

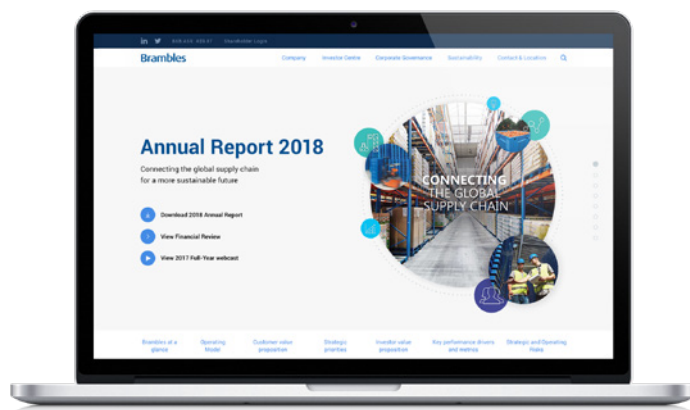
Brambles

Annual Report 2018



CONNECTING THE GLOBAL SUPPLY CHAIN

www.brambles.com



Go to [brambles.com](https://www.brambles.com) to review the Group's online annual review for 2018

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All acronyms and terminology referred to in this document are defined in the Glossary on page 119.

Forward-Looking Statements

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

Brambles Limited
ABN 89 118 896 021

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

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

That's how Brambles contributes to a more sustainable future.

What Brambles does:

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

Its circular business model perpetuates the share and reuse of the world's largest pool of reusable pallets, crates and containers. This enables Brambles to serve its customers while minimising the impact on the environment and improving the efficiency and safety of supply chains around the world.

Brambles' platforms form the invisible backbone of global supply chains, primarily serving the fast-moving consumer goods, fresh produce, beverage, retail and general manufacturing industries. The world's largest brands trust Brambles to help them transport life's essentials more efficiently, safely and sustainably.

How Brambles creates value:

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

For customers, Brambles' end-to-end supply chain solutions deliver operational, financial and environmental efficiencies not otherwise available through one-way, single use alternatives. Further details are available on page 7.

INPUTS

VALUE CREATION



Natural Capital

99.4% wood from certified sources
regenerates stocks of raw materials



Manufactured Capital

Circular, share & reuse model
maximises asset utility



Human and Intellectual Capital

Attracting talent, ideas & innovation



Financial Capital

Attracting long-term investment



Social and Relationship Capital

Fostering positive stakeholder
relationships



Producer



Brambles' platform
reduce food w



Committed to zero product
waste to landfill

Service Centre



Scale-related
operational efficiencies

**Circular
Share and
Model**

For shareholders, Brambles delivers sustainable growth at returns well in excess of the cost of capital and seeks to generate sufficient cash flow through the cycle to fund dividends and support reinvestment in growth, innovation and the development of its people. Further details are available on page 9.

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

In a resource constrained world, circular business models like that operated by Brambles are recognised as a critical economic evolution to enable the world to trade more responsibly. By regenerating what it extracts and by providing its products via a service, Brambles helps reduce both the constant pressure on natural resources and the waste production typical of conventional linear business models. Brambles capitalises on its unique position in the supply chain to enable customer collaboration and address sustainable development challenges, such as optimising transport networks and addressing food waste and promoting sustainable use of the world's forests. In this way, Brambles creates a circular economy, on a global scale.

As a first step towards producing an integrated value story, Brambles has used the Integrated Reporting (<IR>) 'capitals' framework,¹ to illustrate the interaction and interdependencies between its sources of value, business model and ability to create value over time. This is outlined in the infographic below.

¹ The International Integrated Reporting <IR> Framework.

As at 30 June 2018, Brambles:

Operated in...

60+
countries

Employed...

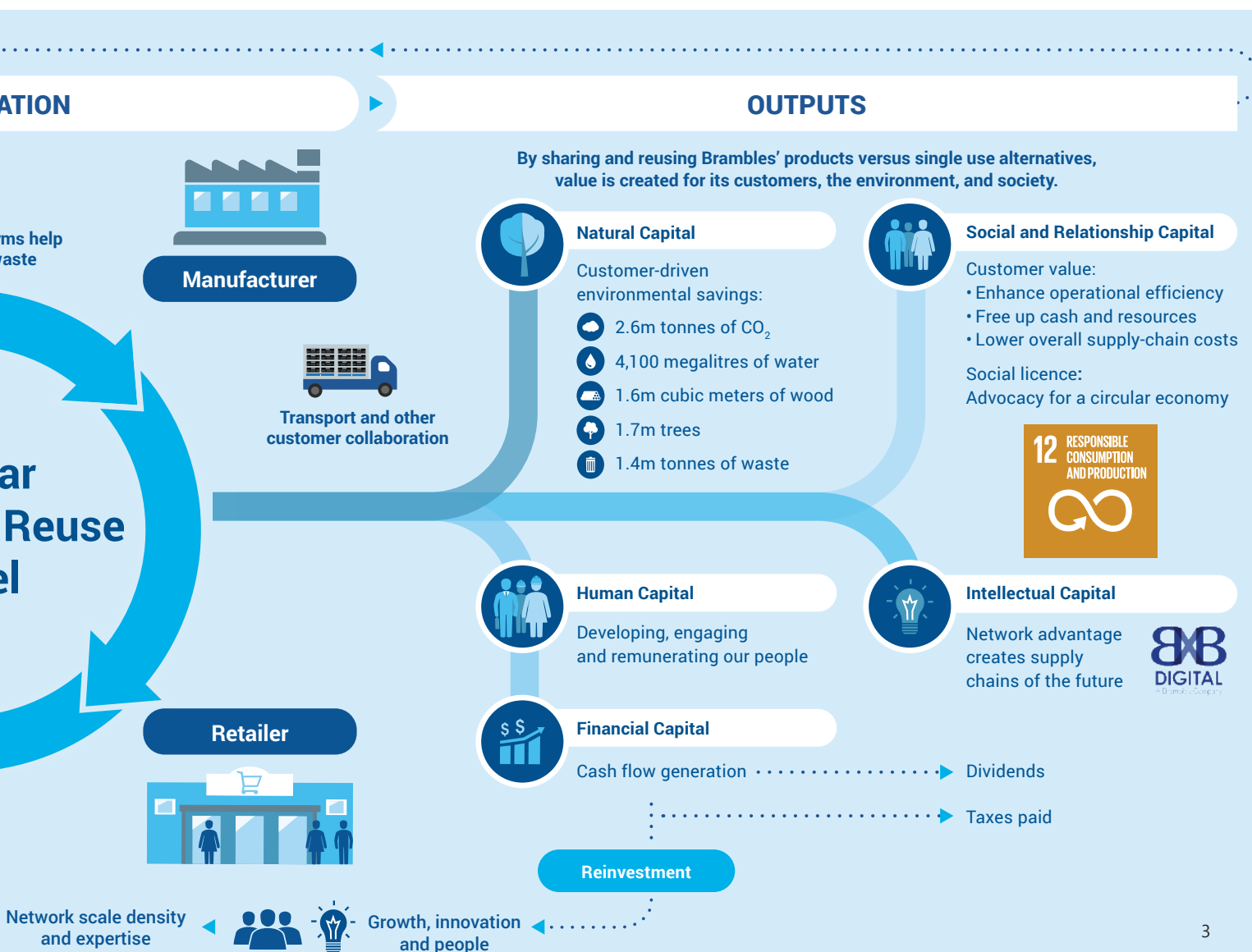
~12,000
people

Owned...

~610 million
pallets, crates and containers

Through a network of...

850+
service centres



Letter from the Chairman

The way the world makes, moves and sells goods is being transformed. By connecting the global supply chain, Brambles contributes to a more sustainable future.



The fast moving consumer goods sector and retail landscape are changing. The rise of omni-channel retail, e-commerce and hard discounters, coupled with changing consumer demand, are putting pressure on manufacturers and retailers. Businesses are increasingly expected to meet this demand more efficiently and sustainably.

At Brambles, our pallets, crates and containers form the invisible backbone of the global supply chain. This strong logistics platform, which centres on our inherently sustainable 'share and reuse' business model, uniquely positions us to support our customers and solve shared challenges in this evolving landscape.

As a company, we are committed to delivering sustainable value to our customers, shareholders and employees over the long term. We seek to partner with customers to deliver innovative, value-added solutions that meet their evolving needs. For employees, we seek to be an employer of choice that fosters and develops talent through exciting career opportunities in over 60 countries. For shareholders, we seek to deliver sustainable growth with attractive returns.

FY18 in Review

Following the challenges of FY17, in FY18 we refocused on the core drivers of value and further streamlined our portfolio to optimise the growth and return potential of Brambles over the long term.

Despite inflationary pressures and robust competition in our major markets, management's resolute focus on executing against our strategic priorities delivered strong revenue growth and significant improvements in cash flow generation during the Year. While Underlying Profit growth this Year did not meet our longer-term expectations, our teams have identified, and commenced implementing, numerous initiatives which we expect to deliver operating efficiencies and improve profitability over the medium term, particularly in our US pallets business.

Separation of IFCO

Following a strategic review of Brambles' portfolio, we have determined to pursue a separation of our IFCO RPC business through a demerger with IFCO becoming a separately listed company. We will also pursue a dual-track process whereby an outright sale of the business will be investigated. It is the Board's determination that a separation of IFCO from Brambles will optimise shareholder outcomes and better position both businesses to pursue a broad range of growth and value-creating opportunities.

Following the proposed separation, Brambles will remain the clear global leader in platform pooling - a highly attractive industry with significant scope for sustained growth, substantial benefits from established scale and highly attractive returns. Brambles will be positioned to continue generating strong revenue growth in its core markets, while also focusing on additional opportunities in emerging markets, first and last mile solutions and BXB Digital's investment in technology and innovation through the supply chain.

IFCO is a strong business and the global leader in RPC pooling with a large addressable market, strong financial profile and clear opportunities to capitalise on growth prospects in the sector. IFCO has benefited from substantial investments made under Brambles' ownership and is well positioned for its future as an independent company with a singular focus.

Other Portfolio Actions

During the Year we further consolidated our portfolio by divesting our CHEP Recycled business and our 50% interest in the Hoover Ferguson Group (HFG) Oil & Gas containers joint venture.

The proceeds of these divestments are being used to fund growth and operational investments, such as plant automation, in businesses that generate attractive shareholder returns in the medium to long term.

Board Renewal

In light of my intention to step down as Chairman at the end of my current term, the Nominations Committee has formed a Sub-Committee, chaired by Tony Froggatt, to conduct the process to appoint my successor. As part of that process, George El-Zoghbi was appointed to the Nominations Committee on 26 June 2018 and an external professional search firm has been appointed. The Sub-Committee is on track to select a successor and facilitate a smooth transition well in advance of my retirement in 2020.

As part of the ongoing Board renewal process, Elizabeth Fagan joined the Brambles Board as a Non-Executive Director on 1 June 2018. Ms. Fagan, who has filled a vacancy created by the retirement of Christine Cross in August 2017, has extensive knowledge and experience in the international retail sector developed over a 30-year career. For the past 12 years, she has worked in senior executive positions at Boots UK & Ireland where she is currently Managing Director. On 1 September 2018, she will step down from this role and become the Non-Executive Chairman of Boots UK & Ireland. Given the importance of the retail sector to Brambles, Ms. Fagan is an ideal addition to the Brambles Board.

In addition, Carolyn Kay will be retiring from the Board at this Year's AGM in October. Ms. Kay has served as a Non-Executive Director for 12 years and, on behalf of the Board, I thank her for her valuable contribution to Brambles.

On behalf of the Board, I would like to thank our management team and staff for their efforts and ongoing commitment during the Year. Brambles remains a resilient business with an exciting future. As we enter FY19, we are well positioned to continue to work towards achieving our strategic priorities and focus on delivering sustainable value for our customers, shareholders and employees over the long term.

Stephen Johns
Chairman

² Continuing operations

Sales Revenue²

US\$5,596.6m

Up 6% at constant-currency

Underlying Profit²

US\$996.7m

In line with prior year

Total Dividends

29.0 AU cents per share

Final dividend of 14.5 AU cents per share (30% franked)

Letter from the CEO

In FY18, we addressed the fundamentals of the business and set the foundations for sustainable value creation in an increasingly challenging operating environment.



As my first full year as CEO of Brambles, FY18 was focused on implementing the strategic, operating and financial initiatives required to support our long-term success. It was pleasing to see these initiatives start delivering meaningful improvements in cash flow generation and growth momentum despite increasingly challenging operating conditions during the Year. We have also taken a number of strategic portfolio actions, including the decision to separate IFCO, which highlight our commitment to maximising shareholder value over the long term.

Operating Environment

In FY18, we experienced significant input-cost inflation, particularly in the US and Europe. At the same time, our customers are increasingly turning to our business to deliver additional cost savings and efficiencies in their supply chains.

We know that our customers are being asked to meet changing patterns of demand. Consumers want things faster, easier, and cheaper – while at the same time expecting businesses to shrink the environmental impact of their operations. We will succeed by leveraging our global scale and industry-leading expertise to help our customers rise to this challenge, and by building the smarter and more sustainable supply chains of the future.

Strategic Priorities

In this operating context, delivering against our five strategic priorities is critical to maintaining our industry-leading position, remaining the partner of choice for customers, while delivering sustainable growth and attractive returns for shareholders over the long term.

That is why we continue to focus on strengthening our network advantage by funding growth in our core pooling businesses. We are also fostering a culture of innovation to ensure we are faster and more responsive to our customers' needs and through BXB Digital, we are taking meaningful steps towards identifying the role technology can play in improving the efficiency of our own operations as well as providing richer customer insights.

In response to increasing inflationary pressures and structural cost increases, we implemented pricing initiatives and committed to multi-year automation and procurement programmes which will deliver cost, cash and capital efficiencies over the medium term. Details of our strategic priorities can be found on page 8 in the Operating & Financial Review.

Separation of IFCO

Our decision to separate IFCO is in line with our strategic priorities. Although both CHEP and IFCO are pooling businesses, they are materially different in nature, with distinct financial profiles, offerings and customer bases. There is limited operational overlap and no material customer-related synergies that will be lost on separation. As separate entities, Brambles and IFCO will have greater focus on their distinct strategic agendas and increased flexibility to pursue growth opportunities. For shareholders, a separation provides focused investments in two world-class, global businesses that are positioned for long-term success.

FY18 Financial Performance

Brambles delivered strong constant-currency sales revenue growth of 6%, reflecting ongoing expansion with new and existing customers in key CHEP pallet and IFCO markets, as well as price realisation in US pallets, emerging markets and IFCO North America. Underlying Profit remained in line with the prior year despite inflationary cost pressures, direct cost challenges in CHEP Americas and the adverse impact of RPC and automotive contract losses in CHEP Australia, which we announced to the market in 2016. Our cash flow generation improved significantly during the Year as Cash Flow from Operations increased by US\$300.9 million and we delivered positive Free Cash Flow after dividends for the first time since FY15. A full analysis of our financial results is on pages 15 to 18 in the Operating & Financial Review.

People, Safety & Sustainability

Every day, our 12,000 employees work together to support our customers and share the knowledge we've developed over 70 years of managing supply chains across six continents. It's their passion and drive that makes Brambles such a great business and I'd like to thank them for their efforts over the past year. I am extremely proud that our safety performance once again improved in FY18 and that we continue to progress towards our 2020 sustainability goals. Our sustainability framework is outlined on page 6 of the Operating & Financial Review, and further details about our 2020 sustainability goals are located on our website. Our full Sustainability Review for 2018 will be published in September.

Outlook

FY19 Underlying Profit will continue to reflect ongoing input-cost inflation and other cost challenges. We expect the multi-year automation, procurement and pricing initiatives we are currently undertaking to progressively deliver efficiencies and earnings benefits over the medium term.

We believe our continued focus on our five strategic priorities will deliver sustainable growth at returns well in excess of the cost of capital. We expect constant-currency sales revenue growth in the mid-single digits and Underlying Profit growth to exceed sales revenue growth, through the cycle. We will also focus on generating sufficient cash to fully fund dividends and reinvestment for growth, innovation, and the development of our people.



Graham Chipchase
Chief Executive Officer

Cash Flow from Operations²

US\$892.4m

Up US\$300.9m

Return on Capital Invested²

16.1%

Down 0.9 percentage points at constant-currency

Brambles Injury Frequency Rate (BIFR)

4.7

Down from 6.6 in FY17

Operating Model

Brambles manages the world's largest pool of reusable pallets, crates and containers. As a pioneer of the sharing economy, Brambles promotes the shared use of its platforms among multiple supply chain participants, under a circular 'share and reuse' model known as pooling.

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

Inherently Sustainable Operating Model

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

Network Advantage and Supply Chain Expertise

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

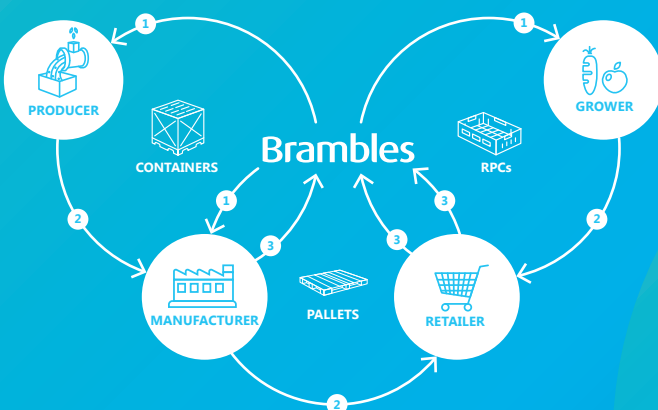
Sustainability Framework

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

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

In FY18, Brambles' Sustainability Risk Committee conducted a review of the economic, environmental and social sustainability risks to which the Group is subject. This review identified material sourcing and safety as the Group's material sustainability risks. Details of the Group's FY18 safety performance and material sourcing are detailed on pages 10 and 11, respectively. A full review of Brambles' sustainability risks and performance will be included in the 2018 Sustainability Review, which will be available on Brambles' website in September 2018.

Share and reuse: How it works



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



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

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

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



Customer Value Proposition

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

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

End-to-End Supply Chain Solutions

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

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

Platform Solutions

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

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

System-Wide Solutions

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

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

Transportation Solutions

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

Retail Store Solutions

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

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

Manufacturing, Warehouse and Distribution Centre Solutions

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

Environmental Benefits

Brambles’ supply chain solutions help customers address key sustainability issues by managing deforestation risks associated with sourcing of wood for pallets and preventing the carbon emissions and solid waste associated with the production, use and disposal of single-use platform solutions. In FY18, Brambles helped customers:



Eliminate **2.6 million tonnes** of CO₂ and **1.4 million tonnes** of waste by using pallets and RPCs



Save **1.6 million cubic metres** of raw materials through the repair and reuse of pallets



Save **1.7 million** trees and **4,100 megalitres** of water through the share and reuse of pallets and RPCs



Eliminate **4,719 tonnes** of food waste through the use of RPCs

Strategic Priorities

Brambles is committed to being the global leader in platform pooling solutions, with number one market positions in all major regions of operation. Brambles seeks to lead the industry in customer service, innovation and sustainability while being an employer of choice through best-in-class safety, diversity and talent development programmes.

Brambles' five strategic priorities are integral to this commitment and the delivery of superior value for customers, shareholders and employees over the long term.



Grow and strengthen network advantage



Deliver operational and organisational efficiencies



Disciplined allocation of capital and improved cash flow generation



Innovate to create new value



Develop world-class talent

Grow and Strengthen Network Advantage

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

By investing in platform quality and a differentiated, value-enhancing service offering, Brambles is committed to optimising its network, growing its business and strengthening its industry-leading position.

Deliver Operational and Organisational Efficiencies

Through a focus on Group-wide operational and organisational efficiencies, Brambles seeks to offset the impact of cost inflation and competitive price pressures. To achieve additional efficiencies, Brambles will continue to leverage its global scale and implement global best practice in areas such as procurement, plant automation and transport optimisation.

Disciplined Allocation of Capital and Improved Cash Flow Generation

Brambles allocates capital to maintain and grow its existing businesses, to drive innovation and to diversify its portfolio of products and services. Brambles adopts a disciplined approach to capital allocation focused on: growing businesses with proven economic returns; measured expansion of new businesses achieving the right balance between near- and long-term returns; investing in innovation to deliver differentiated customer solutions; and focused strategy in relation to mergers and acquisitions.

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

Innovate to Create New Value

Understanding customers' evolving needs and providing differentiated value-enhancing solutions is core to the sustainability of Brambles' business model and competitive advantage.

Faced with a changing retail landscape, including the expansion of e-commerce and omni-channel retail formats, Brambles is investing in new platform solutions that enable its customers to increase sales, gain greater market insights and improve operational efficiencies.

Brambles is also investing in its BXB Digital business, which is working to apply technology to collect and transform data into services that track goods, optimise transport solutions and operations, and improve supply chain efficiency.

Develop World-Class Talent

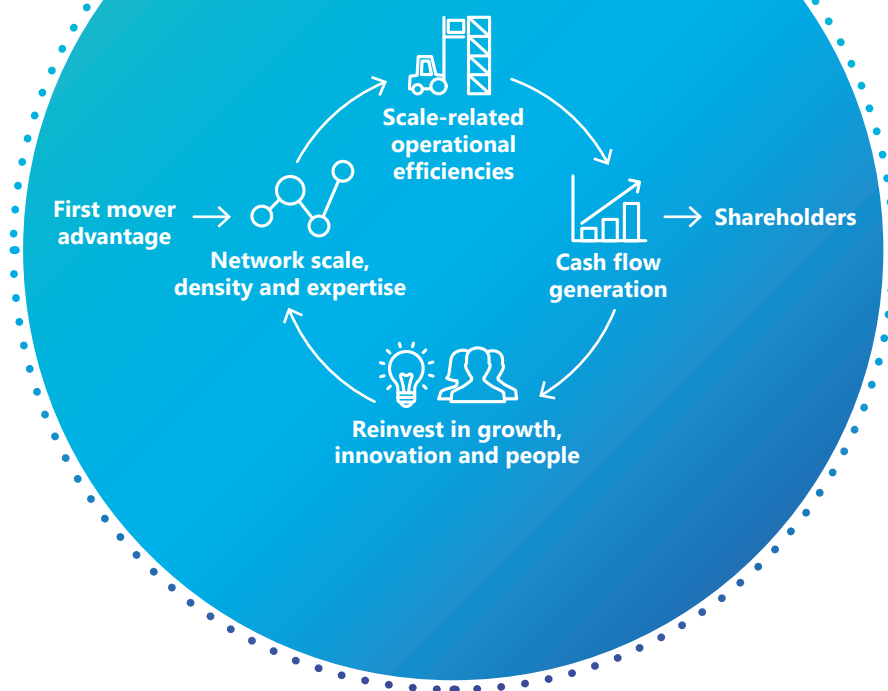
Successfully attracting and retaining high calibre people is integral to Brambles' ongoing success. Brambles' key priorities for its employees are safety, engagement and capability. The Group is committed to fostering a culture of agility and innovation where employees can grow their skills and capabilities through comprehensive, world-class development programmes.



Investor Value Proposition

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

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



Long-Term Value Creation and Superior Shareholder Returns

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

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

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

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

- Sales revenue growth³ in the mid-single digits;
- Underlying Profit growth³ in excess of sales revenue growth through the cycle; and
- Strong Return on Capital Invested.

Cash generation to fund growth, innovation and shareholder returns

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

Dividend Policy and Payment

Brambles has a progressive dividend policy. Under this policy, the Group seeks to maintain or increase dividend per share each year, in Australian cents, subject to its financial performance and cash requirements.

The Board has declared a final dividend for 2018 of 14.5 Australian cents per share, in line with the previous interim and final dividend. The 2018 final dividend will be 30% franked and is payable on 11 October 2018 to shareholders on the Brambles register at 5.00pm on 12 September 2018.

The ex-dividend date is 11 September 2018.

Total dividends for the Year were 29.0 Australian cents per share, in line with the prior year. Brambles paid the 2018 interim dividend of 14.5 Australian cents per share on 12 April 2018.

Dividend Reinvestment Plan

Brambles' Board maintained the Dividend Reinvestment Plan (DRP) for the 2018 financial year. Shares issued under the DRP do not attract a discount. 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.

ESG Recognition

Third-party Environmental, Social and Governance (ESG) investor research consistently recognises Brambles' strong governance processes and the long-term sustainability of its business model and strategies. In 2018, Brambles continues to be placed amongst the leading companies in the global industrial services sector by the following ESG research firms:



³ At constant-currency

Key Performance Drivers and Metrics

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

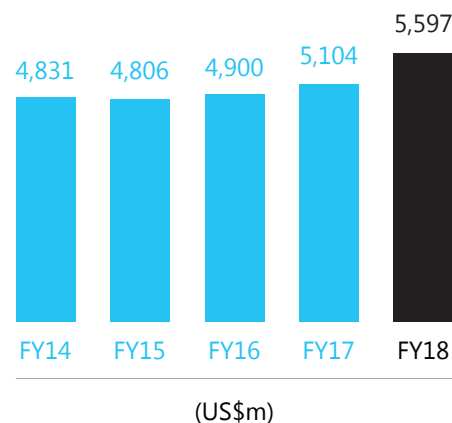
Sales Revenue Growth

Key Drivers

- General increases in sales volumes in line with economic/industry trends;
- The rate at which the Group expands its operations (often described as 'net new business wins'); and
- Movements in pricing and changes in product/customer mix.

5-Year Performance – Continuing Operations

Sales revenue of US\$5,596.6 million in FY18 reflected a five-year compound annual growth rate of 7%, at fixed 30 June 2017 FX rates. This growth reflects the expansion of the global CHEP pallets and IFCO RPC businesses through the ongoing conversion of new customers to pooled solutions, new market entry and expansion of the core product offering.



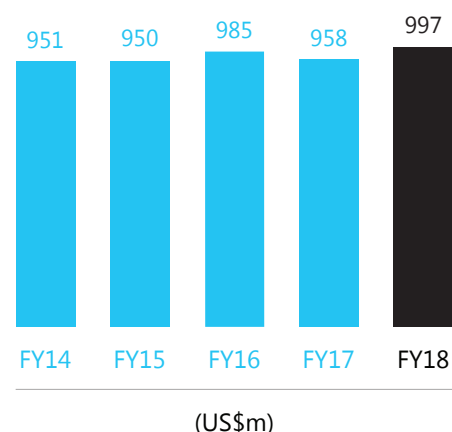
Underlying Profit

Key Drivers

- 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 irrecoverable pooling equipment.

5-Year Performance – Continuing Operations

Underlying Profit of US\$996.7 million in FY18 reflected a five-year compound annual growth rate of 4%, at fixed 30 June 2017 FX rates. Profit growth during the period reflected sales revenue growth, direct cost efficiencies and indirect cost reductions across the Group. The lower rate of profit growth relative to sales growth is largely driven by the impact on FY17 and FY18 Underlying Profit of direct cost challenges in CHEP Americas, losses in the HFG joint venture and increased investment in BXB Digital.



