015 US$M
Present value of defined benefit obligations	**281.4**	299.4
Fair value of plan assets	**(233.9)**	(244.4)
Net liability recognised in the balance sheet	**47.5**	55.0

Currency variations and deficit reduction contributions from sponsoring employers 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 (2015: US$6.1 million). The principal assumption used in the actuarial valuations of the defined benefit obligation was the discount rate of 2.8% (2015: 3.5%) for the plans operating in the United Kingdom and 7.9% (2015: 7.4%) for the South African plans. A reasonably possible change in discount rate or other key assumptions would not 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 funds' actuaries when actuarial valuations are obtained. Additional annual contributions of US$6.7 million (2015: US$7.9 million) are being paid to remove the identified deficits over a period of 6 years (2015: 7 years).

Note 22. Contributed Equity

	Shares	US$M
Total ordinary shares, of no par value, issued and fully paid:		
At 1 July 2014	1,562,945,947	5,993.4
Issued during the year	4,019,587	34.0
At 30 June 2015	1,566,965,534	6,027.4
At 1 July 2015	**1,566,965,534**	**6,027.4**
Issued during the year	**19,026,169**	**145.9**
At 30 June 2016	**1,585,991,703**	**6,173.3**

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 23. Share-Based Payments

The Remuneration Report sets out details relating to the Brambles share plans (pages 24 to 25), together with details of performance share rights and MyShare matching conditional rights issued to the Executive Director and other Key Management Personnel (pages 27 to 28). 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 the year	Forfeited/ lapsed during the year	Balance at 30 June
2016						
Performance share rights						
Awards granted in prior periods		7,107,281	-	(2,049,028)	(785,889)	4,272,364
1 July 2015	1 July 2021	-	14,410	(14,410)	-	-
25 Sep 2015	25 Sep 2021	-	3,042,495	-	(39,862)	3,002,633
2 Nov 2015	2 Nov 2021	-	20,927	-	-	20,927
16 March 2016	16 March 2022	-	70,372	-	-	70,372
21 June 2016	21 June 2022	-	500	-	-	500
MyShare matching conditional rights						
2014 Plan Year	31 Mar 2016	640,318	-	(607,766)	(32,552)	-
2015 Plan Year	31 Mar 2017	262,563	551,152	(23,659)	(65,202)	724,854
2016 Plan Year	31 Mar 2018	-	247,744	(3,648)	(4,396)	239,700
Total rights		**8,010,162**	**3,947,600**	**(2,698,511)**	**(927,901)**	**8,331,350**
2015 (summarised comparative)						
Total rights		9,730,424	3,501,805	(3,953,046)	(1,269,021)	8,010,162

Of the above grants, 379,044 rights were exercisable at 30 June 2016.

		2016	2015
Weighted average data:			
- fair value at grant date of grants made during the year	A$	**8.56**	9.20
- share price at exercise date of grants exercised during the year	A$	**10.57**	10.19
- remaining contractual life at 30 June	years	**4.0**	4.0

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. The values calculated do not take into account the probability of rights being forfeited prior to vesting, as a probability adjustment is made when computing the share-based payment expense.

The significant inputs into the valuation models for the grants made during the year were:

	2016 Grants	2015 Grants
Weighted average share price	**A$10.10**	A$9.92
Expected volatility	**17%**	20%
Expected life	**2-3 years**	2-3 years
Annual risk-free interest rate	**1.86-1.91%**	2.66-2.80%
Expected dividend yield	**2.90%**	3.50%

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$23.6 million (2015: US$21.8 million) relating to equity-settled share-based payments and US$1.9 million relating to cash-settled share-based payments (2015: US$1.0 million). Of these amounts, US$0.7 million (2015: nil) related to discontinued operations.