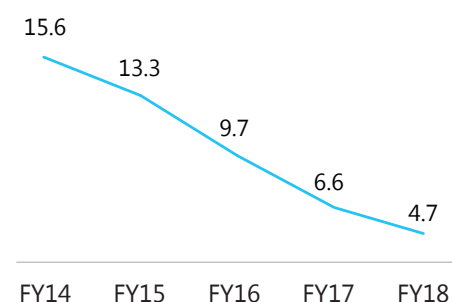
Safety

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

5-Year Performance

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

Brambles met its target of year-on-year improvement in BIFR in FY18, recording a BIFR of 4.7, an improvement from 6.6 in FY17, with no work-related fatalities.⁴ Hand and finger injuries were reduced by more than 30% through targeted initiatives. 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.



⁴ The safety statistics for sites opened during any given fiscal year are tracked as required by law, but not included in the Group's overall safety reporting. For FY18, the impact of new sites was more significant than in previous years so the decision has been made to include those sites in the safety results for completeness which resulted in an increase in the reported BIFR from 4.3 to 4.7.

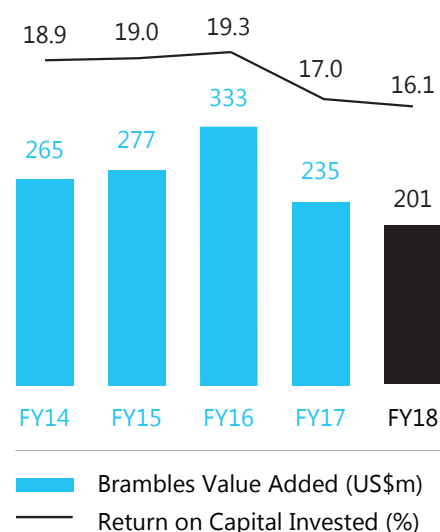
Return on Capital Invested (ROCI) and Brambles Value Added (BVA)

Key Drivers

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

5-Year Performance – Continuing Operations

The trend in Brambles' key return on capital metrics, ROCI and BVA, over the five-year period ended 30 June 2018 reflected the Group's expansion through both organic growth and acquisitions. ROCI declined from 18.9% in FY14 to 16.1% in FY18. The decline since FY16 largely reflected: lower Underlying Profit margins in CHEP Americas; the impact of RPC and automotive contract losses in CHEP Australia announced in 2016; an increase in Average Capital Invested in line with higher equipment balances to support growth; and the recognition of the Group's investment in the HFG Oil & Gas containers joint venture following its formation in FY17. Note: Pre-FY17 comparatives recognise Brambles' Oil & Gas containers businesses in discontinued operations and are therefore not captured in this chart. The trend in BVA – a measure of economic profit over and above the cost of capital invested to create that profit – was driven by the same factors as ROCI.



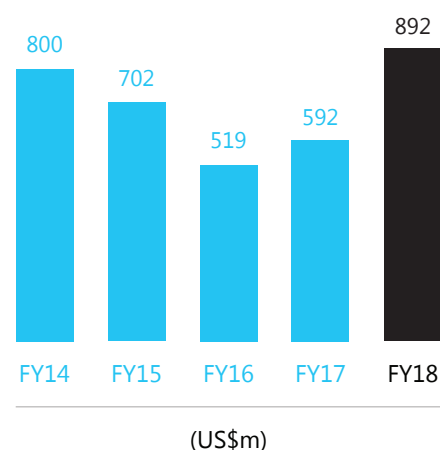
Cash Flow from Operations

Key Drivers

- Profitability;
- Capital expenditure; and
- Movements in working capital.

5-Year Performance – Continuing Operations

The five years to FY18 was a period of solid overall profit growth, facilitated largely by significant investments in capital expenditure to support growth. 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. The significant improvement in FY18 reflects increased EBITDA, strong working capital management, higher collections of asset compensations and US\$150 million cash inflow related to the repayment of the HFG joint venture loan, which offset increases in cash capital expenditure.



Material Sourcing

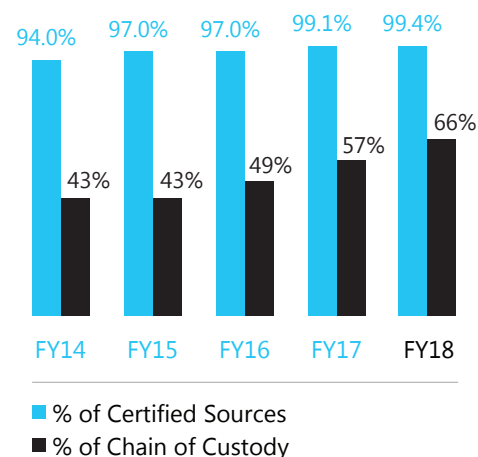
Ongoing secure supply of materials for the production and repair of pooling equipment, in particular wood used for pallets, is critical to Brambles.

5-Year Performance

Brambles aims to source 100% of timber from certified sources by 2020. For the FY18 period, 99.4% of wood purchased was from third-party certified sources, representing a small but important 0.3% improvement towards its goal compared to FY17 results. The remaining 0.6% of lumber purchases were subject to Brambles' stringent 24-step due diligence process. This process confirms that harvesting operations did not contribute to deforestation or that lumber was not purchased from controversial sources.

Brambles believes that increasing the volume of wood purchased under the Chain of Custody (CoC) certification helps further improve the transparency of forestry supply chains. Therefore, Brambles aims to increase CoC volumes each year with an aspirational goal to achieve 100%. In FY18, CoC results were driven by Latin America and Europe where combined volumes increased 44% on FY17, increasing its overall performance to 66%.

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



Strategic and Operating Risks

Brambles' risk management framework, as described in the Corporate Governance Statement on Brambles' website, incorporates effective risk management into its strategic planning processes and requires business operating plans to effectively manage key risks. The key risks to Brambles' ability to achieve its financial and strategic objectives and respective mitigating actions are:

Risk	Implication	Mitigating actions
Macro-economic conditions	Macro-economic conditions, or economic conditions affecting the supply chain or industries in which Brambles' customers operate, may affect demand for Brambles' services and/or its financial performance	<ul style="list-style-type: none"> Continued focus on driving growth through investment in expanded customer value proposition and targeted diversification in opportunities with attractive long-term characteristics Adoption of pricing and cost-recovery strategies to mitigate the impact of cost inflation
Industry trends in the retail, grocery and consumer goods supply chains	Industry trends (e.g. fragmentation of the retail supply chain, growth of e-commerce and hard discounters, demand for different pooling equipment materials or designs) could affect demand for Brambles' current service offerings, the value of its existing assets, and/or its financial performance	<p>Ongoing programmes to:</p> <ul style="list-style-type: none"> Drive customer intimacy throughout the supply chain and uncover opportunities to leverage the Group's unique global scale and value proposition Create new products and service lines to meet customers' requirements
Maintaining the quality of pooled equipment in line with customer needs	A failure to maintain adequate quality standards may result in reduced customer satisfaction, additional costs and affect the Group's financial performance	<ul style="list-style-type: none"> Strict adherence to equipment quality standards, including continuous monitoring of critical-to-quality metrics to assess and ensure quality of products issued to customers
Maintaining control of pooling equipment	The loss of pooled equipment is inherent in Brambles' business model. Failure to maintain appropriate asset control and recovery processes may result in additional costs and affect the Group's financial performance	<ul style="list-style-type: none"> 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
Network capacity	The scale and strength of Brambles' network of service centre locations is inherent to its value proposition for customers and other stakeholders. A lack of capacity within the network in a major market could adversely impact service delivery, competitive position and financial performance	<ul style="list-style-type: none"> Adoption of the plant automation project in CHEP Americas and plant network optimisation projects in major markets
Competitors	Brambles operates in competitive markets. Increasing intensity of competitor activity could affect Brambles' market penetration and financial performance	<ul style="list-style-type: none"> Leverage Brambles' unique global scale, network advantage and sustainable business model to deliver customer value and strengthen relationships Adoption of an innovation programme to enhance existing/develop new products and services The establishment of BXB Digital to explore the role of technology in Brambles' business and customer offering and to engage in innovation of products and services in the digital space

Risk	Implication	Mitigating actions
Retailer acceptance of pooled solutions	Retailers are integral to Brambles' operating model. A reduction or loss of retailer support for pooled solutions in their supply chains could result in a loss of customers and/or market penetration and adversely impact Brambles' financial performance	<ul style="list-style-type: none"> • Dedicated teams with executive-level responsibility for strengthening retailer relationships, identifying retailer-specific product requirements and ensuring retailers understand Brambles' value proposition • Improving the value proposition for retailers through the implementation of joint business plans
Cyber security	The unauthorised access to or use of Brambles' IT systems could adversely impact Brambles' ability to serve its customers or compromise customer or employee data, resulting in reputational damage, financial loss and/or adverse operational consequences	<ul style="list-style-type: none"> • An IT security strategy has been implemented which utilises technologies and processes to protect systems and to detect and promptly respond to unauthorised or inappropriate activities. These controls include, but are not limited to, e-mail filtering, anti-virus software, security awareness and training, as well as the use of penetration testing across our network • Brambles uses the National Institute of Standards and Technologies Cyber Security Framework to monitor, track, and report progress to Senior Management
Information security	Brambles relies on its IT systems to operate its business. The misuse, loss of or unauthorised access to sensitive data due to incomplete or unsuitable identification, storage, processing or disposal procedures could result in financial loss, operational disruption and/or reputational damage	<ul style="list-style-type: none"> • Preventative controls have been put in place to mitigate the risk of loss or misuse of data. These controls include the encryption of laptops, e-mail data retention controls and the ability to store data in secure drives
Regulatory compliance	Brambles operates in a large number of countries with widely differing legal regimes, legislative requirements and compliance cultures. A failure to comply with regulatory obligations and local laws could adversely affect Brambles' operational and financial performance and its reputation	<ul style="list-style-type: none"> • Code of Conduct which provides a framework for detailed policies addressing regulatory compliance • Adoption of Group-wide online compliance training programmes to supplement face-to-face training • Dedicated Chief Compliance Officer responsible for monitoring the implementation and ongoing application of compliance management systems
Attraction and retention of talent	A failure to attract, develop and retain high performing individuals could adversely impact Brambles' ability to implement and manage its strategic objectives	<ul style="list-style-type: none"> • Detailed talent management and succession planning processes to identify high potential employees and prepare successors for senior executive positions • Formal mentoring programmes offered to all employees
Safety	Brambles is subject to inherent operational risks, including industrial hazards, road traffic or transportation accidents that could potentially result in serious injury or fatality of employees, contractors or members of the public	<ul style="list-style-type: none"> • A Zero Harm Charter which states that everyone has the right of be safe at work and to return home as healthy as they started the day • Safety management systems adopted at all workplaces • Use of safety metrics which measure work related injuries, lost time, modified duties and incidents requiring medical treatment • Regular reporting and monitoring by the Brambles Board

Financial Position and Financial Risk Management

Capital Structure

Brambles manages its capital structure to maintain a solid investment-grade credit rating. During FY18, 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.

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.

Funding and Liquidity

Brambles funded its operations during FY18 primarily through retained cash flow, borrowings and divestments. Brambles generally sources borrowings from relationship banks and debt capital market investors on a medium-to-long-term basis.

Bank borrowing facilities were either maintained or renewed throughout the Year. These facilities are generally structured on a multi-currency, revolving basis with maturities ranging to 2023. Borrowings under the facilities are floating-rate, unsecured obligations with covenants and undertakings typical for these types of arrangements.

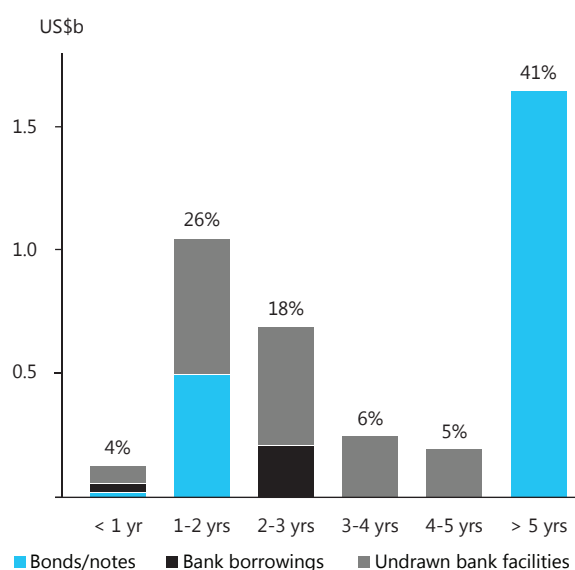
Borrowings are raised from debt capital markets by the issue of unsecured fixed interest notes, with interest paid either annually or semi-annually. During the Year, Brambles issued a 10-year €500 million Euro Medium Term Note (EMTN) at a coupon of 1.50%. Proceeds of the note were ultimately used to repay the maturing €500 million 4.625% EMTN in April 2018. At balance date, loan notes had maturities out to October 2027.

Net Debt and Key Ratios

	June 2018	June 2017	Change
Current debt	91.2	673.4	(582.2)
Non-current debt	2,397.1	2,059.0	338.1
Gross debt	2,488.3	2,732.4	(244.1)
Less cash	(180.2)	(159.7)	(20.5)
Net debt	2,308.1	2,572.7	(264.6)
Key ratios	FY18	FY17	
Net debt to EBITDA	1.46x	1.73x	
EBITDA interest cover	15.0x	15.0x	

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.

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



As at 30 June 2018, Brambles' total committed credit facilities were US\$4.0 billion. The average term to maturity of Brambles' committed credit facilities as at 30 June 2018 was 4.5 years (2017: 3.7 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.

Operating & Financial Review

1. Financial Review

1.1 Group Overview

1.1.1 Summary of 2018 Financial Result

US\$m	Change			
	FY18	FY17	Actual FX	Constant FX
(Continuing operations)				
CHEP Americas	2,195.3	2,073.5	6%	5%
CHEP EMEA	1,825.1	1,575.2	16%	8%
CHEP Asia-Pacific	475.1	484.8	(2)%	(4)%
IFCO	1,101.1	970.8	13%	8%
Sales revenue	5,596.6	5,104.3	10%	6%
CHEP Americas	350.6	395.1	(11)%	(12)%
CHEP EMEA	454.8	387.1	17%	9%
CHEP Asia-Pacific	111.7	112.1	0%	(3)%
IFCO	136.5	117.6	16%	10%
Corporate	(56.9)	(54.4)	(5)%	1%
Underlying Profit	996.7	957.5	4%	0%
Significant Items	(10.7)	(186.1)		
Operating profit	986.0	771.4	28%	22%
Net finance costs	(104.8)	(98.7)	(6)%	(4)%
Tax expense	(107.7)	(227.8)	53%	58%
Profit after tax from continuing operations	773.5	444.9	74%	67%
Loss from discontinued operations	(26.4)	(262.0)		
Profit after tax	747.1	182.9	308%	293%
Average Capital Invested	6,172.7	5,646.4	9%	5%
Return on Capital Invested	16.1%	17.0%	(0.9)pp	(0.9)pp
Weighted average number of shares (m)	1,591.2	1,588.3	0%	0%
Basic EPS (US cents)	47.0	11.5	309%	292%
Basic EPS from continuing operations (US cents)	48.6	28.0	74%	67%

Sales revenue from continuing operations was US\$5,596.6 million, up 6% at constant-currency, driven by strong volume growth across the North American, European and Latin American pallets businesses and IFCO RPCs globally. Pricing contributed one percentage point to annual revenue growth, reflecting price realisation in US pallets, emerging markets and IFCO North America.

Underlying Profit of US\$996.7 million was in line with prior year at constant-currency and driven by strong sales contributions to profit in CHEP EMEA and IFCO, coupled with cost reductions and increased asset compensations in CHEP Asia-Pacific.

Underlying Profit growth was impacted by a two percentage point reduction in profit associated with RPC and automotive contract losses in CHEP Australia announced to the market in 2016. In addition to this, accelerating inflationary cost pressures in mature markets and direct cost challenges in CHEP Americas also impacted Underlying Profit growth.

Input cost inflation accelerated during FY18, with particularly strong increases in labour, lumber and transport rates in the

US and Europe. Resulting cost increases were partially offset by productivity gains and inflation-related pricing actions primarily undertaken in the second half of the Year.

In addition to inflationary cost pressures, CHEP Americas was impacted by the following cost challenges:

- Inefficiencies due to network capacity constraints and higher costs relating to changes in customer and retailer behaviour in US pallets;
- Additional costs associated with the progressive conversion of the Canadian pallet pool from stringer to block pallets; and
- Increased costs in the high growth Latin American pallets business.

Operating profit from continuing operations of US\$986.0 million increased 22% at constant-currency, reflecting a US\$175.4 million reduction in Significant Item charges which was partly driven by the recognition of the US\$120.0 million non-cash impairment of the HFG joint venture investment in FY17. The balance of the reduction was largely driven by a US\$55.4 million decrease in FY18

Operating & Financial Review – continued

Significant Item charges relating to restructuring costs and completion of the One Better projects.

Profit after tax from continuing operations was US\$773.5 million, up 67% at constant-currency, driven by the higher operating profit and a one-off, non-cash benefit to income tax expense of US\$127.9 million. This benefit resulted from a reduction in the Group's net deferred tax liabilities following the US tax reform, which included a decrease in the federal income tax rate from 35% to 21%, effective 1 January 2018.

The Group's effective tax rate for FY18 on Underlying Profit decreased to 26.5% from 28.8% in FY17, reflecting the lower US tax rate and a change in the geographic mix of profits.

Net finance costs of US\$104.8 million increased by US\$6.1 million, driven by increased debt and interest rates in emerging markets and higher interest rates in North America.

Basic earnings per share was US47.0 cents, up 292% at constant-currency, reflecting the increase in profit after tax.

Average Capital Invested (ACI) of US\$6,172.7 million increased 5% or US\$296.5 million at constant-currency, largely driven by higher growth-related capital expenditure during the Year. Pooling capital expenditure of US\$1,092.5 million increased US\$105.3 million at constant-currency (up US\$140.5 million at actual FX), reflecting:

- A US\$54 million increase in investments to support volume growth;
- Increased pallet unit costs of US\$21 million primarily due to lumber inflation;
- Investments of US\$31 million to support new market entry; and
- Increased pallet purchases of US\$15 million to support the conversion of customers to block pallets in Canada.

These increases were partly offset by asset efficiency gains of US\$16 million in CHEP North America and IFCO Europe.

Non-pooling capital expenditure of US\$100.0 million increased by US\$26.6 million at constant-currency (up US\$28.5 million at actual FX), reflecting higher investment in supply chain programmes including plant automation across the Group.

Return on Capital Invested was 16.1%, down 0.9 percentage points at constant-currency, with 0.4 percentage points of the decline due to the RPC and automotive contract losses in CHEP Australia. The balance of the decline was largely due to lower margins in the CHEP Americas region. Group returns remain strong and well in excess of the cost of capital.

Cash Flow Reconciliation

US\$m	FY18	FY17	Change
Underlying Profit	996.7	957.5	39.2
Depreciation and amortisation	579.5	526.7	52.8
EBITDA	1,576.2	1,484.2	92.0
Capital expenditure (cash basis)	(1,135.6)	(1,060.1)	(75.5)
Proceeds from HFG joint venture loan	150.0	-	150.0
Proceeds from sale of PP&E	139.6	108.9	30.7
Working capital movement	62.5	(25.0)	87.5
IPEP expense	109.4	89.2	20.2
Other	(9.7)	(5.7)	(4.0)
Cash Flow from Operations	892.4	591.5	300.9
Significant Items	(22.2)	(50.0)	27.8
Discontinued operations	(3.6)	2.0	(5.6)
Financing costs and tax	(312.2)	(319.3)	7.1
Free Cash Flow	554.4	224.2	330.2
Dividends paid	(352.0)	(348.0)	(4.0)
Free Cash Flow after dividends	202.4	(123.8)	326.2

Cash Flow from Operations of US\$892.4 million increased US\$300.9 million as increased EBITDA, strong working capital management and higher asset compensations were partially offset by increased cash capital expenditure to fund growth. Cash Flow from Operations also included proceeds of US\$150.0 million from the repayment of the HFG joint venture loan. Key movements during the Year included:

- An increase in capital expenditure (cash basis) of US\$75.5 million. This was below the increase in capital expenditure on an accruals basis of US\$169.0 million driven by extended terms with major suppliers;
- An increase in proceeds from the sale of PP&E of US\$30.7 million driven by higher collection of asset compensations; and
- Improved working capital management across the Group resulting in a US\$87.5 million increase in cash flow, which included approximately US\$30.0 million of timing benefits.

Free Cash Flow after dividends was US\$202.4 million as Cash Flow from Operations fully funded both capital expenditure and dividend cash payments of US\$352.0 million relating to the final FY17 and interim 1H18 dividends.

Operating & Financial Review – continued

Segment Analysis

1.1.2 CHEP Americas

US\$m			Change	
	FY18	FY17	Actual FX	Constant FX
Sales revenue	2,195.3	2,073.5	6%	5%
Underlying Profit	350.6	395.1	(11)%	(12)%
Average Capital Invested	2,118.7	1,958.7	8%	8%
Return on Capital Invested	16.5%	20.2%	(3.7)pp	(3.8)pp

Sales revenue

Pallets' sales revenue of US\$2,142.1 million increased 5% at constant-currency, reflecting strong volume growth across the region and increased pricing in US pallets.

US pallets' sales revenue of US\$1,580.5 million increased 4%, reflecting strong volume growth and positive price contributions despite ongoing competitive intensity and inflationary pressures.

Growth was driven by expansion with new and existing customers and comprised:

- Solid pricing growth of 1%. Effective price, which includes lumber and labour inflation-related surcharges recognised as an offset to costs, increased 2% in the second half of the Year;
- Like-for-like volume growth of 1% primarily driven by customers in the grocery and beverage sectors; and
- Net new business growth of 2% including both wins in the Year and the rollover impact of contracts won during the prior year.

Canada pallets' sales revenue was US\$263.4 million, up 5% at constant-currency, reflecting volume growth and price/mix benefits.

Latin America pallets' sales revenue of US\$298.2 million, up 10% at constant-currency, reflects strong volume growth and price realisation in the region.

Containers' sales revenue was US\$53.2 million, up 11% at constant-currency, largely driven by new Intermediate Bulk Container (IBC) and automotive contracts won in FY17 and FY18.

Profit

Underlying Profit of US\$350.6 million declined 12% at constant-currency due to lower contributions from the US and Canadian pallet businesses.

At constant-currency, volume, price and mix contributions to profit of US\$52 million were more than offset by:

- Net transport cost increases of US\$47 million, largely reflecting higher costs in US pallets due to third-party transport inflation, additional relocations in response to changing customer and retailer behaviour and capacity constraints. The migration to block pallets in Canada also contributed to increased transport moves in FY18;
- Net plant cost increases of US\$23 million, reflecting higher operating costs in Canada associated with the

migration to block pallets, and increased repair and handling costs in US pallets resulting from changing customer and retailer behaviour, cost inflation and higher investment in pallet quality; and

- IPEP increases of US\$15 million, reflecting volume growth, and increased costs in Latin America and Canada.

Return on Capital Invested

Return on Capital Invested of 16.5% decreased 3.8 percentage points at constant-currency due to lower profitability throughout the region.

1.1.3 CHEP EMEA

US\$m			Change	
	FY18	FY17	Actual FX	Constant FX
Sales revenue	1,825.1	1,575.2	16%	8%
Underlying Profit	454.8	387.1	17%	9%
Average Capital Invested	1,850.6	1,568.4	18%	10%
Return on Capital Invested	24.6%	24.7%	(0.1)pp	(0.2)pp

Sales revenue

Pallets' sales revenue of US\$1,551.8 million, increased 6% at constant-currency, reflecting strong volume growth across the region and price increases in the Africa, India and Middle East pallets business.

Europe pallets' sales revenue of US\$1,369.7 million, increased 6% at constant-currency and comprised:

- Broadly flat price in the region as indexation offset strategic pricing initiatives;
- Like-for-like volume growth of 1%, reflecting solid growth throughout the region with a particularly strong contribution from Central & Eastern Europe; and
- Net new business growth of 5% driven by the rollover impact from contracts won in FY17 and strong contributions from contracts won in FY18, particularly in Southern Europe and Central & Eastern Europe.

Within Europe pallets:

- Southern Europe (comprising Iberia, Italy, Turkey and Greece) pallets' sales revenue was US\$406.4 million, up 7% at constant-currency;
- Central & Eastern Europe (including Germany, Poland and the Nordics) pallets' sales revenue was US\$339.5 million, up 12% in constant-currency;
- Northern Europe (comprising UK and Ireland) pallets' sales revenue was US\$330.9 million, up 3% at constant-currency; and
- Western Europe (comprising France and Benelux) pallets' sales revenue was US\$292.9 million, up 4% at constant-currency.

Africa, India and Middle East pallets' sales revenue was US\$182.1 million, up 7% at constant-currency, reflecting strong price and volume growth in the region.

RPC and Containers contributed US\$273.3 million to sales revenue, up 18% at constant-currency, largely due to strong growth in the Automotive and Kegstar businesses.

Operating & Financial Review – continued

Profit

Underlying Profit was US\$454.8 million, up 9% at constant-currency despite transport and lumber inflation.

In constant-currency terms, volume, price and mix contributions to profit of US\$78 million were partly offset by:

- Net transport cost increases of US\$8 million, reflecting higher fuel prices, supply constraints in the European third-party freight market and inflationary cost increases in CHEP Africa, India & Middle East, which were partly offset by supply chain efficiencies;
- Net plant cost increases of US\$4 million due to lumber and labour cost inflation, which were partly offset by supply chain efficiencies;
- Depreciation cost increases of US\$12 million due to higher investment in the pool to support strong volume growth in both FY17 and FY18; and
- Other indirect cost increases of US\$18 million primarily due to higher overheads to support growth throughout the segment including First-Mile and Last-Mile Solutions, expansion into new markets including Russia and India, and growth in the Automotive and Kegstar businesses.

Return on Capital Invested

Return on Capital Invested was 24.6%, down 0.2 percentage points at constant-currency, largely reflecting the impact on Average Capital Invested of increased unit pallet prices in Europe due to lumber inflation and investments in new markets, including Automotive and Kegstar.

1.1.4 CHEP Asia-Pacific

US\$m	Change			
	FY18	FY17	Actual FX	Constant FX
Sales revenue	475.1	484.8	(2)%	(4)%
Underlying Profit	111.7	112.1	0%	(3)%
Average Capital Invested	438.2	427.8	2%	0%
Return on Capital Invested	25.5%	26.2%	(0.7)pp	(0.5)pp

Sales revenue

Sales revenue in CHEP Asia-Pacific was US\$475.1 million, down 4% at constant-currency, largely due to the RPC and automotive contract losses in Australia announced to the market in 2016. Excluding the impact of these contract losses, sales growth in constant-currency was 3%.

Pallets' sales revenue was US\$354.4 million, up 4% at constant-currency, driven by modest pricing gains and like-for-like volume growth in Australia and New Zealand.

RPC and Containers contributed US\$120.7 million to sales revenue, down 23% at constant-currency, reflecting the US\$35.4 million loss of sales revenue relating to a large Australian RPC contract and the wind-down of the automotive industry in Australia as well as the slow-down in the automotive sector in China.

Profit

Underlying Profit was US\$111.7 million, a decrease of 3% at constant-currency, reflecting the US\$21.6 million Underlying Profit impact of the RPC and automotive contract losses, partly offset by higher asset compensations and overhead cost reductions.

Return on Capital Invested

Return on Capital Invested of 25.5% declined 0.5 percentage points at constant-currency, primarily due to the Underlying Profit impact of the contract losses in CHEP Australia.

1.1.5 IFCO

US\$m	Change			
	FY18	FY17	Actual FX	Constant FX
Sales revenue	1,101.1	970.8	13%	8%
Underlying Profit	136.5	117.6	16%	10%
Average Capital Invested	1,667.0	1,582.3	5%	1%
Return on Capital Invested	8.2%	7.4%	0.8pp	0.7pp

Sales revenue

Sales revenue in IFCO RPCs was US\$1,101.1 million, up 8% at constant-currency. The increase reflected strong volume growth as well as pricing and product mix benefits in North America. Regional contributions were as follows:

- Europe sales revenue was US\$790.0 million, up 9% at constant-currency, driven by strong volume growth with most retailers;
- North America sales revenue was US\$228.6 million, up 2% at constant-currency, primarily due to pricing and product mix benefits. Overall volume declined by 4% as the business exited unprofitable contracts; and
- Other regions' (comprising South America and Asia) sales revenue was US\$82.5 million, up 12% at constant-currency, reflecting volume growth and pricing and product mix benefits in South America.

Profit

Underlying Profit of US\$136.5 million, increased 10% at constant-currency, reflecting the strong sales contribution to profit, partly offset by increased depreciation costs in North America and Europe.

Return on Capital Invested

Return on Capital Invested was 8.2%, up 0.7 percentage points at constant-currency, reflecting Underlying Profit growth and modest increases in Average Capital Invested as the business leveraged capital investments made in FY16 and FY17.

Board & Executive Leadership Team

Board of Directors



Stephen Johns Non-Executive Chairman (Independent)

Chairman of the Nominations Committee and member of the Remuneration Committee

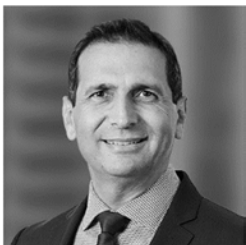
Joined Brambles as a Non-Executive Director in August 2004 and was appointed Chairman in September 2014. Stephen is a Non-Executive Director of Goodman Group and a former Chairman and a Non-Executive Director of Leighton Holdings and Spark Infrastructure Group, and a former Executive and Non-Executive Director of Westfield Group. Stephen had a long executive career with Westfield where he held a number of senior positions including that of Finance Director from 1985 to 2002. He is also a Director of the Garvan Institute of Medical Research. He has a Bachelor of Economics from the University of Sydney and is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors. Age: 71.



Graham Chipchase Chief Executive Officer

Chairman of the Executive Leadership Team

Joined Brambles at the beginning of January 2017 as Chief Executive Officer Designate and became Chief Executive Officer on 20 February 2017. Prior to Brambles, Graham was Chief Executive Officer of Rexam plc, one of the world's largest consumer packaging companies, from 2010 to June 2016. Graham had first joined Rexam in 2003 as Group Finance Director before moving to Group Director of Plastic Packaging. Graham left Rexam in June 2016, after Rexam was successfully acquired by Ball Corporation. He is also a Non-Executive Director of AstraZeneca plc and chair of its Remuneration Committee. He holds a MA (Hons) Chemistry from Oriel College, Oxford and is a Fellow of the Institute of Chartered Accountants in England and Wales. Age: 55.



George El Zoghbi Non-Executive Director (Independent)

Member of the Nominations and Remuneration Committees

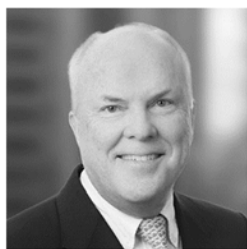
Joined Brambles as a Non-Executive Director in January 2016. George has extensive international consumer packaged goods and supply-chain experience. He is based in Chicago, USA, and is currently a Special Advisor to and a Director of Kraft Heinz Company. He previously served as Chief Operating Officer of US commercial businesses for Kraft Heinz Company from the merger of Kraft Foods Group and H.J. Heinz in July 2015 until October 2017. Prior to that merger, George held a number of key leadership roles at Kraft including Chief Operating Officer. Prior to joining Kraft in 2007, he held a number of executive roles with Fonterra Cooperative and various managerial and sales roles with Associated British Foods. He holds a Diploma of Business, Marketing, as well as a Masters of Enterprise from the University of Melbourne and has also completed an Accelerated Development Program at MC London Business School in the United Kingdom. Age: 51.



Elizabeth Fagan Non-Executive Director (Independent)

Joined Brambles as a Non-Executive Director in June 2018. Elizabeth has extensive experience in the international retail sector. She is currently Senior Vice President and Managing Director of Boots, leading all Boots businesses across the UK and the Republic of Ireland. She will step down from this role to become Non-Executive Chairman of Boots UK & Ireland on 1 September 2018. Previously, Elizabeth was Senior Vice President, Managing Director, International Retail for Walgreens Boots Alliance, from the Company's creation in December 2014 to 2016. Prior to this, Elizabeth was Marketing Director of Boots and Managing Director of Boots Opticians, and had previously worked for Boots as Group Buyer from 1983 to 1991. Before re-joining the Boots business in 2006, Elizabeth worked for DSG International Plc for 10 years, where she held a number of senior positions, including Marketing Director, Group Marketing Director and Managing Director of The Link. She holds a Bachelor of Science, Biochemistry from Strathclyde University. Age: 61.

Board & Executive Leadership Team – continued



Tony Froggatt Non-Executive Director (Independent)

Chairman of the Remuneration Committee and member of the Nominations Committee

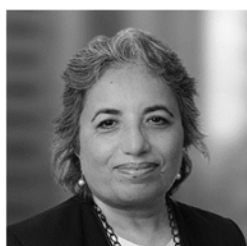
Joined Brambles as a Non-Executive Director in June 2006. He is Chairman of Foodbank Australia. Previously, Tony was a Non-Executive Director of Coca-Cola Amatil, AXA Asia Pacific Holdings and Billabong International and was Chief Executive Officer of Scottish & Newcastle plc from May 2003 to October 2007. He began his career with the Gillette Company and has held a wide range of sales, marketing and general management positions in many countries with major consumer goods companies including H.J. Heinz, Diageo and Seagram. He holds a Bachelor of Law from Queen Mary College, London and a Master of Business Administration from Columbia Business School, New York. Age: 70.



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. David was a Non-Executive Director of Brambles from June 2006 until March 2010, when he retired due to his other commitments at that time. He is a Non-Executive Director of Coats Group and Chairman of The Old Bushmills Distillery. David retired from his role as President of Global Supply & Procurement for Diageo plc on 31 December 2014. In that role, he led a global team of 9,000 people across manufacturing, logistics and technical operations as well as managing Diageo's multi-billion pound procurement budget. Prior to joining Diageo in 1998, David spent 20 years at HJ Heinz, where he served on the UK board and held various European operational positions. He holds a Bachelor of Science in Electrical & Electronic Engineering from Middlesex University and is a Fellow of the Institute of Engineering and Technology, England. Age: 61.



Tahira Hassan Non-Executive Director (Independent)

Member of the Remuneration Committee

Joined Brambles as a Non-Executive Director in December 2011. Tahira is a Non-Executive Director of Canada Pension Plan Investment Board and was previously a Non-Executive Director of Recall Holdings. She had a distinguished 26-year career with Nestlé. From 2003 to 2006, she was Senior Vice President & Head of Global Supply Chain. Based in Switzerland, this was a new role created to lead the reshaping of Nestlé's global approach to supply chain management. Her other roles included Senior Vice President & Global Business Head for Nescafé Ready To Drink from 2006 to 2009, and Vice President, Deputy Operations, Zone Americas from 2001 to 2003. Previously, Tahira held various leadership positions in Nestlé Canada including President, Ice Cream and Executive Vice President, Consumer Demand Chain & Information Services. Tahira is a Fellow of the Chartered Institute of Management Accountants, UK and a Certified Member of the Society of Management Accountants of Canada. Age: 65.



Carolyn Kay Non-Executive Director (Independent)

Member of the Audit Committee

Joined Brambles as a Non-Executive Director in June 2006. She is Non-Executive Director of Scentre Group, the Australia-China Council and the General Sir John Monash Foundation, an External Board Member of Allens Linklaters and a member of the Future Fund Board of Guardians. 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 Bachelors of Law and Arts 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: 57.

Board & Executive Leadership Team – continued



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 the Audit Committee, and of OneMarket Limited. 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: 72.



Nessa O'Sullivan Chief Financial Officer

Joined Brambles in October 2016 and was appointed to the role of Chief Financial Officer on 17 November 2016. She became an Executive Director of Brambles in April 2017. Prior to joining Brambles, Nessa worked for ten years at Coca-Cola Amatil in a number of senior financial and operating roles, including Group Chief Financial Officer from 2010 to May 2015. She was also Group Chief Financial Officer for Operations and Chief Financial Officer for Australia and New Zealand. Nessa began her career working as an auditor at Price Waterhouse in Dublin, New York and Sydney. She spent two years at Tyco Grinnell Asia Pacific before joining PepsiCo/Yum! Restaurants in 1995. Over a 10-year period at Yum! Restaurants International, she held a number of senior finance, IT and strategy roles, including five years as Chief Financial Officer for the South Pacific Region. Nessa is a Fellow of the Institute of Chartered Accountants in Ireland. She holds a Bachelor of Commerce from University College Dublin and is a graduate of the Australian Institute of Company Directors. Age 53.



Scott Perkins Non-Executive Director (Independent)

Member of the Audit Committee

Joined Brambles as a Non-Executive Director in June 2015. Scott is a Non-Executive Director of Woolworths Group Limited and Origin Energy and was a Director of Meridian Energy from 1999 to 2002. He is a Director of the Museum of Contemporary Art and is active in the charity and public policy sector as the founder or director of a number of organisations. Scott has extensive experience in corporate strategy, capital markets and investment banking. He held senior executive leadership positions at Deutsche Bank from 1999 to 2013, including as Managing Director and Head of Corporate Finance for Australia and New Zealand and as a member of the Asia-Pacific management committee. Age: 53.

Board & Executive Leadership Team – continued

Executive Leadership Team



Graham Chipchase Chief Executive Officer

Chairman of the Executive Leadership Team

(See biography on page 19.)



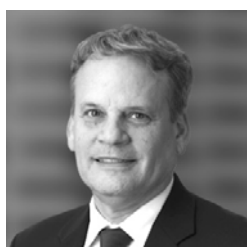
Carmelo Alonso-Bernaola Senior Vice President, Global Supply Chain

Joined Brambles in 1992 and was appointed Senior Vice President Supply Chain for CHEP's global operations in February 2011. At Brambles, Carmelo has served in a range of supply chain roles, ranging from Quality Manager in Iberia; Logistics Director for South Europe; Vice President Logistics Europe; and Senior Vice President Supply Chain Europe to his current global role in Supply Chain. Carmelo is a Spanish citizen, and holds an Agro-industrial Engineering degree from the Universidad Politécnica of Madrid. He also holds a Master of Business Administration from IE Business School, Madrid and a Diploma of Manufacturing and Production Management. Age 52.



Phillip Austin President, CHEP Pallets Asia-Pacific

Joined Brambles in 1989 and became President CHEP Asia-Pacific in October 2014, having previously held the positions of President CHEP Australia and New Zealand and President CHEP Australia. Phillip has held a variety of senior roles across Brambles including Chief Financial Officer of the Brambles Transport Group; Chief Financial Officer of CHEP Australia; Operations Manager for Wreckair Hire; and executive roles in the CHEP Australia business responsible for sales, asset management and business development. Phillip is a board member of Enactus Australia and an Ambassador for the National Association for Women in Operations (NAWO). He holds a Bachelor of Economics and a Masters of Logistics Management, both from the University of Sydney. Age 52.



Robert Gerrard Group Vice President, Legal and Secretariat

Joined Brambles in 2003 as Senior Counsel, Brambles Group and was appointed Group Company Secretary in February 2008. Prior to joining Brambles, he was General Counsel and Company Secretary of Roc Oil Company Limited; Group Legal Manager, Cairn Energy plc; General Counsel and Company Secretary of Command Petroleum Limited; and a solicitor and senior associate with Allen Allen & Hemsley. He holds a Masters of Law from the University of Sydney and a Bachelor of Science and a Bachelor of Law from the University of New South Wales. He is a Solicitor of the Supreme Court of New South Wales. Age 56.



Rodney Hefford Chief Information Officer

Rod joined Brambles in June 2017 as Chief Information Officer. Before joining Brambles, Rod was Vice President, Information Technologies and Services at Ball Corporation, where he integrated the IT elements of Ball's acquisition of Rexam and led the development of an IT strategy for the combined entity. Prior to that, he was Group CIO for Rexam and held several CIO roles at Unilever. He holds a Bachelors' of Materials Engineering from Monash University, Australia and a Master of Business Administration from Warwick Business School in the UK. Age 54.

Board & Executive Leadership Team – continued



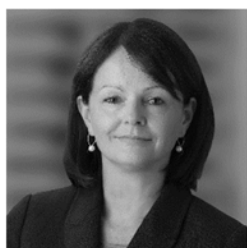
Laura Nador President, CHEP North America

Joined Brambles in 2003. Laura became President, CHEP North America in January 2018, after holding a number of leadership positions within Brambles. Laura was successively Director, Distributor Sales, CHEP Europe; Vice President, RPCs, Europe; Country General Manager, CHEP Iberia; and Vice President, Supply Chain, CHEP Latin America. In July 2016, she was appointed Senior Vice President of the CHEP USA Pooled Pallets business and then President, CHEP USA in March 2017, when she took on additional responsibilities for the CHEP Recycled, Pallecon and Automotive businesses in the USA. CHEP Canada was added to her responsibilities in January 2018. Prior to Brambles, Laura worked for a number of years at the Fortune 500 logistics company, Ryder. Laura holds a Master of Engineering from the University of Buenos Aires and a Master of Business Administration from the London Business School. Age: 46.



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 a Master of Business Administration from the University of Bayreuth, Germany. Age: 61.



Nessa O'Sullivan Chief Financial Officer

(See biography on page 21.)



Michael Pooley President, CHEP Pallets Europe, Middle East & Africa

First joined Brambles in 2002. Michael became President CHEP EMEA in February 2017, having previously held the following positions within Brambles: President CHEP Europe; Senior Vice President Sales and Customer Operations, CHEP USA; Managing Director, CHEP UK & Ireland; and Vice President European Key Accounts. Before joining CHEP in 2002, Michael held management roles within the BOC Group and, between 2013 and 2015, he worked for Exova Group Plc as Managing Director Europe and was a member of its executive leadership team that took the company through an IPO on the London Stock Exchange in 2014. Michael is a Chartered Mechanical Engineer and has a Master of Business Administration from Henley Management College in the UK. Age 50.



Prasad Srinivasamurthy President, BXB Digital

Joined Brambles in March 2016 as the President of Brambles' new Silicon Valley-based business, BXB Digital. Before joining Brambles, Prasad was Senior Vice President of Internet of Things and Customer Innovation at SAP, where he led a global organisation in building and commercialising new digital innovations. Prior to that, Prasad held a variety of executive roles through which he created and scaled new revenue streams for innovative software products in customer relationship management and supply chain management. He holds a Masters in Computer Science from University of Southern California and a Master of Business Administration from the University of California, Berkeley. Age 47.

During the Year, Nicholas Smith was Group Senior Vice President, Human Resources. Nicholas left Brambles on 31 July 2018. Patrick Bradley will commence as Group Senior Vice President, Human Resources, on 3 September 2018.

Directors' Report – 2018 Remuneration Report

Executive Summary

Business Performance

Remuneration for senior executives for the Year reflected Brambles' results and continued execution of Brambles' business strategy, as detailed in the Operating & Financial Review pages 6 to 18.

Annual Short Term Incentive

Based on the financial results reviewed by the Audit Committee and approved by the Board, the annual Short Term Incentive (STI) cash awards for senior executives ranged from 19.5% to 61.4% of base salary. These STI outcomes were driven by Brambles' financial performance and by executives' achievement of specific personal objectives.

Long Term Incentive

The Long Term Incentive (LTI) awards granted during September 2015 had a three-year performance period ending 30 June 2018. Performance against the conditions to which they were subject were:

- Brambles' total shareholder return (TSR) was below the median company in the ASX100, resulting in 0% vesting for this component; and
- Brambles' sales revenue compound annual growth rate (CAGR) was over 6.0% and Brambles Value Added (BVA) was just below the US\$850 million midpoint, resulting in 50.0% vesting for this component.

Accordingly, 25.0% of total LTI awards granted in FY16 vested.

Executive Salaries

The base salaries of the Executive Leadership Team (ELT) were determined in accordance with the Company's Remuneration Policy described in Section 2. The average base salary increase for existing ELT members for the Year was 2.1%, ranging from 0% to 3.6%. The average increase across the broader employee population was 3.0%. Details of the salaries of key management personnel are set out in Sections 6.1, 6.2 and 6.3.

Non-Executive Directors' Fees

As reported in last year's Remuneration Report, in FY17 the Board determined that there would be no increase in Chairman and Non-Executive Director fees for the Year. The annual review of Non-Executive Directors' fees carried out during the Year determined that, taking into account the prevailing economic circumstances, there would also be no increase to Chairman or Non-Executive Director fees for FY19.

Non-Executive Director fees are detailed in Section 7.1. The next fee review will be carried out during FY19 and any fee increase arising from that review will take effect from 1 July 2019.

Remuneration Strategy

The Remuneration Committee carries out annual reviews of Brambles' remuneration strategy, structure and policy, including share-based incentive plans. These reviews are undertaken in order to determine when the current approach continues to strongly align executives' interests with those of the Company and its shareholders. A number of remuneration policy changes were made in FY17 (described in detail in the Company's 2017 Remuneration Report and approved by shareholders at the 2017 Annual General Meeting) and implemented during the Year. The outcome of the annual review for the FY18 Year was that, due to the implementation of those changes, no further changes to Brambles' remuneration strategy were necessary.

Contents

1. Background
2. Remuneration Policy and Framework
3. Remuneration Structure
4. Performance of Brambles At Risk Remuneration
5. Employee Share Plan
6. Executive Directors and Disclosable Executives
7. Non-Executive Directors' Disclosures
8. Remuneration Governance

Directors' Report – 2018 Remuneration Report – continued

1. Background

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

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

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

This report includes all disclosures required by the *Corporations Act 2001* (Cth) (the Act), regulations made under the Act and 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.

1.2 Basis of Valuation of STI and LTI Share Awards

Unless otherwise specified, the fair values of the STI and LTI share awards (see Section 3.1) 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 21 on pages 87 and 88 of the financial statements.

This fair value is not used to calculate the number of STI and LTI share awards granted to executives. The number of share awards granted is based on the market value of Brambles shares calculated on a 5-day volume weighted average share price prior to the grant date. This is termed a "face value approach".

2. Remuneration Policy and Framework

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

Section 3.4 sets out how Brambles' Remuneration Policy is directly linked to the Company's financial performance, the creation of shareholder wealth and the delivery of strategy. Financial and strategic personal objectives are agreed at the start of the financial year and approved by the Board Remuneration Committee. The Committee reviews progress against the objectives during the financial year and assesses performance at year end following a detailed review of Group, Business Unit and individual executive performance.

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

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

Each year, the Board's Remuneration Committee conducts a review of the Company's remuneration structure and policy to provide alignment with the Company's strategic and business objectives. As a result of the review carried out in FY17, a number of changes were proposed to the remuneration structure. These changes were described in detail in the 2017 Remuneration Report, were approved by shareholders at Brambles' 2017 Annual General Meeting and implemented for FY18.

The FY18 annual review determined that it was not necessary to make any changes to the current remuneration structure.

3. Remuneration Structure

3.1 Introduction

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

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

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

Brambles' At Risk Remuneration is provided by way of three types of annual incentive awards: an STI cash award, an STI share award and an LTI share award. The market value (using the "face value approach" described in Section 1.2) at the date of grant of all STI and LTI share awards made to any person in respect to any financial year would not normally exceed two and a half times their base salary.

STI and LTI share awards are governed by the Brambles Performance Share Plan (PSP) rules, which have been approved by shareholders.

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

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

Directors' Report – 2018 Remuneration Report – continued

3.2 STI Cash and Share Awards

Each year, Disclosable Executives are eligible to receive an STI award, with 50% of the award being paid in cash and 50% being deferred into STI share awards that vest two years after grant. The Remuneration Committee sets annual STI cash award performance objectives. Financial objectives comprise 80% of the value of an STI cash award and are set at a "threshold" (the minimum necessary to qualify for the awards), "target" (when the performance target is met) and "maximum" (when targets have been significantly exceeded and the award has reached its upper limit) level. The Board approves these financial targets every year. A key principle is that "threshold" is set at or above the prior year's outcome. Personal objectives comprise 20% of the value of an STI cash award. Details of the financial and personal strategic objectives for the FY18 STI cash award are set out in Table 3.3.3 and the achievement of those objectives for FY18 are set out in Section 4.2.

Disclosable Executives are also eligible to receive an annual STI share award. The value of the STI share award (calculated using the "face value approach" referred to in Section 1.2) is equal to the value of the STI cash award and vests two years from the date of grant, provided the relevant Disclosable Executive remains an employee of the Group during that period.

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

3.3 LTI Share Awards

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

3.3.1 LTI Share Awards to 2017

LTI share awards granted for the FY16-18 and FY17-19 Performance Periods consist of two components: half are subject to a relative TSR measure based on the ASX100 and half on a sales revenue CAGR with a BVA hurdle (see Section 4.3 for further details). The matrices for these Performance Periods were set out in the 2016 and 2017 Remuneration Reports respectively.

3.3.2 LTI Share Awards from 2018 Onwards

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

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

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

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

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

The second component is based on sales revenue CAGR/ROCI matrix of similar design to the former matrix. The FY18-20 sales revenue CAGR/ROCI matrix is published in Section 4.3.2.

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

These LTI share award structural changes are summarised in the table below.

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

Directors' Report – 2018 Remuneration Report – continued

Table 3.3.3 – Remuneration Structure 2018 - Fixed and Variable Pay

Remuneration element	Performance conditions	Rationale	Performance level required for payment
Fixed Remuneration			
Base salary, superannuation and benefits	N/A	Fixed remuneration reflects the executive's role, duties, responsibilities and level of performance, taking into account the individual's location and Brambles' size, geographic scale and complexity. Base salaries are generally referenced at the market median.	N/A
At Risk Remuneration			
STI cash award financial objectives (comprising 80% of the STI cash award)	<ul style="list-style-type: none"> - Underlying Profit (ULP) - Cash Flow from Operations - Group Free Cash Flow - Asset efficiency 	<p>Financial objectives are chosen to link Disclosable Executives' rewards with the financial performance of the Group, the pursuit of profitable growth and the efficient use of capital and generation of cash. ULP assists in retaining a focus on profitable growth. Cash Flow from Operations and Free Cash Flow are used as measures to provide a strong focus on the generation of cash. Asset efficiency is a key driver of business profitability and assists in maximising revenue from existing assets and reducing capital costs.</p>	<p>The key levels of performance possible against each of the financial objectives relevant to the STI awards for the Year were:</p> <ul style="list-style-type: none"> - Threshold (the minimum necessary to qualify for the awards); - Target (when performance targets have been met); and - Maximum (when targets have been significantly exceeded and the related rewards have reached their upper limit).
STI cash award personal objectives (comprising 20% of the STI cash award)	<ul style="list-style-type: none"> - Safety - Business strategy and growth objectives - Customer satisfaction and retention - Employee engagement 	Personal objectives are set to link Disclosable Executives' performance to Brambles' overall strategic objectives.	Personal objectives are set at the beginning of the financial year, are approved by the Remuneration Committee and performance against item is assessed by the Remuneration Committee at year end.
STI share award (deferred equity)	As per STI cash award	Provides continuing alignment of Disclosable Executives' interests with shareholders for an additional two years beyond the financial year to which the award relates. Provides a major retention mechanism for Disclosable Executives.	The size of the STI share award is equal in value to the STI cash award. This results in half of the total STI award being deferred into Brambles shares, which vest, subject to continued employment, on the second anniversary of the grant (i.e. 2-year deferral).
LTI share award (3-year Performance Period)	Relative TSR (comprising half of the LTI share award) over the Performance Period	<p><u>Creation of shareholder value</u></p> <p>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 stocks over the same period of time.</p>	<ul style="list-style-type: none"> - Performance will be measured over 3 years against both the ASX100 and the MSCI World Industrials indices, with each measure separately measured and comprising 25% of the total LTI award; - Half of LTI share awards will vest if the Company's TSR performance over the 3-year Performance Period against the ASX100 and the MSCI World Industrials equals the TSR of the median ranked company; - 100% will vest for 75th percentile performance over the 3-year Performance Period; and - 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 CAGR and ROCI (comprising half of the LTI share award) over the Performance Period	<p><u>Profitable growth</u></p> <p>Half of the LTI share award incentivises both long-term sales revenue growth and ROCI. Vesting is based on achievement of sales revenue targets with three-year performance targets set on a CAGR basis. The sales revenue growth targets are underpinned by ROCI hurdles. This is designed to drive profitable business growth, to maintain quality of earnings at a strong level and to deliver a strong return on capital invested. Sales revenue CAGR is measured in constant currency.</p>	Each year, a sales revenue CAGR/ROCI matrix is set by the Remuneration Committee for each LTI share award based on budget targets approved by the Board. The matrix is published in the subsequent year's Remuneration Report. This allows the Remuneration Committee to set targets for each LTI share award that reward strong performance in the light of the prevailing and forecast economic and trading conditions. The sales revenue CAGR/ROCI matrix provides performance focus over a 3-year period.

Directors' Report – 2018 Remuneration Report – continued

3.4 Remuneration and the Link to Business Strategy

Brambles' business strategy is set out in the Operational & Financial Review on pages 6 to 18. 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 ULP as a performance condition for STI cash awards and the use of CAGR sales revenue targets with ROCI hurdles as the performance conditions that must be satisfied for half of all LTI share awards to vest. The generation of cash and the effective use of capital are reinforced through the setting of asset efficiency and cash flow performance conditions for STI cash awards.
- **Recruiting and retaining high-calibre executives:** Remuneration packages for executives are designed to be competitive to assist Brambles in attracting talented managers and to reward strong performance. The award of a significant proportion of executives' STI awards as shares, which do not vest for two years from the date they are granted, helps retain key executives and aligns their interests with shareholders.
- **Setting goals linked to implementation of the growth strategy:** Each year, a part of a Disclosable Executive's STI cash award is subject to the achievement of specific personal objectives. These include objectives focused on the delivery of Brambles' strategy such as safety performance, development of new markets, customer satisfaction, product and service innovation, employee engagement, productivity improvements and development of future potential senior executives.
- **Achieving sustainable returns for shareholders:** Each of the above three elements supports the delivery of sustainable returns to shareholders. In addition, there is a direct alignment of executive rewards to the creation of shareholder value through the use of relative TSR performance conditions, to which the vesting of half of all LTI share awards granted are subject.