Note 24. 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 2015						
Opening balance	82.9	170.0	(7,162.4)	167.0	(6,742.5)	3,500.1
Actuarial loss on defined benefit plans	-	-	-	-	-	(0.7)
Foreign exchange differences	-	(350.0)	-	-	(350.0)	-
Share-based payments:						
- expense recognised during the year	21.8	-	-	-	21.8	-
- shares issued	(34.0)	-	-	-	(34.0)	-
- equity component of related tax	2.9	-	-	-	2.9	-
Dividends declared	-	-	-	-	-	(368.3)
Net profit for the year	-	-	-	-	-	584.4
Closing balance	73.6	(180.0)	(7,162.4)	167.0	(7,101.8)	3,715.5
Year ended 30 June 2016						
Opening balance	**73.6**	**(180.0)**	**(7,162.4)**	**167.0**	**(7,101.8)**	**3,715.5**
Actuarial loss on defined benefit plans	**-**	**-**	**-**	**-**	**-**	**(2.8)**
Foreign exchange differences	**-**	**(90.2)**	**-**	**-**	**(90.2)**	**-**
Share-based payments:						
- expense recognised during the year	**23.6**	**-**	**-**	**-**	**23.6**	**-**
- shares issued	**(20.1)**	**-**	**-**	**-**	**(20.1)**	**-**
- equity component of related tax	**2.2**	**-**	**-**	**-**	**2.2**	**-**
Transfers between reserves	**-**	**-**	**-**	**(5.2)**	**(5.2)**	**5.2**
Dividends declared	**-**	**-**	**-**	**-**	**-**	**(332.3)**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**587.7**
Closing balance	**79.3**	**(270.2)**	**(7,162.4)**	**161.8**	**(7,191.5)**	**3,973.3**

B) Nature and Purpose of Reserves

Share-based payments reserve

This comprises the cumulative share-based payment expense recognised in the income statement in relation to equity-settled options and share rights issued but not yet exercised. Refer to Note 23 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 the income statement 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, a capital redemption reserve created in 2006 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 income statement when the associated hedged transaction is recognised or the hedge or the forecast hedged transaction is no longer highly probable. During 2016, the capital redemption reserve was transferred to retained earnings.

Note 25. 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.

Brambles uses standard derivative financial instruments to manage its risk exposure in the normal course of business. Brambles does not trade in financial instruments for speculative purposes. Hedging activities are conducted through Brambles' Treasury department on a centralised basis in accordance with Board policies and guidelines through standard operating procedures and delegated authorities.

A) Financial Assets and Liabilities

The fair values of all financial assets and liabilities held on the balance sheet as at 30 June 2016 equal the carrying amount, with the exception of loan notes, which have an estimated fair value of US$2,300.0 million (2015: US$1,945.9 million). Financial assets and liabilities held at fair value 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 by discounting future cash flows at prevailing interest rates for the relevant yield curves. The methodology for calculating fair values of derivative instruments is set out in Note 2.

B) 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, predominantly in US dollars and euros, is managed by maintaining a mix of fixed and floating-rate instruments within select target bands over defined periods. In most cases, interest rate derivatives are used to achieve these targets synthetically.

The following table sets out the financial instruments exposed to interest rate risk at reporting date:

	2016 US$M	2015 US$M
Financial assets (floating rate)		
Cash at bank	**150.7**	158.3
Short-term deposits	**5.4**	7.9
	156.1	166.2
Weighted average effective interest rate	**0.1%**	1.0%
Financial liabilities (floating rate)		
Bank overdrafts	**40.9**	9.5
Bank loans	**415.3**	965.3
Interest rate swaps (notional value) – fair value hedges	**556.2**	561.0
Net exposure to cash flow interest rate risk	**1,012.4**	1,535.8
Weighted average effective interest rate	**1.6%**	1.8%
Financial liabilities (fixed rate)		
Loan notes	**2,254.9**	1,807.5
Bank loans	**28.5**	38.6
Finance lease liabilities	**38.3**	34.2
Interest rate swaps (notional value) – fair value hedges	**(556.2)**	(561.0)
Net exposure to fair value interest rate risk	**1,765.5**	1,319.3
Weighted average effective interest rate	**4.9%**	5.4%

Note 25. Financial Risk Management – continued

B) Market Risk – continued

Interest rate swaps – fair value hedges

Brambles entered into interest rate swap transactions with various banks, swapping the €500 million 2024 Euro medium-term fixed-rate notes to variable rates for all or part of the term. In accordance with AASB 139, the carrying value of the loan notes have been adjusted to increase debt by US$22.6 million (2015: US$11.1 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$22.6 million (2015: US$11.0 million).

The terms of the swaps match the terms of the fixed-rate bond issue for the amounts and durations being hedged.