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

Definitions of ULP, ROCI, TSR and CAGR measurements and the methods by which they are calculated are included in the Glossary on pages 119 to 121.

3.5 Remuneration Mix for Disclosable Executives

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

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

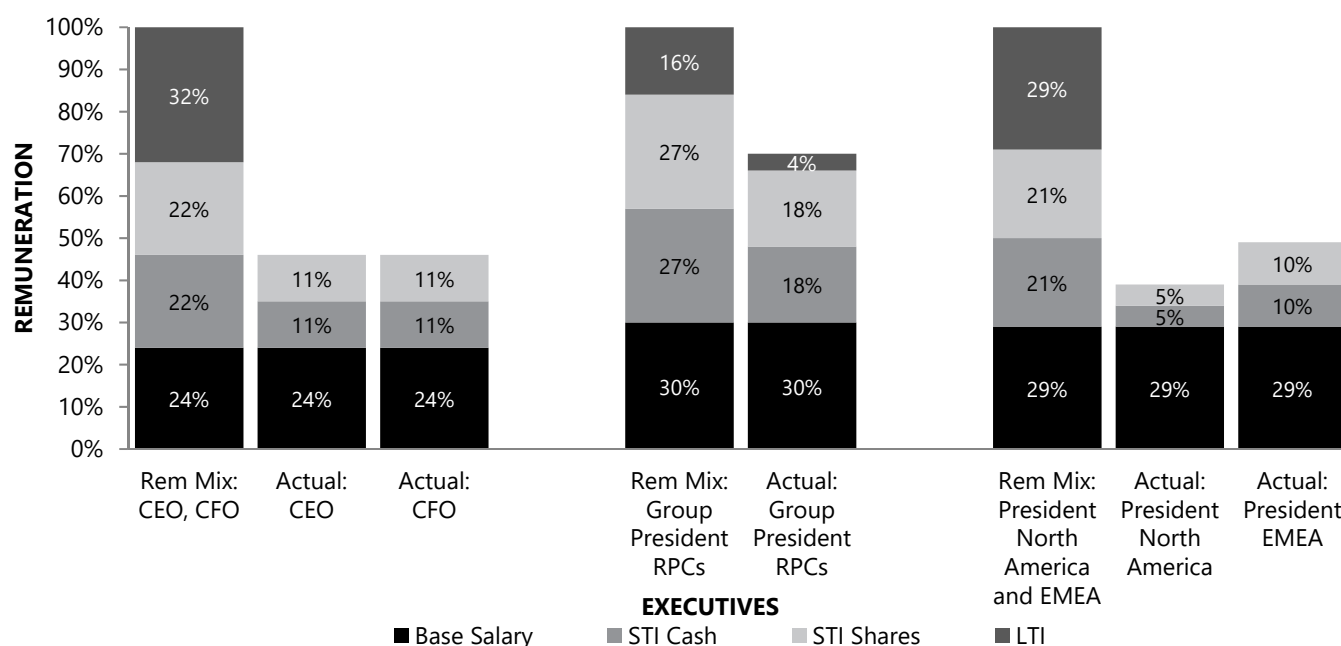
The respective columns of Chart 3.5.1 labelled "Actual" comprise:

- Base salary: base salary for FY18;
- STI cash: the STI cash award received in respect of FY18 performance (see Section 4.2);
- STI shares: the STI share award received in respect of FY18 performance, the vesting of which is deferred until FY20 (see Section 4.2); and
- LTI shares: the proportion of the FY16-FY18 LTI share awards that vested at the end of the Year (see Section 4.3.3).

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

Directors' Report – 2018 Remuneration Report – continued

Chart 3.5.1- Remuneration Mix



3.6 Clawback of STI and LTI Share Awards

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

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

3.7 ELT Minimum Shareholding Requirements

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

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

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

Directors' Report – 2018 Remuneration Report – continued

4. Performance of Brambles & At Risk Remuneration

As outlined in the Operating & Financial Review on pages 6 to 18, FY18 financial results were as shown below:

Financial measure	FY18 result (US\$m)	Change from FY17 (constant currency)
Sales revenue	5,596.6	6%
Operating profit	986.0	22%
Profit after tax	773.5	67%
Underlying Profit (ULP)	996.7	-

Brambles' TSR for the three years to 30 June 2018 was (7.53%).

4.1 FY18 STI Awards

The following table summarises the components and weighting of objectives for the FY18 STI cash awards for Disclosable Executives:

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

In addition, the amount of each Disclosable Executive's STI cash award is subject to the achievement of a specified asset efficiency metric (pallet cycle times for Pallets EMEA and Pallets North America, and reusable plastic crates (RPC) asset turns for IFCO RPC). If the applicable asset efficiency metric is not achieved, the financial components of the overall STI cash award otherwise payable to the relevant Disclosable Executive is reduced by 20%.

4.2 STI Performance Against Financial Objectives

Actual performance against the FY18 STI cash awards' financial objectives and asset efficiency metrics are summarised in the following table:

Performance condition ¹	Level of performance achieved during the Year ²
Brambles ULP	Between Threshold and Target
Brambles Free Cash Flow	Achieved Target
Brambles Cash Flow from Operations	Achieved Target
Brambles Asset Efficiency	Achieved Target
Pallets EMEA ULP	Between Threshold and Target
Pallets EMEA Cash Flow from Operations	Achieved Target
Pallets EMEA Asset Efficiency	Achieved Target
Pallets North America ULP	Below Threshold
Pallets North America Cash Flow from Operations	Did not meet Target
Pallets North America Asset Efficiency	Achieved Target
IFCO RPC ULP	Between Target and Maximum
IFCO RPC Cash Flow from Operations	Achieved Targets
IFCO RPC Asset Efficiency	Achieved Target

4.2.1 Actual STI Cash Payable and Forfeited for FY18

Details of the FY18 STI cash award payable to Disclosable Executives and the STI cash award forfeited, as a percentage of the maximum potential STI cash award in respect to performance during the Year, are shown for each Disclosable Executive in the following table:

Name	% of Target financial objectives achieved	% of personal objectives achieved	Maximum STI cash as % of base salary	% of maximum STI cash payable	% of maximum STI cash forfeited
Disclosable Executives					
G Chipchase	72%	83%	90%	49%	51%
N O'Sullivan	72%	93%	90%	51%	49%
L Nador	27%	89%	75%	26%	74%
W Orgeldinger	108%	80%	90%	68%	32%
M Pooley	72%	89%	75%	50%	50%

¹ Definitions of ULP, Free Cash Flow and Cash Flow from Operations measurements and the methods by which they are calculated are included in the Glossary on pages 119 to 121.

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

Directors' Report – 2018 Remuneration Report – continued

4.2.2 Personal Objectives

Twenty per cent of the STI award is based on the achievement of personal objectives. The objectives are agreed at the start of the financial year and approved by the Remuneration Committee. The Committee reviews progress against the objectives during the financial year and assesses performance at year end. The Committee has full discretion in respect of the assessment of performance against the personal objectives and payments may be varied by the Committee in circumstances where it considers it warranted, including where financial results or business or personal performance are assessed as below the required levels.

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

Metric	Measurement
Safety	Executives with operational responsibility have a safety measure as part of their personal objectives. Safety is measured via the Brambles Injury Frequency Rate (BIFR). In addition to meeting BIFR targets, any work-related fatalities result in reductions in STI cash award payments for relevant executive.
Customer satisfaction	Customer satisfaction is measured through Net Promoter Score (NPS).
Employee engagement	Brambles conducts a global Employee Engagement Survey every two years, with Pulse surveys being conducted in the interim years.
Business strategy and growth objectives	Strategic objectives are set for each Disclosable Executive which support and are aligned with the achievement of Brambles' overall business strategy (see Section 3.4).

4.3 LTI Share Awards

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

In all cases, the face value (see Section 1.2) of Brambles shares is used to determine the number of LTI share awards granted.

4.3.1 LTI Share Award Performance Conditions

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

4.3.2 Sales Revenue CAGR/ROCI LTI Performance Matrix for FY18 to FY20³

The following table is the sales revenue CAGR/ROCI matrix for LTI share awards made during the Year. The matrix encompasses the entire Brambles Group and the applicable Performance Period is FY18-20. As a policy principle, the Committee takes into account major acquisitions or divestments during a Performance Period in determining the final outcome of the sales revenue CAGR/ROCI matrix for that period. Where there are acquisitions or divestments that are not material to the overall outcome, these are excluded from any performance assessment.

Vesting %	ROCI		
Sales revenue CAGR ⁴	15%	16%	18%
3%	-	30%	50%
4%	30%	50%	70%
5%	50%	70%	90%
6%	70%	90%	100%
7%	90%	100%	100%

A sales revenue CAGR of 5.0% and a ROCI outcome of 16% would provide vesting of 70%. A half point vesting scale applies between the respective sales revenue and ROCI hurdles. For example, a sales revenue CAGR of 4.0% and a ROCI outcome of 17% would provide vesting of 60%.

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

⁴ Three-year CAGR over base year is used.

Directors' Report – 2018 Remuneration Report – continued

4.3.3 Performance of LTI Share Awards under the 2006 Share Plan

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

Level of Vesting of LTI Share Awards based on TSR performance

Awards made during	Performance condition	Start of Performance Period	Out-performance of median company's TSR ⁵	Vesting triggered (% of original award): period to 30 June 2018
FY14	Relative TSR	1 July 2013	35.89 percentage points	100% LTI TSR award
FY15	Relative TSR	1 July 2014	16.81 percentage points	0.0% LTI TSR award
FY16	Relative TSR	1 July 2015	(7.53) percentage points	0.0% LTI TSR award

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

Awards made during	Performance condition	Start of Performance Period	Out-performance of median company's TSR (%)	Period to 30 June 2018: vesting if current performance is maintained until earliest testing date (% of original award)
FY17	Relative TSR	1 July 2016	(20.14) percentage points	0.0% LTI TSR awards
FY18	Relative TSR (ASX100)	1 July 2017	N/A ⁶	50.0% LTI TSR awards
FY18	Relative TSR (MSCI)	1 July 2017	N/A ⁶	0.0% LTI TSR awards

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

Awards made during	Performance condition	Start of Performance Period	Vesting triggered (% of original award): prior period and period to 30 June 2018
FY14	Sales revenue CAGR/BVA	1 July 2013	50.0% of LTI sales revenue CAGR/BVA awards
FY15	Sales revenue CAGR/BVA	1 July 2014	40.0% of LTI sales revenue CAGR/BVA awards
FY16	Sales revenue CAGR/BVA	1 July 2015	50.0% of LTI sales revenue CAGR/BVA awards

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

Awards made during	Performance condition	Start of Performance Period	Period to 30 June 2018: vesting if current performance is maintained until earliest testing date (% of original award)
FY17	Sales revenue CAGR/BVA	1 July 2016	0.0% LTI sales revenue CAGR/BVA awards
FY18	Sales revenue CAGR/ROCI	1 July 2017	80.0% LTI sales revenue ROCI awards

Total Level of Vesting of LTI Share Awards

The combined vesting of the two LTI share award components for 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)
FY14	1 July 2013	30 June 2016	75.0%
FY15	1 July 2014	30 June 2017	20.0%
FY16	1 July 2015	30 June 2018	25.0%

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

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

Directors' Report – 2018 Remuneration Report – continued

4.4 Summary of STI and LTI share awards

The table below contains details of the STI and LTI awards granted in which former or current Disclosable Executives have unvested and/or unexercised awards that could affect remuneration in this or future reporting periods. The awards in bold relate to targets which were relevant to vesting during the Year. STI and LTI share awards do not have an exercise price and carry no dividend or voting rights.

Details pertaining to the MyShare plan are in Section 5.

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

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

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

Directors' Report – 2018 Remuneration Report – continued

5. Employee Share Plan

Brambles' employee share plan, MyShare, was launched in October 2008 and was developed as a vehicle to encourage share ownership and retention across the Group. Employees may buy up to A\$5,000 of shares each year (Acquired Shares), which the Company matches (Matching Shares) on a one-for-one basis after a two-year qualifying period. There is automatic vesting of Matching Shares on the second anniversary of the first acquisition.

Under the MyShare program, Brambles has over 4,385 participants who held 3,738,807 Brambles shares in total at 30 June 2018. Disclosable Executives are eligible to participate in MyShare. 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, 1,012,731 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\$9.55 per share. The accounting share value at grant ranged from A\$8.92 to A\$10.07 based on the monthly share price value. For further details of the share grant values, refer to Note 21 of the Financial Report.

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

Plan	Grant date	Expiry date	Value at grant	Matching Shares/vesting date
MyShare 2016 ⁷	Each month from 31 March 2016 to 28 February 2017	1 April 2018	Values range per month from A\$8.79 to A\$12.72	100% vested on 31 March 2018
MyShare 2017 ⁸	Each month from 31 March 2017 to 28 February 2018	1 April 2019	Values range per month from A\$8.58 to A\$9.97	31 March 2019
MyShare 2018 ⁹	Each month from 31 March 2018 to 31 July 2018	1 April 2020	Values range per month from A\$8.47 to A\$9.57	31 March 2020

⁷ The Matching Share 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.

⁸ The Matching Share granted under MyShare vest on 31 March 2019, subject to continuing employment and the retention of the associated Acquired Shares. On vesting they are automatically exercised.

⁹ The plan "2018 MyShare" ends on 28 February 2019. For FY18 reporting purposes, data is only available up to 31 July 2018. The remaining information will be reported in the 2019 Annual Report. The Matching Shares granted under MyShare vest on 31 March 2020, subject to continuing employment and the retention of the associated Acquired Shares. On vesting they are automatically exercised.

Directors' Report – 2018 Remuneration Report – continued

6. Executive Directors and Disclosable Executives

6.1 Executive Director Changes

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

6.2 Other Disclosable Executive Changes

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

- Laura Nador, President, CHEP Pallets, North America, from 1 January 2018 when she was appointed to the ELT;
- Michael Pooley, President, CHEP Pallets Europe, Middle East & Africa; and
- Wolfgang Orgeldinger, Group President, RPCs.

There have been no changes to the Key Management Personnel after the reporting date and before the date of signing this report.

6.3 Service Contracts

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

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

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

Details of Disclosable Executive's 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 2017	Base salary at 30 June 2018
Disclosable Executives		
G Chipchase , Chief Executive Officer	£1,100,000	£1,133,000
N O'Sullivan , Chief Financial Officer ¹⁰	A\$1,061,000	£635,000
L Nador , President, CHEP Pallets, North America (ELT from 1 Jan 2018)	-	US\$415,000
W Orgeldinger , Group President, RPCs	€670,000	€670,000
M Pooley , President, CHEP Pallets Europe, Middle East & Africa	£306,000	£317,000

¹⁰ N O'Sullivan relocated from Brambles' Sydney office to the London office on 1 March 2018, when her salary was redenominated in Pounds Sterling. Her base salary at 30 June 2017 in Pounds Sterling (using the 30 June 2017 exchange rate) was £628,324.

Directors' Report – 2018 Remuneration Report – continued

6.4 Total Remuneration & Benefits for the Year

The purpose of the table below is to enable shareholders to understand the actual remuneration received by Disclosable Executives. The table provides a summary of the actual remuneration, before equity, received or receivable by the Disclosable Executives for the Year, together with prior year comparatives. Income derived from the vesting of shares during the Year has been included below as "Actual share income". The value shown is the market value at the time the income became available to the executive. These awards were granted in prior financial years and vested in September 2017.

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

Please note that the FY17 amounts shown for Graham Chipchase, Nessa O'Sullivan and Michael Pooley reflect part-year amounts relating to the dates of their commencement as employees (for Graham Chipchase and Nessa O'Sullivan) and when he became a Disclosable Executive (for Michael Pooley). No FY17 amount is shown for Laura Nador as she was not a Disclosable Executive during the Year.

US\$'000	Short-term employee benefits				Post-employment benefits	Other			Actual share income	
		Cash / salary / fees	Cash bonus	Non-monetary benefits ¹¹	Super-annuation	Termination / sign-on payments / retirement benefits	Other ¹²	Total before equity	STI/LTI MyShare awards	Total
Name	Year									
Executive Directors										
G Chipchase ^{13,14}	FY18	1,753	674	19	-	-	14	2,460	-	2,460
	FY17	817	196	115	-	-	9	1,137	-	1,137
N O'Sullivan ^{13,14}	FY18	1,064	389	41	20	-	-	1,514	1	1,515
	FY17	644	163	9	26	-	38	880	-	880
Current Disclosable Executives										
L Nador	FY18	216	40	1	10	-	8	275	43	318
	FY17	-	-	-	-	-	-	-	-	-
W Orgeldinger ¹³	FY18	801	492	40	9	-	6	1,348	487	1,835
	FY17	731	427	32	8	-	5	1,203	835	2,038
M Pooley ^{13,14}	FY18	495	159	14	63	-	2	733	57	790
	FY17	154	27	3	19	-	1	204	125	329
Totals	FY18	4,329	1,754	115	102	-	30	6,330	588	6,918
	FY17	2,346	813	159	53	-	53	3,424	960	4,384

¹¹ This includes car parking, tax support, club membership, fringe benefit tax and for N O'Sullivan includes relocation costs from Sydney to London.

¹² This includes health and salary continuance insurance.

¹³ The year-on-year comparison of remuneration is affected by the movement of exchange rates from A\$1=US\$0.7540, €1=US\$1.0950 and £1=US\$1.2732 for FY17 and A\$1=US\$0.7726, €1=US\$1.1950 and £1=US\$1.3465 for FY18.

¹⁴ For FY17 totals G Chipchase, N O'Sullivan and M Pooley reflects a partial year, whereas FY18 reflects the full-year.

Directors' Report – 2018 Remuneration Report – continued

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 PSP, the terms and conditions of which are set out in Section 3. MyShare Matching Shares were made under MyShare, the terms and conditions of which are set out in Section 5. Approval for the issue of the STI and LTI share awards granted to Graham Chipchase and Nessa O'Sullivan was obtained under ASX Listing Rule 10.14.

Name	Type of award	Number	Value at grant US\$'000 ¹⁵
Executive Directors			
G Chipchase	STI	27,740	203
	LTI	257,884	1,884
	MyShare Matching Shares	558	4
	Totals	286,182	2,091
N O'Sullivan	STI	23,131	169
	LTI	147,428	1,077
	MyShare Matching Shares	142	1
	Totals	170,701	1,247
Current Disclosable Executives			
L Nador	STI	3,569	26
	LTI	51,225	374
	MyShare Matching Shares	520	4
	Totals	55,314	404
W Orgeldinger	STI	62,699	458
	LTI	53,864	393
	MyShare Matching Shares	562	4
	Totals	117,125	855
M Pooley	STI	11,417	83
	LTI	55,181	403
	MyShare Matching Shares	602	4
	Totals	67,200	490

¹⁵ The total value of the relevant equity award(s) is valued as at the date of grant using the methodology set out in Section 1.2. 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.

Directors' Report – 2018 Remuneration Report – continued

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.^{16,17}

Ordinary shares	Balance at the start of the Year	Changes during the Year	Balance at the end of the Year
Executive Directors			
G Chipchase	7,375	24,570	31,945
N O'Sullivan	163	215	378
Current Disclosable Executives			
L Nador	5,197	531	5,728
W Orgeldinger	1,317	845	2,162
M Pooley	490	808	1,298

6.7 Interests in Share Rights¹⁸

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

	Balance at the start of the Year	Granted during the Year	Exercised during the Year	Lapsed during the Year	Balance at the end of the Year	Vested and exercisable at the end of the Year	Value at exercise
Name	Number	Number	Number	Number	Number	Number	US\$'000
Executive Directors							
G Chipchase	168,607	286,182	-	-	454,789	-	-
N O'Sullivan	103,014	170,701	(118)	-	273,597	-	1
Current Disclosable Executives							
L Nador	34,292	55,314	(5,950)	-	83,656	3,200	43
W Orgeldinger	351,855	117,125	(395)	(37,363)	431,222	157,994	3
M Pooley	41,230	67,200	(350)	-	108,080	6,906	3

¹⁶ On 31 July 2018, the following Disclosable Executives acquired ordinary shares under MyShare, which are held by AET Structured Finance Services Pty Limited: G Chipchase (44), N O'Sullivan (44), L Nador (41), W Orgeldinger (44) and M Pooley (44).

On 31 July 2018, the following Disclosable Executives received Matching Awards under MyShare: G Chipchase (44), N O'Sullivan (44), L Nador (41), W Orgeldinger (44) and M Pooley (44).

¹⁷ N O'Sullivan, W Orgeldinger and M Pooley: All of their shares are held by AET Structured Finance Services Pty Limited.

G Chipchase: Of which 17,200 shares are held by Rathbones Nominees Ltd, 14,000 shares are held by Rathbones Investment Management Ltd and 745 shares are held by AET Structured Finance Services Pty Limited.

L Nador: Of which 3,773 shares are held by L Nador and 1,955 shares are held by AET Structured Finance Services Pty Limited.

¹⁸ Of the awards detailed in Section 4.3, the following plans' items are relevant to Disclosable Executives: G Chipchase, N O'Sullivan, L Nador, W Orgeldinger, M Pooley (STI, LTI TRS, LTI 17-19 BVA, LTI 18-20 ROCI, MyShare 2017 and 2018); W Orgeldinger (LTI 15-17 BVA, LTI 16-18 BVA); M Pooley (STI) sign-on awards; and N O'Sullivan, W Orgeldinger, M Pooley (MyShare 2016).

Lapses occurred for: W Orgeldinger (LTI TSR / LTI 15- 17 BVA).

Exercises occurred for: N O'Sullivan, W Orgeldinger, M Pooley (MyShare 2016).

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

²⁰ During the Year, 2,330,059 equity-settled performance share rights were granted under the PSP, of which 285,624 were granted to G Chipchase and 170,559 were granted to N O'Sullivan. 1,014,122 Matching Awards were granted under MyShare during the Year, of which 558 were granted to G Chipchase and 142 were granted to N O'Sullivan. Approval for these issues of securities to G Chipchase and N O'Sullivan was obtained under ASX Listing Rule 10.14.

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

Directors' Report – 2018 Remuneration Report – continued

7. Non-Executive Directors' Disclosures

7.1 Non-Executive Directors' Remuneration Policy

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

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

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

During the annual fee review carried out in FY17, the Board determined there would be no increase to the Chairman's and Non-Executive Directors' fees. The FY18 annual reviews of the Chairman's and Non-Executive Directors' fees also determined that, taking into account the prevailing economic circumstances, there would also be no increase to their respective fees for FY19.

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

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

The following travel allowances and Committee membership fees were also 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; and
- 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 2019.

7.2 Non-Executive Directors' Appointment Letters

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

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

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

7.3 Non-Executive Directors' Shareholdings

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

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

Ordinary shares	Balance at the start of the Year	Changes during the Year	Balance at the end of the Year
Current Non-Executive Directors			
G El-Zoghbi	35,000	-	35,000
E Fagan	-	-	-
A G Froggatt	14,890	-	14,890
D P Gosnell	22,910	-	22,910
T Hassan	15,000	-	15,000
S P Johns	58,156	1,565	59,721
S C H Kay	18,877	-	18,877
B Long	24,000	-	24,000
S Perkins	20,000	-	20,000
Former Non-Executive Directors			
C Cross	15,000	-	15,000

²² G El-Zoghbi: Held by The George El-Zoghbi Trust Agreement on behalf of George El-Zoghbi.

A G Froggatt: Of which 7,000 shares were held by Christine Joanne Froggatt and 7,890 shares were held by Anthony Grant Froggatt.

D P Gosnell: Held by Charles Stanley & Co Australia in the name of Susan Gosnell.

T Hassan: Held by RBC Dexia Custodian on behalf of Tahira Hassan.

S P Johns: Of which 37,944 ordinary shares held by Canzak Pty Ltd and 21,777 ordinary shares held by Caran Pty Limited.

S C H Kay: Of which 8,477 ordinary shares held by Sarah Carolyn Kay & Simon Swaney <CAROLYN KAY SUPER FUND A/C>; 4,900 ordinary shares held by Sarah Carolyn Hailes Kay and 5,500 ordinary shares held by Carolyn Kay <SUPERANNUATION FUND A/C>.

B Long: Of which 20,000 ordinary shares held by BJ Long Investments Pty Limited ATF BJ Long Super Fund A/C and 4,000 ordinary shares held by BJ Long Investments Pty Limited ATF.

S Perkins: Held by Perkins Family Super Pty Ltd ATF Perkins Family S/F A/C.

C Cross: Held by Christine Cross. The "Balance at the end of the Year" is as at 31 August 2017; she ceased to be a Brambles director after that date.

Directors' Report – 2018 Remuneration Report – continued

7.4 Non-Executive Directors' Remuneration for the Year

Fees and other benefits provided to Non-Executive Directors during the Year and the prior year are set out in Table 7.4.1 below in US dollars. The full names of the Non-Executive Directors and the dates of any changes in Non-Executive Directors during the Year are shown in the Directors' Report – Other Information on page 43. Non-Executive Directors do not receive any share-based payments.

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

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

US\$'000		Short-term employee benefits	Post-employment benefits		
Name	Year	Directors' fees	Superannuation	Other ²³	Total ²⁴
CURRENT NON-EXECUTIVE DIRECTORS					
G El-Zoghbi ²⁵	FY18	169	8	12	189
	FY17	176	8	38	222
E Fagan	FY18	13	1	-	14
	FY17	-	-	-	-
A G Froggatt ²⁵	FY18	186	18	12	216
	FY17	186	17	29	232
D Gosnell ²⁵	FY18	173	8	3	184
	FY17	168	8	8	184
T Hassan ²⁵	FY18	169	8	-	177
	FY17	176	8	8	192
S P Johns ²⁵	FY18	453	43	29	525
	FY17	446	42	47	535
S C H Kay ²⁵	FY18	165	16	11	192
	FY17	165	15	13	193
B J Long ²⁵	FY18	193	18	12	223
	FY17	192	18	29	239
S Perkins ²⁵	FY18	165	16	-	181
	FY17	165	15	-	180
FORMER NON-EXECUTIVE DIRECTORS					
C Cross ²⁶	FY18	31	1	-	32
	FY17	168	8	-	176
Totals	FY18	1,717	137	79	1,933
	FY17	1,842	139	172	2,153

²³ "Other" includes car parking, tax services, spouse expenses and Fringe Benefits Tax.

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

²⁵ The year-on-year comparison of remuneration is affected by the movement of exchange rates from A\$1=US\$0.7540, €1=US\$1.0950 and £1=US\$1.2732 for FY17 and A\$1=US\$0.7726, €1=US\$1.1950 and £1=US\$1.3465 for FY18.

²⁶ Christine Cross retired on 31 August 2017.

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 remuneration arrangements for other senior executives.

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

During the Year, members of the Committee were Tony Froggatt (Committee chairman), Stephen Johns, Tahira Hassan, George El-Zoghbi and Christine Cross (up to 31 August 2017). Other individuals are invited to attend Committee meetings as required by the Committee. This includes members of Brambles' management team including the CEO, Group Senior Vice President of Human Resources, Group Vice President, Legal & Secretariat and Company Secretary and Group Vice President of Remuneration & Benefits, as well as Brambles' external remuneration advisor, EY.

During the Year, the Committee held 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 share awards granted under the incentive arrangements described above. That policy prohibits designated persons (including all Disclosable Executives) from acquiring financial products or entering into arrangements that have the effect of limiting exposure to the risk of price movements of Brambles' securities.

It is a term of senior executives' employment contracts that they are required to comply with all Brambles policies (including the Securities Trading Policy). Management declarations are obtained twice yearly and include a statement that executives have complied with all policies.

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

8.3 Remuneration Advisor

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

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

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

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

Directors' Report – 2018 Remuneration Report – continued

8.4 Share-Based Payments – Future Potential

The table below provides annual accounting values for shares granted during years 2016-2018, which have been amortised over three years. These share awards are subject to conditions set out in Section 4. Remuneration will normally not be received as a result of the underlying share awards vesting until the conditions have been met.

US\$'000			Share-based payment		
Name	Year	Total before equity	Awards	Share of FY18 total remuneration	Total
Executive Directors					
G Chipchase	FY18	2,460	529	18%	2,989
	FY17	1,137	55	5%	1,192
N O'Sullivan	FY18	1,514	227	13%	1,741
	FY17	880	90	9%	970
Current Disclosable Executives					
L Nador	FY18	275	118	30%	393
	FY17	-	-	-	-
W Orgeldinger	FY18	1,348	687	34%	2,035
	FY17	1,203	788	40%	1,991
M Pooley	FY18	733	175	19%	908
	FY17	204	176	46%	380
Totals	FY18	6,330	1,736		8,066
	FY17	3,424	1,109		4,533

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 2018 (the Year).

Principal Activities

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

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

There were no significant changes in the nature of the Group's principal activities during the Year.

Review of Operations and Results

A review of the Group's operations and of the results of those operations are given in the Letters from the Chairman and the CEO and the Operating & Financial Review from pages 4 to 18.

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 118.

Significant Changes in State of Affairs

On 11 August 2017, Brambles announced its intention to divest its North American recycled whitewood business, CHEP Recycled. The divestment of CHEP Recycled was completed on 14 February 2018. On 12 April 2018, Brambles announced the entry into and completion of an agreement to divest its 50% interest in the Hoover Ferguson Group joint venture to its co-venturer.

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

Matters since the End of the Financial Year

On 24 August 2018, Brambles announced that following a strategic review, it had decided to pursue a separation of its IFCO RPC business. Full details of this decision are in the Letters from the Chairman and CEO on pages 4 and 5. The Directors are not aware of any other matter or circumstance that has arisen since 30 June 2018 up to the date of this report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Business Strategies and Prospects for Future Financial Years

The business strategies and prospects for future financial years, together with likely developments in the operations of the Group in future financial years and the expected results of those operations known at the date of this report, are set out in the Letters from the Chairman and the CEO, and Operating & Financial Review on pages 4 to 18.

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

Dividends

The Directors have declared a final dividend for the Year of 14.5 Australian cents per share, which will be 30% franked. The dividend will be paid on 11 October 2018 to shareholders on the register on 12 September 2018.

On 12 April 2018, an interim dividend for the Year was paid, which was 14.5 Australian cents per share and 30% franked. On 12 October 2017, a final dividend for the year ended 30 June 2017 was paid, which was 14.5 Australian cents per share and 30% franked.

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

Directors

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

The qualifications, experience and special responsibilities of Directors are set out on pages 19 to 21.

Graham Andrew Chipchase	1 July 2017 to date
Christine Cross	1 July 2017 to 31 August 2017
George El Zoghbi	1 July 2017 to date
Elizabeth Fagan	1 June 2018 to date
Anthony Grant Froggatt	1 July 2017 to date
David Peter Gosnell	1 July 2017 to date
Tahira Hassan	1 July 2017 to date
Stephen Paul Johns	1 July 2017 to date
Sarah Carolyn Hailes Kay	1 July 2017 to date
Brian James Long	1 July 2017 to date
Nessa O'Sullivan	1 July 2017 to date
Scott Redvers Perkins	1 July 2017 to date

Secretary

Details of the qualifications and the experience of Robert Nies Gerrard, Group Vice President, Legal & Secretariat and Company Secretary of Brambles Limited, are set out on page 22.

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

Indemnities

Under its constitution, to the extent permitted by law, Brambles Limited indemnifies each person who is, or has

Directors' Report – Other Information – continued

been, a Director or Secretary of Brambles Limited against any liability which results from facts or circumstances relating to the person serving or having served in the capacity of Director, Secretary, other officer or employee of Brambles Limited or any of its subsidiaries, other than:

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

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

The indemnity given by Brambles Limited excludes the following matters:

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

indemnity is revoked by Brambles Limited in accordance with the terms of the indemnity; and

- any Loss to the extent it is caused by or arises from any breach by the Beneficiary of the terms of the indemnity.

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

Employees

The 2018 Sustainability Review, which will be available on Brambles' website in September 2018, will contain details of Brambles' performance as an employer.

Environment

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

Brambles has set environmental performance targets as part of its sustainability strategy. Reporting of performance against those targets will be contained in Brambles' 2018 Sustainability Review, which will be available on the Brambles website in September 2018. A copy of the complete Environmental Policy is set out in Brambles' Code of Conduct, which is available at www.brambles.com

Occupational Health and Safety

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

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

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

Health and safety performance indicators measure compliance with corporate objectives and milestones, allow assessment of progress and provide incentives for improvement. The Operating & Financial Review on page 10 sets out the performance of the Group against its principal performance indicator, the Brambles Injury Frequency Rate. More detailed reporting on health and safety performance will be shown in the 2018 Sustainability Review, which will be available on Brambles' website in September 2018.

Directors' Report – Other Information – continued

Directors' Meetings

Details of Board Committee memberships are given in the Directors' biographies on pages 19 to 21. The following table shows the actual Board and Committee meetings held during the Year and the number attended by each Director or Committee member.

Directors	Board meetings									
	Regular ¹		Special Committees		Audit Committee meetings		Remuneration Committee meetings		Nominations Committee meetings	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
G A Chipchase	11	11	2	2	-	-	-	-	-	-
G El Zoghbi	11	11	-	-	-	-	6	6	-	-
E Fagan	1	1	-	-	-	-	-	-	-	-
A G Froggatt	11	11	-	-	-	-	6	6	5	5
D P Gosnell	10	11	-	-	5	6	-	-	5	5
T Hassan	11	11	-	-	-	-	6	6	-	-
S P Johns	11	11	2	2	-	-	6	6	-	-
S C H Kay	11	11	1	1	6	6	-	-	5	5
B J Long	11	11	3	3	6	6	-	-	-	-
N O'Sullivan	11	11	3	3	-	-	-	-	-	-
S R Perkins	11	11	-	-	6	6	-	-	-	-
Former Director										
C Cross	1	1	-	-	-	-	3	3	-	-

- 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.

¹ Mr Gosnell did not attend one Board and Audit Committee meeting due to illness.

Directors' Report – Other Information – continued

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 2015.

Director	Listed company	Period directorship held
G A Chipchase	AstraZeneca plc	2012 to current
G El Zoghbi	The Kraft Heinz Company	April 2018 to current
E Fagan	None	-
A G Froggatt	Coca-Cola Amatil Limited	2010 to May 2017
D P Gosnell	Coats plc	2015 to July 2015
	Coats Group plc	2015 to current
T Hassan	Recall Holdings Limited	2013 to May 2016
S P Johns	Goodman Group:	
	Goodman Limited	2017 to current
	Goodman Funds Management Limited	2017 to current
S C H Kay	Scentre Group:	
	Scentre Group Limited	2016 to current
	Scentre Management Limited	2016 to current
	RE1 Limited	2016 to current
	RE2 Limited	2016 to current
B J Long	Commonwealth Bank of Australia	2010 to current
	OneMarket Limited	June 2018 to current
	Ten Network Holdings Limited	2010 to July 2016
N O'Sullivan	None	-
S R Perkins	Woolworths Limited	2014 to current
	Origin Energy Limited	2015 to current

Environmental Regulation

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

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

Corporate Governance Statement

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

During the Year, the Board believes Brambles met or exceeded all the requirements of the Australian Securities Exchange Corporate Governance Council Corporate Governance Principles and Recommendations, Third Edition. Brambles' 2018 Corporate Governance Statement is on Brambles' website at www.brambles.com/corporate-governance-overview.

Interests in Securities

Pages 38 and 39 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 20 and 21 of the Financial Report on pages 86 to 88.

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:

- 87,502 grants under the 2018 MyShare offer;

- 24,529 exercises resulting in the issue of fully paid ordinary shares: 3,634 under the 2017 MyShare offer; 19,483 under the PSP STI award; and
- 110,552 lapses: 13,800 under the 2017 MyShare offer; 10,121 under the 2018 MyShare offer; 7,854 under PSP STI awards; 39,388 under the PSP TSR LTI awards; 10,240 under the PSP FY17-FY19 BVA LTI award; 29,149 under the PSP FY18-FY20 ROCI 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 pages 12 to 13 in the Operating & Financial Review and in Principle 7 of Brambles' 2018 Corporate Governance Statement which is available on the Brambles website.

Treasury Policies

A discussion of the implementation of treasury policies and mitigation of treasury risks can be found on page 14 in the Operating & Financial Review.

Non-Audit Services and Auditor Independence

The amount of US\$0.082 million was paid or is payable to PwC, the Group's auditors, for non-audit services provided during the Year by them (or another person or firm on their behalf). These services primarily related to compliance projects and tax consulting advice.

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

The auditors have also provided the Audit Committee with a letter confirming that, in their professional judgement, as at 10 August 2018 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.

Directors' Report – Other Information – continued

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 117.

Annual General Meeting

The AGM will be held at 2.00pm (AEDT) on 23 October 2018 at Ballroom 1, The Westin Sydney, 1 Martin Place, Sydney, NSW 2000.

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



Stephen Johns

Chairman



Graham Chipchase

Chief Executive Officer

24 August 2018

Shareholder Information

Stock Exchange Listing

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

Uncertificated Forms of Shareholding

Brambles' ordinary shares are held in uncertificated form.

There are two types of uncertificated holdings:

Issuer Sponsored Holdings: This type of holding is recorded on a subregister of the Brambles share register, maintained by Brambles. If your holding is recorded on the issuer sponsored subregister, you will be allocated a Securityholder Reference Number, or SRN, which is a unique number used to identify your holding of ordinary shares in Brambles.

Broker Sponsored Holdings: This type of holding is recorded on the main Brambles share register. Shareholders who are sponsored by an ASX market participant broker will be allocated a Holder Identification Number or HIN. One HIN can relate to an investor's shareholdings in multiple companies. For example, a shareholder with a portfolio of holdings which are managed by a broker would have the same HIN for each shareholding.

American Depository Receipts

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

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 inside back cover of this 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 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 inside back cover of this Annual Report.

Annual General Meeting

The Brambles Limited 2018 AGM will be held at 2.00pm (AEDT) on 23 October 2018 at Ballroom 1, The Westin Sydney, 1 Martin Place, Sydney, NSW 2000.

Financial Calendar

Final Dividend 2018

Ex-dividend date – Wednesday, 12 September 2018

Record date – Thursday, 13 September 2018

Payment date – Thursday, 11 October 2018

2019 (Provisional)

Announcement of interim results – mid-February 2019

Interim dividend – mid-April 2019

Announcement of final results – mid-August 2019

Final dividend – mid-October 2019

AGM – October 2019

Company Secretary

R N Gerrard

C Thuaux

Analysis of Holders of Equity Securities as at 31 July 2018

Substantial Shareholders

Brambles has been notified of the following substantial shareholdings:

Holder	Number of ordinary shares	% of issued ordinary share capital ¹
Blackrock Group	79,734,871	5.01
Commonwealth Bank of Australia	99,603,571	6.26
Massachusetts Financial Services Company ("MFS") on behalf of Sun Life Financial Inc.	102,817,589	6.46
Schroder Investment Management Australia Limited	82,724,920	5.21

Number of Ordinary Shares on Issue and Distribution of Holdings

	Holders	Shares
1 – 1,000	34,337	16,268,152
1,001 – 5,000	33,774	77,866,936
5,001 – 10,000	5,777	40,651,328
10,001 – 100,000	3,273	67,256,114
100,001 and over	127	1,389,879,696
Total	77,288	1,591,922,226

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

Shareholder Information – continued

The number of members holding less than a marketable parcel of 50 ordinary shares (based on a market price of A\$9.88 on 31 July 2018) is 1,725 and they hold a total of 26,993 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	1,943	709,403
1,001 – 5,000	1,171	1,715,224
5,001 – 10,000	38	283,380
10,001 – 100,000	92	3,047,188
100,001 and over	11	2,625,300
Total	3,255	8,380,495

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	685,358,597	43.05
J P MORGAN NOMINEES AUSTRALIA LIMITED	320,230,559	20.12
NATIONAL NOMINEES LIMITED	106,152,328	6.67
CITICORP NOMINEES PTY LIMITED	85,135,256	5.35
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	34,174,431	2.15
BNP PARIBAS NOMS PTY LTD <DRP>	34,043,266	2.14
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	13,270,509	0.83
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	12,138,658	0.76
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	11,779,083	0.74
ARGO INVESTMENTS LIMITED	6,501,609	0.41
AMP LIFE LIMITED	5,256,213	0.33
BNP PARIBAS NOMS (NZ) LTD <DRP>	4,392,745	0.28
NATIONAL NOMINEES LIMITED <N A/C>	3,956,255	0.25
AET SFS PTY LTD <BRAMBLES - MYSHARE>	3,655,682	0.23
IOOF INVESTMENT MANAGEMENT LIMITED <IPS SUPER A/C>	3,414,370	0.21
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	2,856,174	0.18
CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	2,533,359	0.16
AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED	2,100,000	0.13
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	2,085,188	0.13
DJERRIWARRH INVESTMENTS LIMITED	1,998,365	0.13
Percentage of total holdings of 20 largest holders	1,341,032,647	84.24

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 on a resolution will be excluded on a vote on that resolution by a show of hands or on a poll. The Directors have determined that votes cast by members who submit a direct vote will be included on a vote by a poll, being one vote for each ordinary share held.

Voting Rights: Share Rights

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

Consolidated Financial Report

for the year ended 30 June 2018

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Consolidated Statement of Comprehensive Income

for the year ended 30 June 2018

	Note	2018 US\$m	2017 US\$m
Continuing operations			
Sales revenue	2	5,596.6	5,104.3
Other income		134.1	95.7
Operating expenses	3	(4,732.9)	(4,416.1)
Share of results of joint venture	2	(11.8)	(12.5)
Operating profit		986.0	771.4
Finance revenue		28.6	30.1
Finance costs		(133.4)	(128.8)
Net finance costs	5	(104.8)	(98.7)
Profit before tax		881.2	672.7
Tax expense	6A	(107.7)	(227.8)
Profit from continuing operations		773.5	444.9
Loss from discontinued operations	10B	(26.4)	(262.0)
Profit for the year attributable to members of the parent entity		747.1	182.9
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit pension plans		17.8	(11.6)
Income tax (expense)/benefit on items that will not be reclassified to profit or loss	6A	(4.7)	1.9
		13.1	(9.7)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign subsidiaries	22A	(100.6)	35.3
Other comprehensive (expense)/income for the year		(87.5)	25.6
Total comprehensive income for the year attributable to members of the parent entity		659.6	208.5
Earnings per share (US cents)			
Total	7		
- basic		47.0	11.5
- diluted		46.8	11.5
Continuing operations			
- basic		48.6	28.0
- diluted		48.5	27.9

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

Consolidated Balance Sheet

as at 30 June 2018

	Note	2018 US\$m	2017 US\$m
Assets			
Current assets			
Cash and cash equivalents	24	180.2	159.7
Trade and other receivables	11	1,257.9	1,169.0
Inventories	12	60.3	56.8
Other assets	13	70.9	70.6
Assets classified as held for sale	10	-	136.0
Total current assets		1,569.3	1,592.1
Non-current assets			
Other receivables	11	50.4	189.5
Investments	9	-	20.8
Property, plant and equipment	14	5,139.7	4,861.1
Goodwill and intangible assets	15	1,022.8	1,028.1
Deferred tax assets	6C	38.2	42.6
Other assets	13	18.1	13.5
Total non-current assets		6,269.2	6,155.6
Total assets		7,838.5	7,747.7
Liabilities			
Current liabilities			
Trade and other payables	16	1,465.6	1,243.5
Borrowings	18	91.2	673.4
Tax payable		61.8	72.5
Provisions	17	65.9	79.0
Liabilities classified as held for sale	10	-	56.0
Total current liabilities		1,684.5	2,124.4
Non-current liabilities			
Borrowings	18	2,397.1	2,059.0
Provisions	17	12.6	25.1
Retirement benefit obligations	19	29.7	51.6
Deferred tax liabilities	6C	550.9	639.7
Other liabilities	16	1.7	1.2
Total non-current liabilities		2,992.0	2,776.6
Total liabilities		4,676.5	4,901.0
Net assets		3,162.0	2,846.7
Equity			
Contributed equity	20	6,218.5	6,201.1
Reserves	22	(7,255.8)	(7,152.8)
Retained earnings	22	4,199.3	3,798.4
Total equity		3,162.0	2,846.7

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

Consolidated Cash Flow Statement

for the year ended 30 June 2018

	Note	2018 US\$m	2017 US\$m
Cash flows from operating activities			
Receipts from customers		6,582.4	6,224.5
Payments to suppliers and employees		(4,847.2)	(4,694.0)
Cash generated from operations		1,735.2	1,530.5
Interest received		14.9	12.5
Interest paid		(115.2)	(111.4)
Income taxes paid on operating activities		(211.9)	(220.4)
Net cash inflow from operating activities	24B	1,423.0	1,211.2
Cash flows from investing activities			
Payments for property, plant and equipment		(1,138.3)	(1,077.7)
Proceeds from sale of property, plant and equipment		139.4	111.2
Payments for intangible assets		(19.6)	(20.5)
Proceeds from disposal of businesses, net of cash disposed	10	102.2	160.1
Proceeds from joint venture loan receivable		150.0	-
Acquisition of subsidiaries, net of cash acquired		(3.9)	-
Net cash outflow from investing activities		(770.2)	(826.9)
Cash flows from financing activities			
Proceeds from borrowings		2,786.1	2,312.5
Repayments of borrowings		(3,027.0)	(2,365.4)
Net inflow from derivative financial instruments		26.6	23.7
Proceeds from issues of ordinary shares		-	1.6
Dividends paid	8	(352.0)	(348.0)
Net cash outflow from financing activities		(566.3)	(375.6)
Net increase in cash and cash equivalents		86.5	8.7
Cash and deposits, net of overdrafts, at beginning of the year		112.7	115.2
Effect of exchange rate changes		(27.9)	(11.2)
Cash and deposits, net of overdrafts, at end of the year	24A	171.3	112.7

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

Cash flows for CHEP Recycled have been included up to the date of divestment in 2018. The comparative cash flows remain unchanged.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2018

	Note	Contributed equity US\$m	Reserves US\$m	Retained earnings US\$m	Total US\$m
Year ended 30 June 2017					
Opening balance as at 1 July 2016		6,173.3	(7,191.5)	3,973.3	2,955.1
Profit for the year		-	-	182.9	182.9
Other comprehensive income/(expense)		-	35.3	(9.7)	25.6
Total comprehensive income		-	35.3	173.2	208.5
Share-based payments:	21				
- expense recognised		-	29.7	-	29.7
- shares issued		-	(26.2)	-	(26.2)
- equity component of related tax		-	(0.1)	-	(0.1)
Transactions with owners in their capacity as owners:					
- dividends declared	8	-	-	(348.1)	(348.1)
- issues of ordinary shares, net of transaction costs	20	27.8	-	-	27.8
Closing balance as at 30 June 2017		6,201.1	(7,152.8)	3,798.4	2,846.7
Year ended 30 June 2018					
Opening balance as at 1 July 2017		6,201.1	(7,152.8)	3,798.4	2,846.7
Profit for the year		-	-	747.1	747.1
Other comprehensive income/(expense)		-	(100.6)	13.1	(87.5)
Total comprehensive income		-	(100.6)	760.2	659.6
Share-based payments:	21				
- expense recognised		-	15.9	-	15.9
- shares issued		-	(17.4)	-	(17.4)
- equity component of related tax		-	(0.5)	-	(0.5)
- transfer to retained earnings on divestment of CHEP Recycled		-	(0.4)	0.4	-
Transactions with owners in their capacity as owners:					
- dividends declared	8	-	-	(359.7)	(359.7)
- issues of ordinary shares, net of transaction costs	20	17.4	-	-	17.4
Closing balance as at 30 June 2018		6,218.5	(7,255.8)	4,199.3	3,162.0

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

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2018

Note 1. About this Report

A) Basis of Preparation

These financial statements present the consolidated results of Brambles Limited (ACN 118 896 021) (Company) and its subsidiaries (Brambles or the Group) for the year ended 30 June 2018. These financial statements have been authorised for issue in accordance with a resolution of the Directors on 24 August 2018.

References to 2018 and 2017 are to the financial years ended 30 June 2018 and 30 June 2017, respectively.

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

The financial statements and all comparatives have been prepared using the accounting policies disclosed throughout the financial statements, which are consistent with the prior year.

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.

On 9 January 2018, Brambles entered into an agreement to sell CHEP Recycled with the completion of the sale occurring on 14 February 2018. Comparative information has been reclassified, where appropriate, to enhance comparability.

B) Principles of Consolidation

The consolidated financial statements of Brambles include the assets, liabilities and results of Brambles Limited and all its subsidiaries. The consolidation process eliminates all intercompany accounts and transactions. The financial statements of subsidiaries are prepared using consistent accounting policies and for the same reporting period.

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

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

C) Presentation Currency

Brambles uses the US dollar as its presentation currency because:

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

D) Foreign Currency

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

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

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. Exchange differences arising on the translation of Brambles' overseas and Australian entities are recognised as a separate component of equity.

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

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 1. About this Report – continued

D) Foreign Currency – continued

The principal exchange rates affecting Brambles were:

		A\$:US\$	€:US\$	£:US\$
Average	2018	0.7726	1.1950	1.3465
	2017	0.7540	1.0950	1.2732
Year end	30 June 2018	0.7348	1.1564	1.3076
	30 June 2017	0.7686	1.1439	1.3008

E) Investment in Joint Ventures

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 entities are equity accounted. Under this method, Brambles' share of the post-acquisition profits or losses of the joint venture is recognised in profit or loss 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.

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

F) Other Income

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

G) Critical Accounting Estimates and Judgements

In applying its accounting policies, Brambles has made estimates and assumptions concerning the future, which may differ from the related actual outcomes.

Material estimates and judgements are found in the following notes:

- Income taxes (Note 6F)
- Irrecoverable Pooling Equipment Provision (IPEP) (Note 14D)
- Impairment of goodwill (Note 15D)

H) New Accounting Standards and Interpretations Not Yet Adopted

At 30 June 2018, certain new accounting standards and interpretations have been published that will become mandatory in future reporting periods.

A project team has been implemented to assess the impact of the new accounting standards relevant to Brambles' operations. This assessment process also includes identifying changes to internal and external reporting requirements, IT systems, business processes and associated internal controls with the aim of quantifying the expected impact of the new standards as well as supporting compliance with new accounting requirements. The project team has provided periodic updates to management, the Audit Committee and Brambles' auditors. New and amended accounting standards include:

- *AASB 9: Financial Instruments*

AASB 9 is applicable to Brambles from 1 July 2018. AASB 9 addresses the classification, measurement and derecognition of financial assets and liabilities, introduces a new expected credit loss model for the calculation of the impairment of financial assets and introduces new rules for hedge accounting.

Following a detailed assessment of the requirements of the standard, Brambles does not expect AASB 9 to have a material impact on the classification, measurement and derecognition of financial assets and liabilities, nor is it expected to have a material impact on Brambles' hedging relationships.

Under AASB 9, expected credit losses on financial assets are to be recorded either on a 12-month or lifetime basis. Brambles will apply the simplified approach and record lifetime expected credit losses on all eligible trade and other receivables. An adjustment to opening retained earnings will be made at 1 July 2017, with comparative 2018 balances restated; however, the expected impact of the revised methodology is not considered to be material as a result of the historically low level of bad debt.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 1. About this Report – continued

H) New Accounting Standards and Interpretations Not Yet Adopted – continued

- AASB 15: Revenue from Contracts with Customers

AASB 15 is applicable to Brambles from 1 July 2018. AASB 15 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.

Under the current accounting policy, revenue earned on issue of pooling equipment is recognised on issue, and revenue earned from daily hire is recognised over time.

Upon application of AASB 15, the services provided by Brambles will be deemed a single performance obligation relating to the provision of an end-to-end pooling solution. The issue and daily hire activities are not distinct services.

Where revenue is currently recognised on issue, a deferral will be required to allocate the revenue across the estimated period that the pooling equipment will be utilised in the market (referred to as cycle time). The estimated impact of deferring these issue fees is the recognition of a deferred revenue liability of US\$525.0 – US\$535.0 million at 30 June 2018. This is estimated to reduce annual sales revenue and Underlying Profit by US\$25.0 – US\$35.0 million for the year ended 30 June 2018, had this policy been applied.

Brambles expects to adopt the full retrospective approach to implementation whereby the comparative period is restated and the cumulative effect on initial application, as a result of the impact disclosed above, is adjusted through opening retained earnings at 1 July 2017.

The implementation project is ongoing and therefore all impacts are currently estimates which are subject to finalisation upon implementation. The project team has determined the IT system requirements and is in the process of finalising system testing, internal controls and implementation procedures.

The adoption of AASB 15 will result in increased disclosure requirements, which are in the process of being assessed.

- AASB 16: Leases

AASB 16 is applicable to Brambles from 1 July 2019. AASB 16 requires a lessee to recognise a lease liability representing its obligation to make future lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term.

The lease liability is initially measured at the present value of future lease payments for the lease term. This includes variable lease payments that depend on an index or rate, but excludes other variable lease payments. The right-of-use asset includes the lease liability, initial direct costs, restoration costs and any lease payments made before the commencement date of the lease.

Lessees are required to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lessees will be required to separately recognise interest expense on the lease liability and depreciation on the right-of-use asset rather than recognising an operating lease expense.

Upon application of AASB 16, key balance sheet metrics such as gearing and finance ratios, and profit or loss metrics such as earnings before interest, taxes, depreciation and amortisation (EBITDA) will be impacted. The cash flow statement will also be impacted as payments for the principal portion of the lease liability will be presented within financing activities.

The standard permits either a full retrospective or a modified retrospective approach on transition.

The project team has compiled all lease contracts impacted by AASB 16 and is in the process of computing the estimated lease liability and right-of-use assets to be recognised on transition (including modelling the impact of the two transition methods), as well as reviewing system requirements. This process will be finalised during 2019, followed by consideration of broader business impacts, ready for implementation in 2020.

Whilst considerable progress has been made to assess the impact of AASB 16, Brambles cannot reasonably estimate and quantify the impact of this standard. Brambles is still in the process of assessing the transition method to be adopted.