The gain or loss from re-measuring the interest rate swaps at fair value is recorded in the income statement together with any changes in the fair value of the hedged asset or liability that is attributed to the hedged risk. For 2016, all interest rate swaps were effective hedging instruments.

Sensitivity analysis

Given current economic conditions and Brambles' approach to risk management, the Group's sensitivity to changes in interest rates is not material.

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 these exposures. 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.

Currency profile

The following table sets out the currency mix profile of Brambles' financial instruments at reporting date. Financial assets include cash, trade receivables and derivative assets. Financial liabilities includes trade payables, debt and derivative liabilities:

	US dollar US$M	Aust. dollar US$M	Sterling US$M	Euro US$M	Other US$M	Total US$M
2016						
Financial assets	**259.7**	**62.8**	**68.2**	**447.0**	**246.8**	**1,084.5**
Financial liabilities	**1,400.4**	**17.0**	**136.4**	**1,398.8**	**223.9**	**3,176.5**
2015						
Financial assets	241.2	62.8	62.0	349.3	266.7	982.0
Financial liabilities	1,353.3	28.3	309.9	1,351.6	314.7	3,357.8

Forward foreign exchange contracts – cash flow hedges

Brambles enters into forward foreign exchange contracts to hedge currency exposures arising from normal commercial transactions such as the purchase and sale of equipment and services, intercompany interest and royalties.

During 2016, Brambles entered into forward foreign exchange transactions with various banks in a variety of cross-currencies for terms ranging up to 6 months. Most contracts create an obligation on Brambles to take receipt of or deliver a foreign currency which is used to fulfil the foreign currency sale or purchase order.

For 2016 and 2015, all foreign exchange contracts were effective hedging instruments. The fair value of these contracts at reporting date was nil (2015: 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 contract provides an economic hedge against exchange fluctuations in the foreign currency loan balance. The face value and terms of the foreign exchange contracts match the intercompany loan balances. Gains and losses on realignment of the intercompany loan and foreign exchange contracts to spot rates are offset in the income statement. 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 US$14.6 million (2015: US$(2.9) million).

Note 25. Financial Risk Management – continued

B) Market Risk – continued

Hedge of net investment in foreign entity

At 30 June 2016, €350.5 million (US$389.9 million) of the 2024 Euro medium-term note 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 2016 and 2015, 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 2016, if exchange rates were to weaken/strengthen 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$27.7 million lower/higher (2015: US$28.0 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.

C) 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 December 2020. 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 2025.

The average term to maturity of the committed borrowing facilities and the loan notes is equivalent to 4.3 years (2015: 3.9 years). These facilities are unsecured and are guaranteed as described in Note 34B.

Brambles also has access to further funding through overdrafts, uncommitted and standby lines of credit, principally to manage day-to-day liquidity.

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
2016						
Total facilities	**590.6**	**1,056.7**	**660.2**	**756.9**	**1,529.1**	**4,593.5**
Facilities used[1]	**(184.8)**	**(644.9)**	**(38.7)**	**(609.0)**	**(1,274.8)**	**(2,752.2)**
Facilities available	**405.8**	**411.8**	**621.5**	**147.9**	**254.3**	**1,841.3**
2015						
Total facilities	331.0	814.1	1,051.2	347.7	1,438.9	3,982.9
Facilities used[1]	(109.5)	(409.5)	(853.6)	(114.3)	(1,351.2)	(2,838.1)
Facilities available	221.5	404.6	197.6	233.4	87.7	1,144.8

[1] Facilities used represents the principal value of loan notes and borrowings drawn against the relevant facilities to reflect the correct amount of funding headroom. This amount differs by US$25.7 million (2015: US$17.0 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 25. Financial Risk Management – continued

C) 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
2016							
Non-derivative financial liabilities							
Trade payables	**396.5**	**-**	**-**	**-**	**-**	**396.5**	**396.5**
Bank overdrafts	**40.9**	**-**	**-**	**-**	**-**	**40.9**	**40.9**
Bank loans	**47.6**	**87.3**	**17.9**	**108.2**	**211.7**	**472.7**	**443.8**
Loan notes	**201.2**	**636.8**	**79.7**	**554.4**	**1,235.0**	**2,707.1**	**2,254.9**
Finance lease liabilities	**10.9**	**9.1**	**7.1**	**5.9**	**9.3**	**42.3**	**38.3**
	697.1	**733.2**	**104.7**	**668.5**	**1,456.0**	**3,659.5**	**3,174.4**
Financial guarantees[1]	**54.9**	**-**	**-**	**-**	**-**	**54.9**	**-**
	752.0	**733.2**	**104.7**	**668.5**	**1,456.0**	**3,714.4**	**3,174.4**
Derivative financial (assets)/liabilities							
Net settled interest rate swaps							
Interest rate swaps							
- fair value hedges	**(5.7)**	**(6.6)**	**(2.8)**	**(2.7)**	**(7.8)**	**(25.6)**	**(22.0)**
Gross settled forward foreign exchange contracts							
- (inflow)	**(932.5)**	**-**	**-**	**-**	**-**	**(932.5)**	**(14.6)**
- outflow	**917.9**	**-**	**-**	**-**	**-**	**917.9**	**-**
	(20.3)	**(6.6)**	**(2.8)**	**(2.7)**	**(7.8)**	**(40.2)**	**(36.6)**
2015							
Non-derivative financial liabilities							
Trade payables	496.9	-	-	-	-	496.9	496.9
Bank overdrafts	9.5	-	-	-	-	9.5	9.5
Bank loans	60.4	320.4	295.1	94.2	281.2	1,051.3	1,003.9
Loan notes	146.1	163.0	622.3	60.2	1,155.6	2,147.2	1,807.5
Finance lease liabilities	11.2	7.3	5.5	4.8	12.0	40.8	34.2
	724.1	490.7	922.9	159.2	1,448.8	3,745.7	3,352.0
Financial guarantees[1]	52.6	-	-	-	-	52.6	-
	776.7	490.7	922.9	159.2	1,448.8	3,798.3	3,352.0
Derivative financial (assets)/liabilities							
Net settled interest rate swaps							
- fair value hedges	(4.0)	(4.3)	(2.5)	(1.3)	1.1	(11.0)	(10.3)
Gross settled forward foreign exchange contracts							
- (inflow)	(624.4)	-	-	-	-	(624.4)	-
- outflow	627.3	-	-	-	-	627.3	2.9
	(1.1)	(4.3)	(2.5)	(1.3)	1.1	(8.1)	(7.4)

1 Refer to Note 28A 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 25. Financial Risk Management – continued

D) Credit Risk Exposure

Brambles is exposed to credit risk on its financial assets, which comprise cash and cash equivalents, 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. There is no significant 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.

Exposure to credit risk also arises from amounts receivable from unrealised gains on derivative financial instruments. At the reporting date, this amount was US$38.7 million (2015: US$12.1 million). Brambles transacts derivatives with prominent financial institutions and has credit limits in place to limit exposure to any potential non-performance by its counterparties.

E) 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. At 30 June 2016, Brambles held investment grade credit ratings of BBB+ from Standard and Poor's and Baa1 from Moody's Investor Services.

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:

	2016 US$M	**2015 US$M**
Total borrowings	**2,777.9**	2,855.1
Less: cash and cash equivalents	**(156.1)**	(166.2)
Net debt	**2,621.8**	2,688.9
Total equity	**2,955.1**	2,641.1
Total capital	**5,576.9**	5,330.0

Under the terms of its major borrowing facilities, Brambles is required to comply with the following financial covenants:

- the ratio of net debt 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 2016 and prior years.

Note 26. Cash Flow Statement – Additional Information

A) Reconciliation of Cash

	2016 US$M	2015 US$M
For the purpose of the cash flow statement, cash comprises:		
Cash at bank and in hand	**150.7**	158.3
Short-term deposits	**5.4**	7.9
	156.1	166.2
Bank overdraft (Note 20)	**(40.9)**	(9.5)
	115.2	156.7

Cash and cash equivalents include balances of US$1.5 million (2015: US$1.5 million) used as security for various contingent liabilities and is not readily accessible. Short-term deposits have initial maturities varying between 7 days and 3 months.

Brambles has various master netting and set-off arrangements covering cash pooling. An amount of US$26.9 million has been reduced from cash at bank and overdraft at 30 June 2016 (2015: US$55.3 million).