The adoption of AASB 16 will result in increased disclosure requirements, which are in the process of being assessed.

Brambles does not expect to adopt AASB 16 before its operative date.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 2. Segment Information

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

Brambles has five reportable segments:

- CHEP North America and Latin America (CHEP Americas);
- CHEP Europe, Middle East, Africa and India (CHEP EMEA);
- CHEP Australia, New Zealand and Asia, excluding India (CHEP Asia-Pacific) - each primarily comprising pallet and container pooling businesses in that region operating under the CHEP brand;
- IFCO – reusable plastic crates (RPCs) pooling businesses operating under the IFCO brand; and
- Corporate – corporate centre including BXB Digital and Hoover Ferguson Group (HFG), which is included in the results until divestment in April 2018.

Segment performance is measured on sales revenue, Underlying Profit, Cash Flow from Operations and Return on Capital Invested (ROCI). Underlying Profit is the main measure of segment profit. A reconciliation between Underlying Profit and operating profit is set out on page 61.

Segment sales revenue is measured on the same basis as in the statement of comprehensive income. 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 the period in which the service is provided.

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.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 2. Segment Information – continued

	Sales revenue		Cash Flow from Operations ¹	
	2018 US\$m	2017 US\$m	2018 US\$m	2017 US\$m
By operating segment				
CHEP Americas	2,195.3	2,073.5	219.1	218.9
CHEP EMEA	1,825.1	1,575.2	310.7	262.3
CHEP Asia-Pacific	475.1	484.8	110.8	111.6
IFCO	1,101.1	970.8	158.8	55.0
Corporate ²	-	-	93.0	(56.3)
Continuing operations	5,596.6	5,104.3	892.4	591.5
By geographic origin				
Americas	2,477.5	2,343.7		
Europe	2,364.8	2,030.6		
Australia	373.4	383.0		
Other	380.9	347.0		
Total	5,596.6	5,104.3		

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

² Cash Flow from Operations for the Corporate segment in 2018 includes receipt of the US\$150.0 million HFG loan (refer Note 9).

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 2. Segment Information – continued

	Operating profit ³		Significant Items before tax ⁴		Underlying Profit ⁴	
	2018 US\$m	2017 US\$m	2018 US\$m	2017 US\$m	2018 US\$m	2017 US\$m
By operating segment						
CHEP Americas	310.3	377.3	(40.3)	(17.8)	350.6	395.1
CHEP EMEA	452.0	375.1	(2.8)	(12.0)	454.8	387.1
CHEP Asia-Pacific	111.4	110.9	(0.3)	(1.2)	111.7	112.1
IFCO	173.2	116.7	36.7	(0.9)	136.5	117.6
Corporate ⁵	(60.9)	(208.6)	(4.0)	(154.2)	(56.9)	(54.4)
Continuing operations	986.0	771.4	(10.7)	(186.1)	996.7	957.5

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

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

⁵ Significant Items for the Corporate segment in 2017 included US\$120.0 million relating to the impairment of the HFG investment (refer Note 4).

Underlying Profit for the Corporate segment includes the following:

	2018 US\$m	2017 US\$m
Corporate costs	(33.5)	(31.6)
BXB Digital	(11.6)	(10.3)
HFG joint venture results	(11.8)	(12.5)
	(56.9)	(54.4)

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 2. Segment Information – continued

	Return on Capital Invested ⁶		Average Capital Invested ⁷	
	2018 US\$m	2017 US\$m	2018 US\$m	2017 US\$m
By operating segment				
CHEP Americas	16.5%	20.2%	2,118.7	1,958.7
CHEP EMEA	24.6%	24.7%	1,850.6	1,568.4
CHEP Asia-Pacific	25.5%	26.2%	438.2	427.8
IFCO	8.2%	7.4%	1,667.0	1,582.3
Corporate ⁸			98.2	109.2
Continuing operations	16.1%	17.0%	6,172.7	5,646.4

⁶ Return on Capital Invested (ROCI) is Underlying Profit divided by Average Capital Invested. ROCI is not disclosed for the Corporate segment as this is not deemed a relevant measure for this segment. ROCI for continuing operations includes the Corporate segment.

⁷ Average Capital Invested (ACI) is a 12-month average of capital invested. Capital invested is calculated as net assets before tax balances, cash and borrowings but after adjustment for pension plan actuarial gains and losses and net equity-settled share-based payments.

⁸ Given HFG was formed on 21 October 2016 and divested on 12 April 2018, the Corporate segment in 2018 and 2017 both include nine months impact of HFG balances, including the US\$150.0 million loan receivable and the investment. ACI at 30 June 2018 also includes US\$41.8 million HFG-related deferred consideration receivable from First Reserve (2017: US\$39.2 million), offset by pension plan actuarial gains and losses and net equity-settled share-based payments of US\$52.1 million (2017: US\$56.2 million).

	Capital expenditure ⁹		Depreciation and amortisation	
	2018 US\$m	2017 US\$m	2018 US\$m	2017 US\$m
By operating segment				
CHEP Americas	512.7	434.6	244.8	233.1
CHEP EMEA	428.6	321.6	166.6	145.1
CHEP Asia-Pacific	70.9	64.7	52.2	52.3
IFCO	180.0	200.5	115.2	95.6
Corporate	0.3	2.1	0.7	0.6
Continuing operations	1,192.5	1,023.5	579.5	526.7

⁹ Capital expenditure on property, plant and equipment is on an accruals basis.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 2. Segment Information – continued

	Segment assets		Segment liabilities	
	2018 US\$m	2017 US\$m	2018 US\$m	2017 US\$m
By operating segment				
CHEP Americas	2,506.4	2,389.1	415.7	330.1
CHEP EMEA	2,116.5	1,915.6	308.5	254.0
CHEP Asia-Pacific	518.5	525.9	86.2	85.5
IFCO	2,376.6	2,316.7	718.5	677.3
Corporate ¹⁰	83.3	245.5	46.6	49.6
Continuing operations	7,601.3	7,392.8	1,575.5	1,396.5
Discontinued operations	-	140.8	-	51.5
Total segment assets and liabilities	7,601.3	7,533.6	1,575.5	1,448.0
Cash and borrowings	180.2	160.1	2,488.3	2,740.8
Current tax balances	18.8	11.4	61.8	72.5
Deferred tax balances	38.2	42.6	550.9	639.7
Total assets and liabilities	7,838.5	7,747.7	4,676.5	4,901.0
Non-current assets by geographic origin¹¹				
Americas	2,889.1	2,778.8		
Europe	2,571.7	2,557.8		
Australia	304.2	308.9		
Other	457.9	459.3		
Total	6,222.9	6,104.8		

¹⁰ Segment assets for Corporate as at 30 June 2018 include US\$41.8 million deferred consideration receivable from First Reserve, relating to the former HFG investment. Segment assets for 2017 included the US\$150.0 million loan to HFG (repaid in April 2018), US\$39.2 million deferred consideration receivable from First Reserve and US\$20.8 million in relation to the investment in HFG (refer Note 9).

¹¹ Non-current assets exclude financial instruments of US\$8.1 million (June 2017: US\$8.2 million) and deferred tax assets of US\$38.2 million (June 2017: US\$42.6 million).

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 3. Operating Expenses – Continuing Operations

	2018 US\$m	2017 US\$m
Employment costs	731.1	717.7
Service suppliers:		
- transport	1,278.4	1,113.0
- repairs and maintenance	907.8	821.0
- subcontractors and other service suppliers	648.2	571.6
Raw materials and consumables ¹	234.0	222.9
Occupancy	150.4	150.0
Depreciation of property, plant and equipment	551.0	500.0
Impairment of investments (refer Note 4)	-	120.0
Irrecoverable pooling equipment provision expense	109.4	89.2
Amortisation of intangible asset	28.5	26.7
Net foreign exchange (gains)/losses	(4.8)	3.6
Other	98.9	80.4
	4,732.9	4,416.1

¹ Used primarily for the repair of pooling equipment.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 4. Significant Items – Continuing Operations

Significant Items are items of income or expense which are, either individually or in aggregate, material to Brambles or to the relevant business segment and:

- outside the ordinary course of business (e.g. gains or losses on the sale or termination of operations, the cost of significant reorganisations or restructuring); or
- part of the ordinary activities of the business but unusual due to their size and nature.

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

	2018 US\$m			2017 US\$m		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Items outside the ordinary course of business:						
- USA tax reform ¹	-	127.9	127.9	-	-	-
- impairment of HFG ²	-	-	-	(120.0)	-	(120.0)
- restructuring & integration costs ³	(12.1)	2.7	(9.4)	(65.3)	19.5	(45.8)
- change to accounting estimates and methodology ⁴	1.4	(2.3)	(0.9)	-	-	-
- acquisition-related costs	-	-	-	(0.8)	0.1	(0.7)
Significant Items from continuing operations	(10.7)	128.3	117.6	(186.1)	19.6	(166.5)

¹ The USA Government passed the Tax Cuts and Jobs Act in January 2018, which contains significant tax reform measures including a decrease in the USA federal corporate tax rate from 35% to 21%. Consequently, Brambles has recognised a one-time non-cash net benefit of US\$127.9 million to income tax expense during 2018, representing the estimated reduction in Brambles USA's net deferred tax liability.

² A non-cash impairment of US\$120.0 million was recognised in 2017 in relation to the HFG investment.

³ Restructuring and integration costs in 2018 primarily include costs relating to the completion of the One Better Program.

⁴ Further to a review of accounting estimations and methodologies across the Group, a number of changes as part of continuous improvements are reflected in the 2018 accounts. The impact of these revisions on the current financial year is a charge of US\$5.0 million, reflected in underlying earnings, and a US\$1.4 million credit relating to prior years is reflected in Significant Items within the relevant segments (refer Note 2). The CHEP Americas charge of US\$35.3 million mainly relates to a change in the methodology used to estimate cost to serve in Latin America reflecting changes to customer and retailer behaviour as well as the migration of pallet format in Canada to the US standard pallet in response to customer demand. The IFCO segment credit of US\$36.7 million reflects a change in accounting treatment to align the IFCO recognition of logistics costs with the methodology used across the Group. The prior period adjustments are not material to Group earnings or segment results in any of the prior periods to which they relate.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 5. Net Finance Costs – Continuing Operations

	2018 US\$m	2017 US\$m
Finance revenue		
Bank accounts and short-term deposits	3.3	2.2
Derivative financial instruments	10.8	15.6
Other ¹	14.5	12.3
	28.6	30.1
Finance costs		
Interest expense on bank loans and borrowings	(117.2)	(116.6)
Derivative financial instruments	(15.9)	(9.9)
Other	(0.3)	(2.3)
	(133.4)	(128.8)
Net finance costs	(104.8)	(98.7)

¹ Other finance revenue comprises interest on the US\$150.0 million loan receivable from HFG and accrued interest on deferred consideration receivable from First Reserve.

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

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

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 6. Income Tax

	2018 US\$m	2017 US\$m
A) Components of Tax Expense		
Amounts recognised in the statement of comprehensive income		
Current income tax – continuing operations:		
- income tax charge	202.9	209.7
- prior year adjustments	(8.3)	1.6
	194.6	211.3
Deferred tax – continuing operations:		
- origination and reversal of temporary differences	47.7	35.5
- previously unrecognised tax losses	(8.0)	(10.1)
- tax rate change ¹	(139.4)	-
- prior year adjustments	12.8	(8.9)
	(86.9)	16.5
Tax expense – continuing operations	107.7	227.8
Tax expense – discontinued operations (Note 10)	2.5	1.5
Tax expense recognised in profit or loss	110.2	229.3
Amounts recognised in other comprehensive income		
- on actuarial gains/losses on defined benefit pension plans	4.7	(1.9)
Tax expense/(benefit) recognised directly in other comprehensive income	4.7	(1.9)

¹ Primarily includes US\$127.9 million relating to the US tax reform (refer Note 4).

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

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

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 6. Income Tax – continued

	2018 US\$m	2017 US\$m
B) Reconciliation Between Tax Expense and Accounting Profit Before Tax		
Profit before tax – continuing operations	881.2	672.7
Tax at standard Australian rate of 30% (2017: 30%)	264.4	201.8
Effect of tax rates in other jurisdictions	(41.3)	(16.7)
Equity-accounted results of joint ventures	2.2	3.7
Prior year adjustments	1.5	(7.3)
Prior year tax losses written-off	3.0	0.2
Current year tax losses not recognised	5.7	5.7
Foreign withholding tax unrecoverable	10.1	5.4
Change in tax rates	(139.4)	-
Non-deductible expenses	8.2	7.9
Non-deductible impairment charge	-	36.0
Other taxable items	1.7	1.6
Prior year tax losses recouped/recognised	(8.0)	(10.1)
Other	(0.4)	(0.4)
Tax expense – continuing operations	107.7	227.8
Tax expense – discontinued operations (Note 10)	2.5	1.5
Total income tax expense	110.2	229.3

	2018 US\$m		2017 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 statement of comprehensive income

Employee benefits	14.2	-	36.8	-
Provisions and accruals	39.6	-	71.1	-
Losses available against future taxable income	161.3	-	212.8	-
Accelerated depreciation for tax purposes	-	(729.7)	-	(892.4)
Other	100.6	(112.3)	48.8	(91.9)
	315.7	(842.0)	369.5	(984.3)

Items recognised in other comprehensive income

Actuarial losses/(gains) on defined benefit pension plans	7.3	(1.0)	7.7	(0.9)
Share-based payments	7.3	-	10.9	-
	14.6	(1.0)	18.6	(0.9)
Set-off against deferred tax (liabilities)/assets	(292.1)	292.1	(345.5)	345.5
Net deferred tax assets/(liabilities)	38.2	(550.9)	42.6	(639.7)

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 6. Income Tax – continued

	2018 US\$m		2017 US\$m	
	Assets	Liabilities	Assets	Liabilities
D) Movements in Deferred Tax Assets and Liabilities				
At 1 July	42.6	(639.7)	36.0	(627.0)
Charged to profit or loss	7.9	79.0	8.3	(24.8)
(Charged)/credited directly to equity	(5.7)	(0.1)	0.2	(0.1)
Acquisition of subsidiary	-	(0.4)	-	-
Divestment of subsidiaries	-	-	(0.5)	16.5
Offset against deferred tax (liabilities)/assets	(4.5)	4.5	(1.9)	1.9
Foreign exchange differences	(2.1)	5.8	0.5	(6.2)
At 30 June	38.2	(550.9)	42.6	(639.7)

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

Deferred tax assets and liabilities are not recognised:

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

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

At reporting date, Brambles has unused tax losses of US\$904.3 million (2017: US\$889.2 million) available for offset against future profits. A deferred tax asset has been recognised in respect of US\$672.2 million (2017: US\$628.3 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\$232.1 million (2017: US\$260.9 million) due to the unpredictability of future profit streams in the relevant jurisdictions. Tax losses of US\$518.9 million (2017: US\$489.2 million), which have been recognised in the balance sheet, have an expiry date between 2019 and 2038 (2017: between 2018 and 2037), however it is expected that these losses will be recouped prior to expiry. The remaining tax losses of US\$153.3 million (2017: US\$139.1 million), which have been recognised in the balance sheet, can be carried forward indefinitely.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 6. Income Tax – continued

D) Movements in Deferred Tax Assets and Liabilities – continued

At reporting date, undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised in the consolidated financial statements are US\$2,090.9 million (2017: US\$1,837.7 million). No deferred tax liability has been recognised for these amounts because Brambles controls the distributions from its subsidiaries and is satisfied that there is no liability in the foreseeable future.

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

E) Tax Consolidation

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

F) Tax Estimates and Judgements

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

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

G) Tax Policy

Brambles Limited has a Tax Policy approved by the Board of Directors, which sets out the Company's approach to tax risk management and governance, tax planning, and dealing with tax authorities. The Tax Policy is included in Brambles Limited's Code of Conduct. In addition, Brambles Limited's Sustainability Review includes a Tax Report which comprises, amongst other things, details such as the corporate income tax paid by, and effective tax rates of, Brambles. The 2018 Tax Report is scheduled for publication in September 2018 and will be posted on Brambles' website.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 7. Earnings Per Share

	2018 US cents	2017 US cents
Earnings Per Share		
- basic	47.0	11.5
- diluted	46.8	11.5
From continuing operations		
- basic	48.6	28.0
- diluted	48.5	27.9
- basic, on Underlying Profit after finance costs and tax	41.2	38.5
From discontinued operations		
- basic	(1.6)	(16.5)
- diluted	(1.7)	(16.4)

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

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

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and finance costs associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in 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.

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

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

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 7. Earnings Per Share – continued

	2018 Million	2017 Million
A) Weighted Average Number of Shares During the Year		
Used in the calculation of basic earnings per share	1,591.2	1,588.3
Adjustment for share rights	5.1	7.0
Used in the calculation of diluted earnings per share	1,596.3	1,595.3

	2018 US\$m	2017 US\$m
B) Reconciliations of Profits used in Earnings Per Share Calculations		
Statutory profit		
Profit from continuing operations	773.5	444.9
Loss from discontinued operations	(26.4)	(262.0)
Profit used in calculating basic and diluted EPS	747.1	182.9
Underlying Profit after finance costs and tax		
Underlying Profit (Note 2)	996.7	957.5
Net finance costs (Note 5)	(104.8)	(98.7)
Underlying Profit after finance costs before tax	891.9	858.8
Tax expense on Underlying Profit	(236.0)	(247.4)
Underlying Profit after finance costs and tax	655.9	611.4
Which reconciles to statutory profit:		
Underlying Profit after finance costs and tax	655.9	611.4
Significant Items after tax (Note 4)	117.6	(166.5)
Profit from continuing operations	773.5	444.9

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 8. Dividends

A) Dividends Paid During the Period

	Interim 2018	Final 2017
Dividend per share (in Australian cents)	14.5	14.5
Cost (in US\$ million)	174.0	178.0
Payment date	12 April 2018	12 October 2017

Dividends paid during the year of US\$352.0 million (2017: US\$348.0 million) per the cash flow statement differ from the amount recognised in the statement of changes in equity of US\$359.7 million (2017: US\$348.1 million) due to the impact of foreign exchange movements between the dividend record and payment dates.

The impact of the Dividend Reinvestment Plan (DRP) for the dividend payments made in 2018, relating to the 2018 interim and 2017 final dividends, were neutralised by an on-market share buy-back.

B) Dividend Declared after 30 June 2018

	Final 2018
Dividend per share (in Australian cents)	14.5
Cost (in US\$ million)	169.9
Payment date	11 October 2018
Dividend record date	12 September 2018

As this dividend had not been declared at 30 June 2018, it is not reflected in these financial statements. A provision for dividends is only recognised where the dividends have been declared prior to the reporting date.

C) Franking Credits

	2018 US\$m	2017 US\$m
Franking credits available for subsequent financial years based on an Australian tax rate of 30%	62.7	56.9

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

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

The final 2018 dividend will be franked at 30%.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 9. Investments

On 12 April 2018, Brambles completed an agreement to divest its 50% interest in HFG to its co-venturer, First Reserve.

On completion of this transaction, HFG repaid to Brambles the principal and accrued interest on HFG's US\$150.0 million subordinated shareholder loan.

The deferred consideration of US\$41.8 million remains in place and will continue to accrue interest at 6.25% per annum and be guaranteed by First Reserve. The maturity date of the deferred consideration will be no later than 31 July 2026.

Brambles' interest in HFG was transferred to First Reserve for nominal consideration. The divestment of Brambles' interest in HFG resulted in a non-cash impairment of US\$7.3 million recognised within discontinued operations, which represented the carrying value of the investment at divestment date.

Note 10. Discontinued Operations

A) Divested Entities

CHEP Recycled

On 9 January 2018, Brambles entered into an agreement to sell CHEP Recycled, with the completion of the sale occurring on 14 February 2018. The carrying amount of assets and liabilities relating to CHEP Recycled at divestment date were as follows:

	At date of divestment US\$m	June 2017 US\$m
Assets		
Cash and cash equivalents	1.2	0.4
Trade and other receivables	40.9	45.3
Property, plant and equipment	35.0	23.1
Goodwill and intangibles assets	43.3	45.1
Other assets	19.5	22.1
Total assets	139.9	136.0
Liabilities		
Trade and other payables	29.6	42.0
Other liabilities (including overdrafts)	6.7	14.0
Total liabilities	36.3	56.0
Net assets	103.6	80.0

The results up until the date of divestment and in the comparative reporting period have been included within discontinued operations in the statement of comprehensive income and all related note disclosures. The assets and liabilities of CHEP Recycled were classified as held for sale in 2017 within the balance sheet and all related note disclosures.

Segment assets and liabilities of discontinued operations in 2017, as disclosed in Note 2, include CHEP Recycled.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 10. Discontinued Operations – continued

B) Results of Discontinued Operations

Financial information for discontinued operations is summarised below:

	2018 US\$m	2017 US\$m
Operating results (excluding profit or loss on divestments) relate to:		
- CHEP Recycled ¹	(6.7)	(8.9)
- other discontinued operations	(1.5)	(2.0)
	(8.2)	(10.9)
Loss on divestment of CHEP Recycled ¹	(8.3)	-
Loss on divestment of HFG ²	(7.3)	-
Impairment of CHEP Recycled	-	(243.8)
Profit on divestment of Aerospace ³	-	19.5
Loss on divestment of Oil and Gas ³	-	(24.9)
Total operating loss for the year	(23.8)	(260.1)
Finance costs	(0.1)	(0.4)
Loss before tax	(23.9)	(260.5)
Tax expense	(2.5)	(1.5)
Loss for the year from discontinued operations	(26.4)	(262.0)

¹ Operating results include sales revenue of US\$246.6 million (2017: US\$424.2 million) and US\$5.4 million of depreciation and amortisation expense (2017: US\$9.6 million).

A US\$8.3 million loss was recognised on divestment of CHEP Recycled, which includes US\$6.9 million of separation and transaction costs. Net proceeds of US\$102.2 million were received on divestment.

² A US\$7.3 million loss was recognised on divestment of HFG (refer Note 9).

³ The Oil and Gas business and Aerospace were divested on 21 October and 30 November 2016 respectively. The results of these businesses are presented in discontinued operations in the comparative reporting period.

In addition to these divestments, discontinued operations comprise other net adjustments relating to divestments in prior periods.

Significant Items outside the ordinary course of business relating to discontinued operations in 2018 were US\$(16.2) million, which primarily includes the loss on divestment of CHEP Recycled and HFG.

Significant Items outside the ordinary course of business relating to discontinued operations in 2017 were US\$(250.0) million, which included the impairment of CHEP Recycled US\$(243.8) million; the profit on divestment of Aerospace US\$19.5 million; the loss on divestment of Oil and Gas US\$(24.9) million; US\$(0.5) million related to CHEP Recycled; and US\$(0.3) million of other costs.

In 2017, proceeds from the disposal of businesses of US\$160.1 million comprised net proceeds relating to the sale of Aerospace of US\$128.6 million and US\$31.5 million received relating to the creation of the HFG joint venture.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 11. Trade and Other Receivables

	2018 US\$m	2017 US\$m
Current		
Trade receivables	1,067.0	982.3
Provision for doubtful receivables	(15.6)	(13.0)
Net trade receivables	1,051.4	969.3
Other debtors	106.5	109.5
Accrued and unbilled revenue	100.0	90.2
	1,257.9	1,169.0
Non-current		
Other receivables ¹	50.4	189.5
	50.4	189.5

¹ Other receivables in 2018 primarily comprise deferred consideration due from the HFG joint venture. Other receivables in 2017 also included the loan receivable from HFG, which was repaid in April 2018.

Trade receivables are recognised when services are provided and settlement is expected within normal credit terms. Trade receivables are non-interest bearing and are generally on 30–90 day terms.

A provision for doubtful receivables is established when there is a level of uncertainty as to the full recoverability of the receivable. 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. A provision of US\$6.4 million (2017: US\$5.2 million) has been recognised as an expense in the current year for specific trade and other receivables for which such evidence exists. 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.

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

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

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 11. Trade and Other Receivables – continued

	Trade receivables		Other debtors	
	2018 US\$m	2017 US\$m	2018 US\$m	2017 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	879.6	801.2	73.2	81.6
Past due 0–30 days but not impaired	123.2	127.4	10.3	2.2
Past due 31–60 days but not impaired	23.6	22.8	6.6	0.8
Past due 61–90 days but not impaired	9.7	7.3	1.0	1.4
Past 90 days but not impaired	15.3	10.6	15.4	23.5
Impaired	15.6	13.0	-	-
	1,067.0	982.3	106.5	109.5

Refer to Note 23 for other financial instruments' disclosures.

Note 12. Inventories

Raw materials and consumables	50.2	46.4
Finished goods	10.1	10.4
	60.3	56.8

Inventories on hand are valued at the lower of cost and net realisable value and, where appropriate, a 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.

Note 13. Other Assets

Current

Prepayments	46.4	45.1
Current tax receivable	18.8	11.4
Derivative financial instruments	5.7	14.1
	70.9	70.6

Non-current

Prepayments	10.0	5.3
Derivative financial instruments	8.1	8.2
	18.1	13.5

Refer to Note 23 for other financial instruments' disclosures.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 14. Property, Plant and Equipment

A) Net Carrying Amounts and Movements During the Year

	2018 US\$m			2017 US\$m		
	Land and buildings	Plant and equipment	Total	Land and buildings	Plant and equipment	Total
Opening net carrying amount	38.6	4,822.5	4,861.1	40.1	4,692.2	4,732.3
Opening assets held for sale	5.8	17.3	23.1	-	-	-
Additions ¹	16.8	1,178.2	1,195.0	17.7	1,022.4	1,040.1
Acquisition of subsidiaries	-	1.9	1.9	-	-	-
Divestment of subsidiaries	(6.2)	(28.8)	(35.0)	(11.5)	(186.1)	(197.6)
Assets transferred to held for sale	-	-	-	(5.8)	(17.3)	(23.1)
Disposals	(0.1)	(178.2)	(178.3)	(0.1)	(137.4)	(137.5)
Depreciation charge ²	(5.7)	(549.0)	(554.7)	(3.8)	(513.0)	(516.8)
IPEP expense	-	(109.4)	(109.4)	-	(89.2)	(89.2)
Foreign exchange differences	(0.3)	(63.7)	(64.0)	2.0	50.9	52.9
Closing net carrying amount	48.9	5,090.8	5,139.7	38.6	4,822.5	4,861.1

At 30 June

Cost	99.8	7,659.8	7,759.6	86.5	7,366.6	7,453.1
Accumulated depreciation ³	(50.9)	(2,569.0)	(2,619.9)	(47.9)	(2,544.1)	(2,592.0)
Net carrying amount	48.9	5,090.8	5,139.7	38.6	4,822.5	4,861.1

¹ Includes capital expenditure related to discontinued operations of US\$2.5 million (2017: US\$16.6 million).

² Includes depreciation charge related to discontinued operations of US\$3.7 million (2017: US\$16.8 million).

³ Includes the IPEP provision of US\$71.5 million (2017: US\$62.1 million).

The net carrying amounts above include plant and equipment held under finance lease of US\$31.8 million (2017: US\$35.0 million), leasehold improvements of US\$17.4 million (2017: US\$18.7 million), and capital work in progress of US\$57.9 million (2017: US\$37.9 million).