B) Reconciliation of Profit After Tax to Net Cash Flows from Operating Activities

	2016 US$M	2015 US$M
Profit after tax	**587.7**	584.4
Adjustments for:		
- depreciation and amortisation	**548.2**	549.0
- irrecoverable pooling equipment provision expense	**74.8**	79.7
- profit on divestment of LeanLogistics	**(52.7)**	-
- net losses on disposals of property, plant and equipment	**0.3**	6.0
- impairment of goodwill and plant and equipment	**39.7**	5.0
- other valuation adjustments	**(6.2)**	(7.2)
- joint ventures and associates	**-**	(0.8)
- equity-settled share-based payments	**23.6**	21.8
- finance revenues and costs	**(2.6)**	6.1
Movements in operating assets and liabilities, net of acquisitions and disposals:		
- increase in trade and other receivables	**(139.5)**	(57.7)
- increase in prepayments	**(5.8)**	(9.4)
- increase in inventories	**(7.1)**	(14.5)
- increase in deferred taxes	**62.7**	38.9
- increase in trade and other payables	**6.2**	96.7
- increase in tax payables	**15.1**	35.9
- increase/(decrease) in provisions	**12.4**	(5.2)
- other	**10.1**	(5.5)
Net cash inflow from operating activities	**1,166.9**	1,323.2

Note 26. Cash Flow Statement – Additional Information – continued

C) Reconciliation of Movement in Net Debt

	2016 US$M	2015 US$M
Net debt at beginning of the year	**2,688.9**	2,361.7
Net cash inflow from operating activities	**(1,166.9)**	(1,323.2)
Net cash outflow from investing activities	**922.6**	1,416.8
Net inflow from hedge instruments	**8.2**	38.5
Proceeds from issue of ordinary shares	**(1.0)**	-
Dividends paid	**205.1**	359.3
Increase on business acquisitions	**15.3**	116.6
Interest accruals, finance leases and other	**(10.4)**	(22.4)
Foreign exchange differences	**(40.0)**	(258.4)
Net debt at end of the year	**2,621.8**	2,688.9
Being:		
Current borrowings	**201.7**	127.5
Non-current borrowings	**2,576.2**	2,727.6
Cash and cash equivalents	**(156.1)**	(166.2)
Net debt at end of the year	**2,621.8**	2,688.9

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 27. 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:

	2016 US$M	2015 US$M
Within one year	**113.6**	157.7
Between one and five years	**151.5**	100.7
After five years	**38.1**	43.7
	303.2	302.1

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

	Plant		Occupancy	
	2016 US$M	2015 US$M	2016 US$M	2015 US$M
Within one year	**23.4**	22.5	**107.9**	107.4
Between one and five years	**56.4**	48.7	**260.8**	303.5
After five years	**10.2**	7.6	**100.1**	112.7
Minimum lease payments	**90.0**	78.8	**468.8**	523.6

During the year, operating lease expense of US$157.6 million (2015: US$143.6 million) was recognised in the income statement.

Note 28. Contingencies

a) Subsidiaries have contingent unsecured liabilities in respect of guarantees given relating to performance under contracts entered into totalling US$54.9 million (2015: US$52.6 million), of which US$37.9 million (2015: US$35.7 million) is also guaranteed by Brambles Limited. US$16.9 million (2015: US$16.9 million) is also guaranteed by Brambles Limited and certain of its subsidiaries under a deed of cross-guarantee and are included in Note 34B.

b) Brambles holds and guarantees certain Recall lease obligations. To the extent any claims or liabilities are caused by a Recall Group company, Recall has indemnified Brambles under the Demerger Deed relating to the demerger of Recall.

c) 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.

d) In the ordinary course of business, Brambles becomes involved in litigation. Provision has 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 possible amounts eventually payable that are in excess of the amounts provided.

Note 29. Auditor's Remuneration

	2016 US$'000	2015 US$'000
Amounts received or due and receivable by PwC (Australia) for:		
Audit services in Australia:		
- audit and review of Brambles' financial reports	**1,694**	1,864
- other assurance services	**300**	-
	1,994	1,864
Other services:		
- finance due diligence	**-**	291
- tax advisory services	**27**	311
- other	**79**	4
	106	606
Total remuneration of PwC (Australia)	**2,100**	2,470
Amounts received or due and receivable by related practices of PwC (Australia) for:		
Audit services outside Australia:		
- audit and review of Brambles' financial reports	**3,682**	3,459
- other assurance services	**4**	16
	3,686	3,475
Other services:		
- finance due diligence	**-**	279
- tax advisory services	**53**	4
- other	**68**	63
	121	346
Total remuneration of related practices of PwC (Australia)	**3,807**	3,821
Total auditor's remuneration	**5,907**	6,291

From time to time, Brambles employs PwC on assignments additional to their statutory audit duties where PwC, through their detailed knowledge of the Group, are 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 requires that the Audit Committee approve any management recommendation that PwC undertake non-audit work (with approval being delegated to the Chief Financial Officer within specified monetary limits).