B) Recognition and Measurement

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

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

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

Leases are classified at their inception as either finance or operating leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. Finance leases, which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to Brambles, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, present value of the minimum lease payments, and disclosed as PPE held under lease. A lease liability of equal value is also recognised (refer Note 18). Refer to Note 25B for operating leases.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 14. Property, Plant and Equipment – continued

C) Depreciation of Property, Plant and Equipment

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

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

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

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

D) Irrecoverable Pooling Equipment Provision

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

E) Recoverable Amount of Non-Current Assets

At each reporting date, Brambles assesses whether there is any indication that an asset, or cash generating unit (CGU) to which the asset belongs, may be impaired. Where an indicator of impairment exists, Brambles makes a formal estimate of the recoverable amount. The recoverable amount of goodwill is tested for impairment annually (refer to Note 15D). The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use.

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

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

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 15. Goodwill and Intangible Assets

A) Net Carrying Amounts and Movements During the Year

	2018 US\$m				2017 US\$m			
	Goodwill	Software	Other ¹	Total	Goodwill	Software	Other ¹	Total
Opening carrying amount	907.5	41.7	78.9	1,028.1	1,453.6	36.4	145.2	1,635.2
Opening assets held for sale	33.7	-	11.4	45.1	-	-	-	-
Additions	-	6.6	12.1	18.7	-	16.1	4.2	20.3
Disposals	-	(0.2)	(0.1)	(0.3)	-	-	-	-
Acquisition of subsidiaries	2.0	-	0.3	2.3	-	-	-	-
Divestment of subsidiaries	(33.7)	-	(9.6)	(43.3)	(264.9)	(2.1)	(33.1)	(300.1)
Assets transferred to held for sale	-	-	-	-	(33.7)	-	(11.4)	(45.1)
Amortisation charge ²	-	(9.8)	(20.4)	(30.2)	-	(8.7)	(22.7)	(31.4)
Impairment loss ³	-	-	-	-	(243.8)	-	-	(243.8)
Foreign exchange differences	2.2	(0.1)	0.3	2.4	(3.7)	-	(3.3)	(7.0)
Closing carrying amount	911.7	38.2	72.9	1,022.8	907.5	41.7	78.9	1,028.1
At 30 June								
Gross carrying amount	911.7	169.6	230.3	1,311.6	907.5	325.0	218.5	1,451.0
Accumulated amortisation	-	(131.4)	(157.4)	(288.8)	-	(283.3)	(139.6)	(422.9)
Net carrying amount	911.7	38.2	72.9	1,022.8	907.5	41.7	78.9	1,028.1

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

² Includes amortisation charge related to discontinued operations of US\$1.7 million (2017: US\$4.7 million).

³ Based on the fair value less costs to sell model used during impairment testing, a goodwill impairment loss of US\$243.8 million was recognised in 2017 in relation to CHEP Recycled.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 15. Goodwill and Intangible Assets – continued

B) Summary of Carrying Value of Goodwill

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

	2018 US\$m	2017 US\$m
Pallecon EMEA (part of CHEP EMEA)	101.6	100.6
Pallecon Asia-Pacific (part of CHEP Asia-Pacific)	32.0	33.7
IFCO	685.2	679.6
Other ¹	92.9	93.6
Total goodwill	911.7	907.5

¹ Includes goodwill in a number of CGUs for which impairment reviews are performed. The goodwill within these CGUs is not material for separate disclosure.

C) Recognition and Measurement

Goodwill

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

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

Other intangible assets

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

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

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

The expected useful lives of intangible assets are generally:

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

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

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

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

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 15. Goodwill and Intangible Assets – continued

D) Goodwill Recoverable Amount Testing – Continuing Operations

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

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

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

Cash flow forecasts

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

Revenue growth rates

Revenue growth rates used are based on management's latest three-year plan. Three-year growth rates ranged between 5.3% and 10.1% for these CGUs (rates: Pallacon EMEA 7.0%, Pallacon Asia-Pacific 5.3% and IFCO 8.2%). Sensitivity testing was performed on these CGUs and a reasonably possible decline in these rates would not cause the carrying value of any of these CGUs to exceed its recoverable amount. Growth rates for 2017 impairment reviews ranged between 2.9% and 11.6%.

Terminal value

The terminal value calculated after year three is determined using the stable growth model, having regard to the weighted average cost of capital (WACC) and terminal growth factor appropriate to each CGU. The average terminal growth rate used in the financial projections was 2.1% (2017: 2.1%).

Discount rates (pre-tax)

Discount rates used are the pre-tax WACC and include a premium for market risks appropriate to each country in which the CGU operates. Pre-tax WACCs averaged 8.0% (pre-tax rates: Pallacon EMEA 7.4%, Pallacon Asia-Pacific 11.0% and IFCO 8.0%). Average pre-tax WACC rates used for 2017 impairment reviews were 8.1% for businesses remaining in 2018.

Sensitivity

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

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 16. Trade and Other Payables

	2018 US\$m	2017 US\$m
Current		
Trade payables	526.9	423.3
GST/VAT, refundable deposits and other payables	579.4	511.3
Accruals and deferred income	345.8	306.0
Derivative financial instruments	13.5	2.9
	1,465.6	1,243.5
Non-current		
Other liabilities	1.7	1.2
	1.7	1.2

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

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

Refer to Note 23 for other financial instruments' disclosures.

Note 17. Provisions

	2018 US\$m		2017 US\$m	
	Current	Non-current	Current	Non-current
Employee entitlements	55.6	3.6	55.7	3.6
Other	10.3	9.0	23.3	21.5
	65.9	12.6	79.0	25.1

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

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

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

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 17. Provisions – continued

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

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

Note 18. Borrowings

	2018 US\$m		2017 US\$m	
	Current	Non-current	Current	Non-current
Unsecured				
Bank overdrafts	8.9	-	39.1	-
Bank loans	42.0	226.7	42.5	446.6
Loan notes ¹	35.2	2,154.1	586.3	1,595.8
Finance lease liabilities	5.1	16.3	5.5	16.6
	91.2	2,397.1	673.4	2,059.0

¹ In October 2017, Brambles issued €500.0 million medium-term notes in the European bond market, maturing in 10 years. The notes were priced at a fixed rate, with a coupon rate of 1.5%. Proceeds of the notes were ultimately used to repay the maturing €500.0 million 4.625% euro medium-term notes in April 2018.

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the borrowing proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

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

Financial risks and risk management strategies associated with borrowings, including financial covenants, are disclosed in Note 23.

Note 19. Retirement Benefit Obligations

A) Defined Contribution Plans

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

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 19. Retirement Benefit Obligations – continued

A) Defined Contribution Plans – continued

US\$18.5 million (2017: US\$18.6 million) has been recognised as an expense in the statement of comprehensive income representing contributions paid and payable to these plans by Brambles at rates specified in the rules of the plans, all of which relate to continuing operations.

B) Defined Benefit Plans

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

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

The plan assets and the present value of the defined benefit obligations recognised in Brambles' balance sheet are based upon the most recent formal actuarial valuations, which have been updated to 30 June 2018 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 2018. The present value of the defined benefit obligations and past service costs were measured using the projected unit credit method. Past service cost is recognised immediately to the extent that the benefits are already vested.

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

A net expense of US\$2.3 million has been recognised in profit in respect of defined benefit plans (2017: US\$1.9 million), of which US\$1.7 million net expense relates to continuing operations (2017: US\$1.3 million). Included within the total expense recognised during the year is a net interest cost of US\$0.9 million (2017: US\$0.8 million).

The amounts recognised in the balance sheet are as follows:

	2018 US\$m	2017 US\$m
Present value of defined benefit obligations	271.6	299.4
Fair value of plan assets	(241.9)	(247.8)
Net liability recognised in the balance sheet	29.7	51.6

Currency variations and an increase in the discount rate 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\$11.8 million (2017: US\$9.6 million). The principal assumption used in the actuarial valuations of the defined benefit obligation was the discount rate of 2.8% (2017: 2.5%) for the plans operating in the United Kingdom and 8.9% (2017: 9.1%) for the South African plan. A reasonably possible change in discount rate or other key assumptions may have a material impact on the defined benefit obligation.

Brambles has no legal obligation to settle this liability with an immediate contribution or additional one-off contributions. Brambles intends to continue to make contributions to the plans at the rates recommended by the plans' actuaries when actuarial valuations are obtained. Additional annual contributions of US\$6.5 million (2017: US\$6.5 million) are being paid to remove the identified deficits over a period of 5 years (2017: 6 years).

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 20. Contributed Equity

	Shares	US\$m
Total ordinary shares, of no par value, issued and fully paid:		
At 1 July 2016	1,585,991,703	6,173.3
Issued during the year	3,430,091	27.8
At 30 June 2017	1,589,421,794	6,201.1
At 1 July 2017	1,589,421,794	6,201.1
Issued during the year	2,479,529	17.4
At 30 June 2018	1,591,901,323	6,218.5

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

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

Ordinary shares of Brambles Limited entitle the holder to participate in dividends and the proceeds on any winding up of the Company in proportion to the number of shares held.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 21. Share-Based Payments

The Remuneration Report sets out details relating to the Brambles share plans (pages 33 to 34), together with details of performance share rights and MyShare matching conditional rights issued to the Executive Directors and other Key Management Personnel (pages 37 to 38). Rights granted by Brambles do not result in an entitlement to participate in share issues of any other corporation.

Set out below are summaries of rights granted under the plans.

A) Grants over Brambles Limited Shares

Grant date	Expiry date	Balance at 1 July	Granted during the year	Exercised during year	Forfeited / lapsed during year	Balance at 30 June
2018						
Performance share rights						
Awards granted in prior periods		6,764,191		(1,738,502)	(1,256,112)	3,769,577
25 Sep 2017	25 Sep 2023		59,403	(27,312)		32,091
23 Oct 2017	23 Oct 2023		2,168,170	(7,392)	(93,458)	2,067,320
20 Feb 2018	20 Feb 2024		11,295			11,295
1 Mar 2018	1 Mar 2024		87,284			87,284
15 Mar 2018	15 Mar 2024		10,700			10,700
MyShare matching conditional rights						
2016 Plan Year	31 Mar 2018	601,361	-	(551,944)	(49,417)	-
2017 Plan Year	31 Mar 2019	322,983	663,270	(54,019)	(110,349)	821,885
2018 Plan Year	31 Mar 2020	-	350,852	(1,181)	(11,822)	337,849
Total rights		7,688,535	3,350,974	(2,380,350)	(1,521,158)	7,138,001

2017 (summarised comparative)

Total rights	8,331,350	3,780,255	(3,365,108)	(1,057,962)	7,688,535
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Of the above grants, 443,924 were exercisable at 30 June 2018.

	2018	2017
Weighted average data:		
- fair value at grant date of grants made during the year	A\$ 7.84	10.01
- share price at exercise date of grants exercised during the year	A\$ 9.36	11.39
- remaining contractual life at 30 June	years 4.2	4.5

The cost of equity-settled share rights is recognised, together with a corresponding increase in equity, on a straight-line basis over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date).

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 21. Share-Based Payments – continued

A) Grants over Brambles Limited Shares – continued

Executives and employees in certain jurisdictions are provided cash incentives calculated by reference to the awards under the share-based compensation schemes (phantom shares). These phantom shares are fair valued on initial grant and at each subsequent reporting date.

The cost of cash-settled share rights is charged to profit or loss over the relevant vesting periods, with a corresponding increase in provisions.

B) Fair Value Calculations

The fair values of performance share rights and MyShare matching conditional rights were determined as at grant date, using a binomial valuation methodology and exclude the impact of non-market vesting conditions. The values calculated do not take into account the probability of rights being forfeited prior to vesting, as Brambles revises its estimate of the number of shares and performance rights expected to vest at each reporting date.

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

	2018 Grants	2017 Grants
Weighted average share price	A\$9.34	A\$11.67
Expected volatility	20%	20%
Expected life	2 – 3 years	2 – 3 years
Annual risk-free interest rate	1.94 – 2.09%	1.44 – 1.45%
Expected dividend yield	3.00%	2.70%

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\$15.9 million (2017: US\$29.7 million) relating to equity-settled share-based payments and US\$0.7 million (2017: US\$1.4 million) relating to cash-settled share-based payments. Of these amounts, US\$0.4 million (2017: US\$0.9 million) related to discontinued operations.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 22. Reserves and Retained Earnings

A) Movements in Reserves and Retained Earnings

	Reserves					Retained earnings US\$m
	Share-based payments US\$m	Foreign currency translation US\$m	Unification US\$m	Other US\$m	Total US\$m	
Year ended 30 June 2017						
Opening balance	79.3	(270.2)	(7,162.4)	161.8	(7,191.5)	3,973.3
Actuarial loss on defined benefit plans	-	-	-	-	-	(9.7)
Foreign exchange differences	-	35.3	-	-	35.3	-
Share-based payments:						
- expense recognised during the year	29.7	-	-	-	29.7	-
- shares issued	(26.2)	-	-	-	(26.2)	-
- equity component of related tax	(0.1)	-	-	-	(0.1)	-
Dividends declared	-	-	-	-	-	(348.1)
Profit for the year	-	-	-	-	-	182.9
Closing balance as at 30 June 2017	82.7	(234.9)	(7,162.4)	161.8	(7,152.8)	3,798.4
Year ended 30 June 2018						
Opening balance	82.7	(234.9)	(7,162.4)	161.8	(7,152.8)	3,798.4
Actuarial gain on defined benefit plans	-	-	-	-	-	13.1
Foreign exchange differences	-	(100.6)	-	-	(100.6)	-
Share-based payments:						
- expense recognised during the year	15.9	-	-	-	15.9	-
- shares issued	(17.4)	-	-	-	(17.4)	-
- equity component of related tax	(0.5)	-	-	-	(0.5)	-
- transfer to retained earnings on divestment of CHEP Recycled	(0.4)	-	-	-	(0.4)	0.4
Dividends declared	-	-	-	-	-	(359.7)
Profit for the year	-	-	-	-	-	747.1
Closing balance as at 30 June 2018	80.3	(335.5)	(7,162.4)	161.8	(7,255.8)	4,199.3

B) Nature and Purpose of Reserves

Share-based payments reserve

This comprises the cumulative share-based payment expense recognised in the statement of comprehensive income in relation to equity-settled options and share rights issued but not yet exercised. Refer to Note 21 for further details.

Foreign currency translation reserve

This comprises cumulative exchange differences arising from the translation of the financial statements of foreign subsidiaries, net of qualifying net investment hedges. The relevant accumulated balance is recognised in profit or loss on disposal of a foreign subsidiary.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 22. Reserves and Retained Earnings – continued

B) Nature and Purpose of Reserves – continued

Unification reserve

On Unification, Brambles Limited issued shares on a one-for-one basis to those Brambles Industries Limited (BIL) and Brambles Industries plc (BIP) shareholders who did not elect to participate in the Cash Alternative. The Unification reserve of US\$15,385.8 million was established on 4 December 2006, representing the difference between the Brambles Limited share capital measured at fair value and the carrying value of the share capital of BIL and BIP at that date. In the consolidated financial statements, the reduction in share capital of US\$8,223.4 million on 9 September 2011 by the parent entity in accordance with section 258F of the *Corporations Act 2001* was applied against the Unification reserve.

Other

This comprises a merger reserve created in 2001 and the hedging reserve. The hedging reserve represents the cumulative portion of the gain or loss of cash flow hedges that are determined to be effective hedges. Amounts are recognised in the statement of comprehensive income when the associated hedged transaction is recognised or the hedge or the forecast hedged transaction is no longer highly probable.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 23. Financial Risk Management

Brambles is exposed to a variety of financial risks: market risk (including the effect of fluctuations in interest rates and exchange rates), liquidity risk and credit risk.

Brambles' overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Brambles. Financial risk management activities are carried out centrally by Brambles' treasury function in accordance with Board policies and guidelines through standard operating procedures and delegated authorities.

Brambles uses interest rate swaps and forward foreign exchange contracts to manage its market risk and does not trade in financial instruments for speculative purposes.

A) Financial Assets and Liabilities

Financial assets are recognised when Brambles becomes a party to the contractual provisions of the instrument and are classified in the following two categories: financial assets at fair value through profit or loss; and loans and receivables.

Derecognition occurs when rights to the asset have expired or when Brambles transfers its rights to receive cash flows from the asset together with substantially all the risks and rewards of the asset.

Refer to Note 18 for the recognition of interest bearing financial liabilities.

The fair values of all financial assets and liabilities held on the balance sheet as at 30 June 2018 equal the carrying amount, with the exception of loan notes, which have an estimated fair value of US\$2,241.9 million (2017: US\$2,278.6 million) compared to a carrying value of US\$2,189.3 million (2017: US\$2,182.1 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 fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturities at the balance sheet date. The fair value of interest rate swap contracts is calculated as the present value of the forward cash flows of the instrument after applying market rates and standard valuation techniques.

B) Derivative and Hedging Activities

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

For fair value hedges, any gain or loss from remeasuring the hedging instrument at fair value is adjusted against the carrying amount of the hedged item and recognised in profit or loss.

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

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

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

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 23. Financial Risk Management – continued

C) Market Risk

Brambles has the following risk policies in place with respect to market risk.

Interest rate risk

Brambles' exposure to potential volatility in finance costs, 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 some 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:

	2018 US\$m	2017 US\$m
Financial assets (floating rate)		
Cash at bank	179.4	152.4
Short-term deposits	0.8	7.3
	180.2	159.7
Weighted average effective interest rate	1.3%	1.0%
Financial assets (fixed rate)		
Loan receivable from HFG joint venture	-	150.0
Deferred consideration from First Reserve	41.8	39.2
	41.8	189.2
Weighted average effective interest rate	6.3%	9.2%
Financial liabilities (floating rate)		
Bank overdrafts	8.9	39.1
Bank loans	253.7	468.5
Interest rate swaps (notional value) – fair value hedges	173.5	572.0
Net exposure to cash flow interest rate risk	436.1	1,079.6
Weighted average effective interest rate	2.8%	1.8%
Financial liabilities (fixed rate)		
Loan notes	2,189.3	2,182.1
Bank loans	15.0	20.6
Finance lease liabilities	21.4	22.1
Interest rate swaps (notional value) – fair value hedges	(173.5)	(572.0)
Net exposure to fair value interest rate risk	2,052.2	1,652.8
Weighted average effective interest rate	3.4%	4.8%

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 23. Financial Risk Management – continued

C) Market Risk – continued

Interest rate swaps – fair value hedges

Brambles entered into interest rate swap transactions with various banks, swapping €150.0 million of the €500.0 million 2024 Euro medium-term fixed-rate notes (EMTN) to variable rates. In accordance with AASB 139, the carrying value of the loan notes has been adjusted to increase debt by US\$11.5 million (2017: US\$14.3 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\$11.1 million (2017: US\$14.1 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 remeasuring the interest rate swaps at fair value is recorded in profit or loss together with any changes in the fair value of the hedged asset or liability that is attributed to the hedged risk. For 2018, 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 exposures from normal commercial transactions such as the purchase and sale of equipment and services, intercompany interest and royalties. Given that Brambles both generates income and incurs expenses in its local currencies of operation, these exposures are not significant.

Brambles generally mitigates translation exposures by raising debt in currencies where there are matching assets.

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, borrowings and derivative liabilities:

	US dollar US\$m	Aust. dollar US\$m	Sterling US\$m	Euro US\$m	Other US\$m	Total US\$m
2018						
Financial assets	272.6	60.5	66.4	606.7	289.6	1,295.8
Financial liabilities	1,356.3	25.3	40.0	1,403.9	203.2	3,028.7
2017						
Financial assets	405.4	59.6	62.4	526.5	286.6	1,340.5
Financial liabilities	1,313.0	14.9	174.4	1,448.5	207.8	3,158.6

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 23. Financial Risk Management – continued

C) Market Risk – continued

Forward foreign exchange contracts – cash flow hedges

During 2018, Brambles entered into forward foreign exchange transactions with various banks in a variety of cross-currencies for terms ranging up to three months.

For 2018 and 2017, all foreign exchange contracts were effective hedging instruments. The fair value of these contracts at reporting date was nil (2017: nil).

Other forward foreign exchange contracts

Brambles enters into other forward foreign exchange contracts for the purpose of hedging various cross-border intercompany loans to overseas subsidiaries. In this case, the forward foreign exchange contracts provide an economic hedge against exchange fluctuations on foreign currency loan balances. The face value and terms of the foreign exchange contracts match the intercompany loan balances. Gains and losses on realignment of the intercompany loans and foreign exchange contracts to spot rates are offset in the profit or loss. Consequently, these foreign exchange contracts are not designated for hedge accounting purposes and are classified as held for trading. The fair value of these contracts at reporting date was a liability of US\$10.8 million (2017: asset of US\$5.3 million).

Hedge of net investment in foreign entity

At 30 June 2018, €350.5 million (US\$405.3 million) of the 2024 EMTN has been designated as a hedge of the net investment in Brambles' European subsidiaries and is being used to partially hedge Brambles' exposure to foreign exchange risks on these investments. For 2018 and 2017, 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 2018, if exchange rates were to weaken/strengthen against the US dollar by 10% with all other variables held constant, the transaction exposure within profit after tax for the year would not have been material. However, the impact on equity would have been US\$28.9 million lower/higher (2017: US\$28.5 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.

D) Liquidity Risk

Brambles' objective is to maintain adequate liquidity to meet its financial obligations as and when they fall due. Brambles funds its operations through existing equity, retained cash flow and borrowings. Funding is generally sourced from relationship banks and debt capital market investors on a medium-to-long-term basis.

Bank credit facilities are generally structured on a committed multi-currency revolving basis and at balance date had maturities ranging out to June 2023. Borrowings under the bank credit facilities are floating-rate, unsecured obligations with covenants and undertakings typical for these types of arrangements.

Borrowings are raised from debt capital markets by the issue of unsecured fixed-interest notes, with interest payable semi-annually or annually. At balance date, loan notes had maturities out to October 2027.

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

The average term to maturity of the committed borrowing facilities and the loan notes is equivalent to 4.5 years (2017: 3.7 years). These facilities are unsecured and are guaranteed as described in Note 32B.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 23. Financial Risk Management – continued

D) Liquidity Risk – continued

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
2018						
Total facilities	414.7	1,055.6	703.0	252.8	1,865.4	4,291.5
Facilities used ¹	(75.9)	(508.7)	(219.1)	(6.4)	(1,666.2)	(2,476.3)
Facilities available	338.8	546.9	483.9	246.4	199.2	1,815.2
2017						
Total facilities	887.3	684.2	1,048.1	355.8	1,428.6	4,404.0
Facilities used ¹	(659.1)	(137.7)	(657.4)	(107.1)	(1,153.8)	(2,715.1)
Facilities available	228.2	546.5	390.7	248.7	274.8	1,688.9

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\$12.0 million (2017: US\$17.3 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.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 23. Financial Risk Management – continued

D) Liquidity Risk – continued

Maturities of financial liabilities

The maturities of Brambles' contractual cash flows on non-derivative financial liabilities (for principal and interest) and contractual cash flows on net and gross settled derivative financial instruments, based on the remaining period to contractual maturity date, are presented below. Cash flows on interest rate swaps and forward foreign exchange contracts are valued based on forward interest and exchange rates applicable at reporting date.

	Year 1 US\$m	Year 2 US\$m	Year 3 US\$m	Year 4 US\$m	>4 years US\$m	Total contractual cash flows US\$m	Carrying amount (assets)/ liabilities US\$m
2018							
Non-derivative financial liabilities							
Trade payables	526.9	-	-	-	-	526.9	526.9
Bank overdrafts	8.9	-	-	-	-	8.9	8.9
Bank loans	50.7	10.8	217.7	3.7	5.6	288.5	268.7
Loan notes	103.3	559.5	37.7	37.7	1,797.2	2,535.4	2,189.3
Finance lease liabilities	5.5	5.4	4.2	3.4	4.4	22.9	21.4
	695.3	575.7	259.6	44.8	1,807.2	3,382.6	3,015.2
Financial guarantees ¹	36.6	-	-	-	-	36.6	-
	731.9	575.7	259.6	44.8	1,807.2	3,419.2	3,015.2
Derivative financial (assets)/liabilities							
Net settled interest rate swaps							
- fair value hedges	(3.0)	(3.0)	(2.2)	(1.8)	(1.6)	(11.6)	(11.1)
Gross settled forward foreign exchange contracts							
- (inflow)	(1,124.1)	-	-	-	-	(1,124.1)	-
- outflow	1,134.9	-	-	-	-	1,134.9	10.8
	7.8	(3.0)	(2.2)	(1.8)	(1.6)	(0.8)	(0.3)

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 23. Financial Risk Management – continued

D) Liquidity Risk – continued

	Year 1 US\$m	Year 2 US\$m	Year 3 US\$m	Year 4 US\$m	>4 years US\$m	Total contractual cash flows US\$m	Carrying amount (assets)/ liabilities US\$m
2017							
Non-derivative financial liabilities							
Trade payables	423.3	-	-	-	-	423.3	423.3
Bank overdrafts	39.1	-	-	-	-	39.1	39.1
Bank loans	52.8	121.3	157.9	106.2	76.8	515.0	489.1
Loan notes	670.8	80.6	554.6	32.7	1,211.2	2,549.9	2,182.1
Finance lease liabilities	5.9	4.6	4.1	3.4	5.8	23.8	22.1
	1,191.9	206.5	716.6	142.3	1,293.8	3,551.1	3,155.7
Financial guarantees ¹	46.7	-	-	-	-	46.7	-
	1,238.6	206.5	716.6	142.3	1,293.8	3,597.8	3,155.7
Derivative financial (assets)/liabilities							
Net settled interest rate swaps							
- fair value hedges	(5.9)	(2.8)	(2.2)	(1.8)	(1.9)	(14.6)	(14.1)
Gross settled forward foreign exchange contracts							
- (inflow)	(999.8)	-	-	-	-	(999.8)	(5.3)
- outflow	994.5	-	-	-	-	994.5	-
	(11.2)	(2.8)	(2.2)	(1.8)	(1.9)	(19.9)	(19.4)

¹ Refer to Note 26a) 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.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 23. Financial Risk Management – continued

E) 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. Other than the non-current receivables due from First Reserve totalling US\$41.8 million, 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.

Brambles transacts derivatives with prominent financial institutions and has credit limits in place to limit exposure to any potential non-performance by its counterparties.

F) Capital Risk Management

Brambles' objective when managing capital is to ensure Brambles continues as a going concern as well as to provide a balance between financial flexibility and balance sheet efficiency. In determining its capital structure, Brambles considers the robustness of future cash flows, potential funding requirements for growth opportunities and acquisitions, the cost of capital and ease of access to funding sources.

Brambles manages its capital structure to be consistent with a solid investment-grade credit. At 30 June 2018, 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:

	2018 US\$m	2017 US\$m
Total borrowings	2,488.3	2,732.4
Less: cash and cash equivalents	(180.2)	(159.7)
Net debt ¹	2,308.1	2,572.7
Total equity	3,162.0	2,846.7
Total capital	5,470.1	5,419.4

¹ Net debt in 2017 excludes amounts which are classified as held for sale. If the assets and liabilities relating to held for sale balances were included in 2017, the adjusted net debt would be US\$2,580.7 million.