Non-audit assignments during the year primarily related to compliance projects and tax consulting advice.

Note 30. Key Management Personnel

A) Key Management Personnel Compensation

Short-term employee benefits	**10,162**	10,340
Post-employment benefits	**276**	240
Other benefits	**95**	123
Share-based payment expense	**7,422**	6,784
	17,955	17,487

B) Other Transactions with Key Management Personnel

Other transactions with Key Management Personnel are set out in Note 31A.
Further remuneration disclosures are set out in the Directors' Report on pages 17 to 31 of the Annual Report.

Note 31. 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 or domestic in nature.

B) Other Related Parties

A subsidiary has a non-interest bearing advance outstanding as at 30 June 2016 of US$1,054,000 (2015: US$1,095,000) 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.

C) Material Subsidiaries

The principal subsidiaries of Brambles during the year were:

		% interest held at reporting date	
Name	**Place of incorporation**	**2016**	**2015**
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 South Africa (Proprietary) Limited	South Africa	**100**	100
CHEP Australia Limited	Australia	**100**	100
Pallet Companies LLC	USA	**100**	100
IFCO Systems USA LLC	USA	**100**	100
IFCO Systems GmbH	Germany	**100**	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. All material subsidiaries prepare accounts with a 30 June balance date.

Note 32. Events After Balance Sheet Date

On 4 August 2016, Brambles entered into an agreement to combine its Oil & Gas container solutions businesses, comprising Ferguson Group (Ferguson) and CHEP Catalyst & Chemical Containers (CCC), with Hoover Container Solutions (Hoover) to create an independent joint venture company, Hoover-Ferguson Group (HFG). Hoover's major shareholder is First Reserve, a leading global private equity and infrastructure investment firm exclusively focused on energy. HFG will be 50% owned by Brambles and 50% owned by Hoover shareholders and Brambles will account for its interest as a joint venture. Brambles anticipates that the transaction will complete during October 2016, subject to regulatory clearance and customary conditions precedent.

Brambles will receive consideration of approximately US$75 million from First Reserve to equalise ownership of HFG, with US$40 million receivable in cash upon transaction close with the balance deferred. Brambles will contribute Ferguson and CCC to HFG with debt, including a US$150 million subordinated shareholder loan with a cash interest rate of 10% per annum, payable monthly.

The Oil & Gas business has been classified as a continuing operation in the Containers segment at 30 June 2016.

Other than those outlined in the Directors' Report or elsewhere in these financial statements, no other events have occurred subsequent to 30 June 2016 and up to the date of this report that have had a material impact on Brambles' financial performance or position.

Note 33. Net Assets Per Share

	2016 US cents	2015 US cents
Based on 1,586.0 million shares (2015: 1,567.0 million shares):		
- Net tangible assets per share	**83.2**	56.8
- Net assets per share	**186.3**	168.5

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 34. Parent Entity Financial Information

A) Summarised Financial Data of Brambles Limited

	Parent entity	
	2016 US$M	2015 US$M
Profit for the year	**368.7**	296.1
Other comprehensive loss for the year	**(142.3)**	(1,363.4)
Total comprehensive income/(loss)	**226.4**	(1,067.3)
Current assets	**4.6**	8.2
Non-current assets	**7,118.8**	6,854.1
Total assets	**7,123.4**	6,862.3
Current liabilities	**26.5**	15.0
Non-current liabilities	**1,135.8**	932.0
Total liabilities	**1,162.3**	947.0
Net assets	**5,961.1**	5,915.3
Contributed equity	**6,173.3**	6,027.4
Share-based payment reserve	**47.6**	41.8
Foreign currency translation reserve	**(398.1)**	(255.8)
Retained earnings	**138.3**	101.9
Total equity	**5,961.1**	5,915.3

Note 34. Parent Entity Financial Information – continued

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$1,875.5 million (2015: US$1,791.8 million) of which US$346.9 million (2015: US$878.6 million) has been drawn.

Brambles Limited and certain of its subsidiaries are parties to guarantees which support US Private Placement borrowings of US$116.5 million (2015: US$171.5 million) by a subsidiary.

Brambles Limited and certain of its subsidiaries are parties to a guarantee which support notes of US$1,000.0 million (2015: US$500.0 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 support notes of €1,000.0 million (2015: €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$539.4 million (2015: US$553.2 million), of which US$147.6 million (2015: US$139.7 million) has been drawn.

Other than these guarantees, the parent entity did not have any contingent liabilities at 30 June 2016 or 30 June 2015.

C) Contractual Commitments

Brambles Limited did not have any contractual commitments for the acquisition of property, plant and equipment at 30 June 2016 or 30 June 2015.

Directors’ Declaration

In the opinion of the Directors of Brambles Limited:

(a) the financial statements and notes set out on pages 39 to 79 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 2016 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

T J Gorman
Chief Executive Officer

18 August 2016

Independent Auditor's Report

to the Members of Brambles Limited

pwc

Report on the financial report

We have audited the accompanying financial report of Brambles Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2016, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration for Brambles (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Auditor's opinion

In our opinion:

(a) the financial report of Brambles Limited is in accordance with the *Corporations Act 2001,* including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 17 to 31 of the Directors' report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Brambles Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Paul Bendall
Partner

Sydney
18 August 2016

Sue Horlin
Partner

Sydney
18 August 2016

Auditor's Independence Declaration

As lead auditor for the audit of Brambles Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

2. 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.

Paul Bendall
Partner
PricewaterhouseCoopers

Sydney
18 August 2016

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Five-Year Financial Performance Summary

	2016 US$M	2015 US$M	2014 US$M	2013 US$M	2012 US$M
Continuing operations[1,2]					
Sales revenue[1,2]	**5,535.4**	5,440.5	5,404.5	5,082.9	5,625.0
EBITDA[1,2]	**1,460.9**	1,487.9	1,457.8	1,382.8	1,491.4
Depreciation and amortisation[1,2]	**(545.8)**	(546.1)	(528.3)	(495.7)	(552.2)
Operating profit[1,2]	**915.1**	941.8	929.5	887.1	939.2
Net finance costs[1,2]	**(114.0)**	(111.9)	(113.0)	(110.8)	(152.0)
Profit before tax[1,2]	**801.1**	829.9	816.5	776.3	787.2
Tax expense[1,2]	**(243.7)**	(242.3)	(232.0)	(220.0)	(212.3)
Profit from continuing operations[1,2]	**557.4**	587.6	584.5	556.3	574.9
Profit from discontinued operations[1,2]	**30.3**	(3.2)	683.2	84.3	1.4
Profit for the year[1,2]	**587.7**	584.4	1,267.7	640.6	576.3
Underlying Profit[1,2]	**993.2**	986.9	960.1	913.0	1,009.7
Significant Items[1,2]	**(78.1)**	(45.1)	(30.6)	(25.9)	(70.5)
Operating profit[1,2]	**915.1**	941.8	929.5	887.1	939.2
Weighted average number of shares (Millions)	**1,577.6**	1,566.0	1,560.7	1,555.7	1,482.3
Earnings per share (US cents)					
Basic	**37.3**	37.3	81.2	41.2	38.9
From continuing operations[1,2]	**35.3**	37.5	37.5	35.8	38.8
On Underlying Profit after finance costs and tax[1,2]	**39.5**	39.7	38.7	36.9	42.1
ROCI[1,2]	**15%**	16%	16%	16%	16%
BVA[1,2]	**248.3**	233.5	266.5	246.8	248.6
Capex on property, plant and equipment[1,2]	**1,095.2**	1,035.4	908.0	865.7	921.1
Balance sheet					
Capital employed	**5,576.9**	5,330.0	5,112.7	5,739.8	5,430.3
Net debt	**2,621.8**	2,688.9	2,361.7	2,714.4	2,689.9
Equity	**2,955.1**	2,641.1	2,751.0	3,025.4	2,740.4
Average Capital Invested[1,2]	**6,486.4**	6,251.5	5,889.6	5,576.9	6,413.7
Cash Flow					
Cash Flow from Operations[1,2]	**513.8**	729.5	828.2	697.3	591.2
Free Cash Flow	**171.7**	404.1	430.9	508.6	179.5
Dividends paid, net of Dividend Reinvestment Plan	**205.1**	359.3	394.2	425.5	397.7
Free Cash Flow after dividends	**(33.4)**	44.8	36.7	83.1	(218.2)
Net debt ratios					
Net debt to EBITDA (times)	**1.7**	1.7	1.6	1.7	1.7
EBITDA interest cover (times)	**13.5**	13.7	13.2	14.6	10.3
Average employees[1,2]	**14,570**	13,854	14,086	13,166	17,021
Dividend declared per share (Australian cents)	**29.0**	28.0	27.0	27.0	26.0

[1] LeanLogistics is presented within discontinued operations in 2016 and 2015. Periods prior to 2015 include LeanLogistics within continuing operations and are consistent with previously published data.

[2] Recall is presented within discontinued operations in 2014 and 2013. Periods prior to 2013 include Recall within continuing operations and are consistent with previously published data.

Glossary

2006 Share Plan or **PSP**	The Brambles Limited 2006 Performance Share Plan (as amended)
Acquired Shares	Brambles Limited shares purchased by Brambles employees under MyShare
actual currency/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 accumulated pre-tax Significant Items, actuarial gains or losses and net equity adjustments for equity-settled share-based payments
BIFR (Brambles Injuries 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
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 2015 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 part of the ordinary activities of the 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
CGPR	The Australian Securities Exchange Corporate Governance Council Corporate Governance Principles & Recommendations, Second 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 Pallets, RPCs, Containers and the Corporate office
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
Dividend Share Program	A program, under MyShare, which enables employees to reinvest dividends from their Acquired Shares; the share purchase price is calculated using a volume-weighted average of the Brambles share price over the five trading days up to and including the record date for the applicable dividend
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 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
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
EBITA (earnings before interest, tax and amortisation)	Operating profit from continuing operations after adding back depreciation
EBITDA (earnings before interest, taxation, depreciation and amortisation)	Operating profit from continuing operations after adding back depreciation and amortisation
ELT	Brambles' Executive Leadership Team, details of which are on page 16
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; FY16 indicates the financial year ended 30 June 2016
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

Glossary - continued

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
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; also the name of one of Brambles' operating segments
ROCI (Return On Capital Invested)	Underlying Profit divided by Average Capital Invested
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
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 finance costs, tax and minority interests but before Significant Items, divided by the weighted average number of shares on issue during the period
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.
The Year	Brambles' 2016 financial year

Notes

Notes

Contact Information

Registered Office

Brambles' global headquarters is at its registered office in Sydney, Australia:

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1 Macquarie Place
Sydney NSW 2000
Australia
ACN 118 896 021

Telephone: +61 (0) 2 9256 5222
Facsimile: +61 (0) 2 9256 5299
Email: info@brambles.com
Website: www.brambles.com

Investor & Analyst Queries

Telephone: +61 (0) 2 9256 5238
Email: investorrelations@brambles.com

Share Registry

Access to shareholding information is available to investors through Link Market Services.

Link Market Services Limited

Level 12, 680 George Street, Sydney NSW 2000, Australia
Locked Bag A14, Sydney South NSW 1235, Australia
Telephone: 1300 883 073
Facsimile: +61 (0) 2 9287 0303

Email: registrars@linkmarketservices.com.au

Website: www.linkmarketservices.com.au

Share Rights Registry

Employees or former employees of Brambles who have queries about the following interests:

- Performance share rights under the 2004 or 2006 share plans;
- Matching share rights under MyShare; or
- Shares acquired under MyShare or other share interests held through AET Structured Finance Services Pty Ltd, may contact:

Boardroom Pty Limited

Attention: Brambles Employee Share Plans, GPO Box 3993, Sydney NSW 2001, Australia

Telephone: 1800 180 833 (within Australia)

+61 (0) 2 9290 9684 (from outside Australia)

Facsimile: 1300 653 459 (within Australia)

+61 (0) 2 9279 0664 (from outside Australia)

Email: bramblesesp@boardroomlimited.com.au

Website: www.boardroomlimited.com.au