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 2018 and prior years.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 24. Cash Flow Statement – Additional Information

A) Reconciliation of Cash

	2018 US\$m	2017 US\$m
For the purpose of the cash flow statement, cash comprises:		
Cash at bank and in hand ¹	179.4	152.8
Short-term deposits	0.8	7.3
	180.2	160.1
Bank overdraft (Note 18) ²	(8.9)	(47.4)
	171.3	112.7

¹ In 2017, cash at bank and in hand includes US\$0.4 million relating to held for sale operations.

² In 2017, bank overdraft includes US\$8.3 million relating to held for sale operations.

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. Bank overdrafts are presented within borrowings in the balance sheet.

Cash and cash equivalents include balances of US\$0.2 million (2017: US\$1.4 million) used as security for various contingent liabilities and are not readily accessible.

Cash includes US\$11.5 million of cash in Zimbabwe which is subject to government currency controls which currently restrict the ability to repatriate funds.

Brambles has various master netting and set-off arrangements covering cash pooling. An amount of US\$11.3 million has been reduced from cash at bank and overdraft at 30 June 2018 (2017: US\$28.4 million).

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 24. Cash Flow Statement – Additional Information – continued

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

	2018 US\$m	2017 US\$m
Profit after tax	747.1	182.9
Adjustments for:		
- depreciation and amortisation	584.9	548.2
- irrecoverable pooling equipment provision expense	109.4	89.2
- net loss on divestments	15.6	5.4
- net losses on disposals of property, plant and equipment	27.3	5.9
- impairment of goodwill and plant and equipment	-	243.8
- impairment of investment	-	120.0
- other valuation adjustments	2.0	0.3
- joint ventures and associates	11.8	12.5
- equity-settled share-based payments	15.9	29.7
- finance revenues and costs	4.5	(0.2)
Movements in operating assets and liabilities, net of acquisitions and disposals:		
- increase in trade and other receivables	(97.5)	(80.3)
- decrease/(increase) in prepayments	1.8	(2.4)
- (increase)/decrease in inventories	(3.2)	6.6
- (decrease)/increase in deferred taxes	(86.9)	24.7
- increase in trade and other payables	134.7	73.1
- decrease in tax payables	(14.8)	(7.4)
- decrease in provisions	(24.5)	(32.1)
- other	(5.1)	(8.7)
Net cash inflow from operating activities	1,423.0	1,211.2

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 24. Cash Flow Statement – Additional Information – continued

C) Reconciliation of Movement in Net Debt

	2018 US\$m	2017 US\$m
Net debt at beginning of the year	2,572.7	2,621.8
Net cash inflow from operating activities	(1,423.0)	(1,211.2)
Net cash outflow from investing activities	770.2	826.9
Net inflow from derivative financial instruments	(26.6)	(23.7)
Proceeds from issue of ordinary shares	-	(1.6)
Dividends paid	352.0	348.0
Interest accruals, finance leases and other	(1.9)	(6.7)
Foreign exchange differences	64.7	19.2
Net debt at end of the year	2,308.1	2,572.7
Being:		
Current borrowings	91.2	673.4
Non-current borrowings	2,397.1	2,059.0
Cash and cash equivalents	(180.2)	(159.7)
Net debt at end of the year	2,308.1	2,572.7

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 25. 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:

	2018 US\$m	2017 US\$m
Within one year	192.1	119.6
Between one and five years	146.1	156.7
After five years	-	7.4
	338.2	283.7

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 25. Commitments – continued

B) Operating Lease Commitments

Brambles has taken out operating leases for offices, operational locations and plant and equipment. The leases have varying terms, escalation clauses and renewal rights. Escalation clauses are rare and any impact is considered immaterial.

The minimum lease payments under operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis over the term of the lease. The future minimum lease payments under such non-cancellable operating leases are as follows:

	Plant		Occupancy	
	2018 US\$m	2017 US\$m	2018 US\$m	2017 US\$m
Within one year	28.7	27.2	102.3	105.0
Between one and five years	51.5	54.7	267.0	257.0
After five years	6.8	7.1	126.3	107.8
Minimum lease payments	87.0	89.0	495.6	469.8

During the year, operating lease expense of US\$146.7 million (2017: US\$161.4 million) was recognised in the statement of comprehensive income.

Note 26. Contingencies

- Subsidiaries have contingent unsecured liabilities in respect of guarantees given relating to performance under contracts entered into totalling US\$36.6 million (2017: US\$46.7 million), of which US\$27.7 million (2017: US\$35.2 million) is also guaranteed by Brambles Limited. US\$8.2 million (2017: US\$11.3 million) is also guaranteed by Brambles Limited and certain of its subsidiaries under a deed of cross-guarantee and is included in Note 32B.
- Brambles guarantees certain Iron Mountain (formerly Recall) lease obligations. To the extent any claims or liabilities arise under those guarantees and are caused by an Iron Mountain Group company, Iron Mountain has indemnified Brambles under the Demerger Deed relating to the demerger of Brambles' former Recall business.

c) 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.

- 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.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 27. Auditor's Remuneration

	2018 US\$'000	2017 US\$'000
Amounts received or due and receivable by PwC (Australia) for:		
Audit services in Australia:		
- audit and review of Brambles' financial reports	2,230	2,178
- other assurance services	159	60
	2,389	2,238
Other services:		
- other	8	26
Total remuneration of PwC (Australia)	2,397	2,264
Amounts received or due and receivable by related practices of PwC (Australia) for:		
Audit services outside Australia:		
- audit and review of Brambles' financial reports	3,435	3,093
- other assurance services	34	37
	3,469	3,130
Other services:		
- tax advisory services	22	12
- other	52	35
	74	47
Total remuneration of related practices of PwC (Australia)	3,543	3,177
Total auditor's remuneration	5,940	5,441

From time to time, Brambles employs PwC on assignments additional to its statutory audit duties where PwC, through its detailed knowledge of the Group, is best placed to perform the services from an efficiency, effectiveness and cost perspective. The performance of such non-audit related services is always balanced with the fundamental objective of ensuring PwC's objectivity and independence as auditors. To ensure this balance, Brambles' Charter of Audit Independence requires that the Audit Committee approves any management recommendation that PwC undertakes non-audit work (with approval being delegated to the Chief Financial Officer within specified monetary limits).

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

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 28. Key Management Personnel

A) Key Management Personnel Compensation

	2018 US\$'000	2017 US\$'000
Short-term employee benefits	6,198	7,106
Post-employment benefits	102	76
Other benefits	30	753
Share-based payment expense	1,736	7,270
	8,066	15,205

B) Other Transactions with Key Management Personnel

Other transactions with Key Management Personnel are set out in Note 29A.

Further remuneration disclosures are set out in the Directors' Report on pages 24 to 42 of the Annual Report.

Note 29. 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 2018 of US\$1,048,818 (2017: US\$1,097,063) 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.

Brambles contributed a US\$150.0 million shareholder loan to HFG upon creation of the joint venture, with a cash interest rate of 10.0% per annum, payable quarterly. This loan was repaid in April 2018 as part of the divestment of HFG (refer Note 9).

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 29. Related Party Information – continued

C) Material Subsidiaries

The principal subsidiaries of Brambles during the year were:

Name	Place of incorporation	% interest held at reporting date	
		2018	2017
CHEP USA	USA	100	100
CHEP Canada, Inc.	Canada	100	100
CHEP UK Limited	UK	100	100
CHEP Equipment Pooling NV	Belgium	100	100
CHEP Deutschland GmbH	Germany	100	100
CHEP South Africa (Proprietary) Limited	South Africa	100	100
CHEP Australia Limited	Australia	100	100
CHEP Recycled Pallet Solutions LLC	USA	-	100
CHEP Mexico SA de CV	Mexico	100	100
IFCO Systems US 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. Shares in subsidiaries are recorded at cost, less provision for impairment.

Material subsidiaries which prepare financial statements report a 30 June balance date.

Note 30. Events After Balance Sheet Date

Brambles was served with class action proceedings filed in the Federal Court by Slater & Gordon on 10 August 2018 and by Maurice Blackburn on 21 August 2018, on behalf of certain shareholders. Brambles will vigorously defend both proceedings brought against it.

On 24 August 2018, Brambles announced that following a strategic review of its portfolio, it will pursue a separation of its IFCO RPC business through a demerger with IFCO becoming a separately listed company. Brambles will also pursue a dual track process whereby an outright sale of the IFCO RPC business will be investigated. As at 30 June 2018 IFCO has been classified as a continuing operation in accordance with applicable accounting standards.

Other than those outlined in the Directors' Report or elsewhere in these financial statements, no other events have occurred subsequent to 30 June 2018 and up to the date of this report that have had a material impact on Brambles' financial performance or position.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 31. Net Assets Per Share

	2018 US cents	2017 US cents
Based on 1,591.9 million shares (2017: 1,589.4 million shares):		
- Net tangible assets per share	134.4	111.6
- Net assets per share	198.6	179.1

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. In 2017, the net tangible assets include CHEP Recycled (refer Note 10).

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 32. Parent Entity Financial Information

A) Summarised Financial Data of Brambles Limited

	Parent entity	
	2018 US\$m	2017 US\$m
Profit for the year	389.6	376.0
Other comprehensive (expense)/income for the year ¹	(280.2)	174.8
Total comprehensive income	109.4	550.8
Current assets	-	2.6
Non-current assets	7,917.5	7,810.3
Total assets	7,917.5	7,812.9
Current liabilities	41.8	33.0
Non-current liabilities	1,912.1	1,578.5
Total liabilities	1,953.9	1,611.5
Net assets	5,963.6	6,201.4
Contributed equity	6,218.5	6,201.1
Share-based payment reserve	52.5	57.4
Foreign currency translation reserve	(503.5)	(223.3)
Retained earnings	196.1	166.2
Total equity	5,963.6	6,201.4

¹ Comprises foreign currency translation movements.

Dividends received from investments in subsidiaries are recognised as revenue even if they are paid out of pre-acquisition profits.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2018

Note 32. 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\$1,712.7 million (2017: US\$1,827.3 million), of which US\$195.6 million (2017: US\$403.8 million) has been drawn.

Brambles Limited and certain of its subsidiaries are parties to guarantees which support US Private Placement borrowings of US\$20.0 million (2017: US\$20.0 million) by a subsidiary.

Brambles Limited and certain of its subsidiaries are parties to a guarantee which supports notes of US\$1,000.0 million (2017: US\$1,000.0 million) issued by a subsidiary to qualified institutional buyers in accordance with Rule 144A and Regulation S of the United States Securities Act.

Brambles Limited and certain of its subsidiaries are parties to a guarantee which supports notes of €1,000.0 million (2017: €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\$514.3 million (2017: US\$558.6 million), of which US\$129.2 million (2017: US\$129.1 million) has been drawn.

Other than these guarantees, the parent entity did not have any contingent liabilities at 30 June 2018 or 30 June 2017.

C) Contractual Commitments

Brambles Limited did not have any contractual commitments for the acquisition of property, plant and equipment at 30 June 2018 or 30 June 2017.

Directors' Declaration

In the opinion of the Directors of Brambles Limited:

- (a) the financial statements and notes set out on pages 51 to 107 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 2018 and of its performance for the year ended on that date;
- (b) there are reasonable grounds to believe that Brambles Limited will be able to pay its debts as and when they become due and payable.

A statement of compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board is included within Note 1 to the financial statements.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



S P Johns

Chairman



G A Chipchase

Chief Executive Officer

24 August 2018

Independent Auditor's Report

to the Members of Brambles Limited



Independent auditor's report

To the members of Brambles Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Brambles Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated cash flow statement for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Independent Auditor's Report – continued

to the Members of Brambles Limited



Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.



Materiality

- For the purpose of our audit we used overall Group materiality of \$44 million, which represents approximately 5% of the Group's profit before tax from continuing operations.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose profit before tax from continuing operations because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and it is a generally accepted benchmark. We selected 5% based on our professional judgement noting it is within the range of commonly acceptable thresholds.

Audit Scope

- The Group's financial results comprise the consolidation of a network of pooled pallet, crate and container businesses which are geographically widespread. We tailored the scope of our audit so that we performed sufficient work to be able to give an opinion on the financial report as a whole, taking into account the structure of the Group, the significance and risk profile of each business, the accounting processes and controls, and the industry in which the Group operates.
- Our audit also focused on areas of subjective judgement, for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Audit of significant locations, transactions and balances

- Separate PwC firms each in the relevant locations ("local PwC audit firms") performed an audit of the financial information prepared for consolidation purposes for seventeen components of the Group. The components were selected due to their significance to the Group, either by individual size or by risk. Certain components in the Group are selected every year due to their size or nature, while others are included on a rotational basis.

Independent Auditor's Report – continued

to the Members of Brambles Limited



- In addition, local PwC audit firms performed risk focused targeted audit or specified procedures on selected transactions and balances for a further ten components.
- The remaining components were financially insignificant, and comprise more than one hundred and fifty entities. Those entities are considered as part of Group analytical procedures and other specified procedures.

Audit of shared services functions

- Our audit of IT, tax and certain finance processes was performed by local PwC audit firms based in various territories, reflecting the location of the Group's shared services functions. This included some audit procedures performed at the Group's finance process outsourced services provider. The PwC Australia Group audit team (the Group audit team) performed audit procedures over centrally managed areas such as share based payments, treasury and the consolidation process.

Direction and supervision by the Group audit team

- The audit procedures were performed by PwC Australia and local PwC audit firms operating under the Group audit team's instructions. The Group audit team determined the level of involvement needed in the audit work of local PwC audit firms to be satisfied that sufficient audit evidence had been obtained for the purpose of the opinion. The Group audit team kept in regular communication with the local PwC audit firms throughout the year through phone calls, discussions and written instructions. Senior members of the Group audit team visited certain businesses and met with management and local PwC audit teams including significant locations (which are visited twice every year); significant shared services centres (which are visited every year); and certain other locations (which are visited on a rotational basis).
- The audit team both at Group and at local component levels were appropriately skilled and competent to perform an audit of a complex global business. This included specialists and experts in areas such as IT, actuarial, tax, treasury and valuations.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<i>Accounting for pooling equipment assets</i> <i>(Refer to Note 14)</i> Brambles' pooling equipment is accounted for as depreciable fixed assets, classified within plant and equipment. The accounting for pooling equipment was a key audit matter due to the assets' financial size and judgement involved. As disclosed in Note 14 of the financial report, there	We performed the following procedures: <i>Pooled pallets</i> <ul style="list-style-type: none">• Evaluated the design effectiveness and tested a selection of key asset management controls including attending pallet audits

Independent Auditor's Report – continued

to the Members of Brambles Limited



Key audit matter	How our audit addressed the key audit matter
<p>is inherent risk in accounting for pooling equipment due to the high volume of asset movements through a complex network, and a limitation on the Group's ability to physically verify the quantity of the pallets, crates and containers due to access and cost prohibitions.</p> <p>The two largest categories of pooling equipment are pallets and reusable plastic crates (RPCs).</p> <p><i>Pooled pallets</i></p> <p>Key areas of judgement in relation to pooled pallets include the useful economic life and residual value (and therefore the pattern of depreciation) and the quantity of lost pallets.</p> <p>The estimation of the provision for lost pallets (called the irrecoverable pooling equipment provision, or "IPEP") involves significant estimates and the Group's judgement.</p> <p>The provision is calculated by considering the results of the Group's pallet audits, historical experience of pallet loss and flows analysis as reported through the asset management system.</p> <p><i>Reusable plastic crates (RPCs)</i></p> <p>Accounting for RPCs is complex and involves uncertainty in estimating the number of crates lost per trip, the useful life of crates and crate residual value. There is further complexity in accounting for deposits and matching them against lost crates when they are written off.</p>	<p>and assessing the results of the Group's counts.</p> <ul style="list-style-type: none"> • Tested key reconciliations between the numbers of pallets in the accounting records compared to the operations system. • To challenge the IPEP provision calculation methodology and assumptions we: <ul style="list-style-type: none"> - assessed key assumptions and judgements, with a particular focus on distributors who are not customers of CHEP, as losses from such distributors are historically higher; - assessed provision estimates for significant customers where CHEP has no access to physically count the pallets; - evaluated how historical pallet loss rates and flows analysis are used to estimate future losses; and - tested the calculations and extrapolations of provision estimates across pallet locations. • Obtained an understanding of useful economic life and residual value assumptions and assessed continued appropriateness based on an understanding of the business. <p><i>Reusable plastic crates (RPCs)</i></p> <ul style="list-style-type: none"> • Tested a selection of the Group's controls over accounting for RPCs including monthly pool reconciliations, crate sample counts and the deposit matching process. • Tested key reconciliations between the numbers of crates in the accounting records compared to the operations system. • Inspected historical flows analyses prepared by the Group to test the reasonableness of estimates such as crates lost per trip. • Considered and challenged the Group's key assumptions and other drivers of the number and value of recorded crates by agreeing the cost and residual value of a

Independent Auditor's Report – continued

to the Members of Brambles Limited



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
	<p>sample of crates to external evidence, taking part in stock observation, and receiving confirmations from crate producers.</p> <ul style="list-style-type: none">• Tested a sample of the outstanding crate deposits and performed procedures in regards to the deposit matching process.• Obtained an understanding of useful life and residual value assumptions and assessed continued appropriateness based on an understanding of the business.
<p><i>Impairment assessment of goodwill</i> (Refer to Note 15)</p> <p>The Group has goodwill of \$911.7m as at 30 June 2018. Australian Accounting Standards require an annual impairment assessment.</p> <p>In order to assess the recoverability of goodwill, the Group prepared financial models at 30 June 2018 for cash generating units to which the goodwill is ascribed to determine if the carrying value of goodwill was supported by forecast future cash flows, discounted to present value (“the models”).</p> <p>The assessment of impairment was a key audit matter due to the quantum of the goodwill balance as well as the judgements and assumptions applied in estimating forecasted cash flows, growth rates and discount rates.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none">• Assessed whether the division of the Group’s goodwill, other assets and liabilities into Cash Generating Units (CGUs) to assess impairment was consistent with our knowledge of the Group’s operations and internal Group reporting.• Considered if the impairment models used to estimate the recoverable amount of the assets were consistent with the requirements of Australian Accounting Standards.• Considered whether the cash flows used in the models were reasonable and based on supportable assumptions by comparing actual cash flows for previous years to forecast cash flows and evaluating the support available for any deviations.• Assessed the Group’s ability to forecast future cash flows for the business by comparing previous forecasts with reported actual results from recent history.• Undertook testing of the mathematical accuracy of the models’ calculations.• We were assisted by PwC valuation experts who assessed the reasonableness of assumptions in the impairment models by:<ul style="list-style-type: none">- comparing long term market growth assumptions to external market data;- comparing elements of the discount rate against a selection of similar companies; and,

Independent Auditor's Report – continued

to the Members of Brambles Limited



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
	<ul style="list-style-type: none">- assessing components of the discount rate, through the creation of an independent 'shadow' calculation.• Considered the sensitivity of the model to changes in key assumptions by applying other values within a range that we independently assessed as being reasonably possible.
<p><i>Calculation of current and deferred taxation balances</i></p> <p><i>(Refer to Note 6)</i></p> <p>The calculation of taxation balances was a key audit matter because the Group operates in a large number of jurisdictions with different laws, regulations and authorities resulting in complex tax calculations.</p> <p>Judgement is involved in a number of aspects of the tax calculations, including the assessment of recorded tax losses for recoverability.</p> <p>The calculation of income taxes is disclosed in Note 6 of the financial report including the key judgements made in the assessment of the taxation provision.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none">• Assessed the rationale on which current tax was calculated and deferred tax assets and liabilities were recognised.• Tested the Group tax analysis prepared by management with the assistance of PwC tax specialists who liaised directly with local PwC tax specialists in other territories where required.• Challenged the Group's tax forecasts for jurisdictions where there are material recorded tax losses by comparing these tax forecasts to future business plans, testing key tax assumptions and comparing underlying business results to the Group's three year plans. We also assessed the rationale for and calculation of unrecognised deferred tax assets which are disclosed.• Considered and challenged the assumptions made by the Group in making judgemental tax provisions.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, including the Letter from the Chairman, Letter from the CEO, Operating & Financial Review, Board & Executive Leadership Team, Directors' Report – Other Information, Shareholder Information, Five-year Financial Performance Summary, Glossary, and Contact Information, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

Independent Auditor's Report – continued

to the Members of Brambles Limited



In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 24 to 42 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Brambles Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Independent Auditor's Report – continued

to the Members of Brambles Limited



Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Pricewaterhousecoopers

PricewaterhouseCoopers

S. Horlin

Susan Horlin
Partner

Sydney
24 August 2018

EPenny

Eliza Penny
Partner

Sydney
24 August 2018

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of Brambles Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Brambles Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'S. Horlin', with a long horizontal flourish extending to the right.

Susan Horlin
Partner
PricewaterhouseCoopers

Sydney
24 August 2018

PricewaterhouseCoopers, ABN 52 780 433 757

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Five-Year Financial Performance Summary

US\$m	2018	2017	2016	2015	2014
Continuing operations^{1,2,3}					
Sales revenue^{1,2,3}	5,596.6	5,104.3	4,900.1	5,440.5	5,404.5
EBITDA ^{1,2,3}	1,565.5	1,298.1	1,447.4	1,487.9	1,457.8
Depreciation and amortisation ^{1,2,3}	(579.5)	(526.7)	(502.1)	(546.1)	(528.3)
Operating profit ^{1,2,3}	986.0	771.4	945.3	941.8	929.5
Net finance costs ^{1,2,3}	(104.8)	(98.7)	(112.9)	(111.9)	(113.0)
Profit before tax ^{1,2,3}	881.2	672.7	832.4	829.9	816.5
Tax expense ^{1,2,3}	(107.7)	(227.8)	(240.1)	(242.3)	(232.0)
Profit from continuing operations^{1,2,3}	773.5	444.9	592.3	587.6	584.5
Profit from discontinued operations ^{1,2,3}	(26.4)	(262.0)	(4.6)	(3.2)	683.2
Profit for the year^{1,2,3}	747.1	182.9	587.7	584.4	1,267.7
Underlying Profit ^{1,2,3}	996.7	957.5	984.5	986.9	960.1
Significant Items ^{1,2,3}	(10.7)	(186.1)	(39.2)	(45.1)	(30.6)
Operating profit^{1,2,3}	986.0	771.4	945.3	941.8	929.5
Weighted average number of shares (millions)	1,591.2	1,588.3	1,577.6	1,566.0	1,560.7
Earnings per share (US cents)					
Basic	47.0	11.5	37.3	37.3	81.2
From continuing operations ^{1,2,3}	48.6	28.0	37.5	37.5	37.5
On Underlying Profit after finance costs and tax ^{1,2,3}	41.2	38.5	39.2	39.7	38.7
ROCI^{1,2,3}	16%	17%	19%	16%	16%
Capex on property, plant and equipment^{1,2,3}	1,192.5	1,023.5	1,060.8	1,035.4	908.0
Balance sheet					
Capital employed	5,470.1	5,419.4	5,576.9	5,330.0	5,112.7
Net debt	2,308.1	2,572.7	2,621.8	2,688.9	2,361.7
Equity	3,162.0	2,846.7	2,955.1	2,641.1	2,751.0
Average Capital Invested ^{1,2,3,4}	6,172.7	5,646.4	5,096.4	6,251.5	5,889.6
Cash Flow					
Cash Flow from Operations ^{1,2,3}	892.4	591.5	518.8	729.5	828.2
Free Cash Flow	554.4	224.2	171.7	404.1	430.9
Dividends paid, net of Dividend Reinvestment Plan	352.0	348.0	205.1	359.3	394.2
Free Cash Flow after dividends	202.4	(123.8)	(33.4)	44.8	36.7
Net debt ratios					
Net debt to EBITDA (times)	1.5	1.7	1.7	1.7	1.6
EBITDA interest cover (times)	15.0	15.2	13.5	13.7	13.2
Average employees^{1,2,3}	11,663	13,882	13,816	13,854	14,086
Dividend declared per share (Australian cents)	29.0	29.0	29.0	28.0	27.0

¹ CHEP Recycled is presented within discontinued operations in 2018, 2017 and 2016. Oil & Gas and Aerospace businesses are presented within discontinued operations in 2017 and 2016. Periods prior to 2016 include the CHEP Recycled, Oil & Gas and Aerospace businesses within continuing operations and are consistent with previously published data.

² 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.

³ Recall is presented within discontinued operations in 2014.

⁴ Average Capital Invested (ACI) prior to 2016 is based on the previous ACI definition which reflects adjustments for accumulated pre-tax Significant Items and is consistent with previously published data. The ACI definition was amended in December 2016 to exclude adjustments for accumulated pre-tax Significant Items (refer Glossary).

Glossary

Acquired Shares	Brambles Limited shares purchased by Brambles' employees under MyShare
actual currency/FX	Results translated into US dollars at the applicable actual monthly exchange rates ruling in each period
AGM	Annual General Meeting
ACI (Average Capital Invested)	A 12-month average of capital invested; capital invested is calculated as net assets before tax balances, cash and borrowings, but after adjustment for pension plan actuarial gains or losses and net equity adjustments for equity-settled share-based payments
BIFR (Brambles Injury Frequency Rate)	Safety performance indicator that measures the combined number of fatalities, lost-time injuries, modified duties and medical treatments per million hours worked
BIL	Brambles Industries Limited, which was one of the two listed entities in the previous dual-listed companies structure
BIP	Brambles Industries plc, which was one of the two listed entities in the previous dual-listed companies structure
Board	The Board of Directors of Brambles Limited
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 2017 exchange rates as: Underlying Profit; plus Significant Items that are part of the ordinary activities of the business; less Average Capital Invested, adjusted for accumulated pre-tax Significant Items that are outside the ordinary course of business, multiplied by 12%
CAGR (Compound Annual Growth Rate)	The annualised percentage at which a measure (e.g. sales revenue) would have grown over a period if it grew at a steady rate
Cash Flow from Operations	Cash flow generated after net capital expenditure but excluding Significant Items that are outside the ordinary course of business
Circular economy	A circular economy regenerates and circulates key resources ensuring products, components and materials are at their highest utility and value, at all times
CGPR	The Australian Securities Exchange Corporate Governance Council Corporate Governance Principles & Recommendations, Third Edition
Company	Brambles Limited (ACN 118 896 021)
Constant currency/constant FX	Current period results translated into US dollars at the actual monthly exchange rates applicable in the comparable period, so as to show relative performance between the two periods
Continuing operations	Continuing operations refers to CHEP Americas, CHEP EMEA, CHEP Asia-Pacific (each primarily comprising pallet and container pooling businesses in that region operating under the CHEP brand), IFCO (RPCs pooling businesses operating under the IFCO brand) and Corporate (corporate centre including BXB Digital)
Disclosable Executives	Brambles Limited's Executive Directors, Non-Executive Directors and other Group executives whose remuneration details are required to be disclosed in the Remuneration Report
discontinued operations	Operations which have been divested/demerged or which are held for sale
DRP (Dividend Reinvestment Plan)	The Brambles Dividend Reinvestment Plan, under which Australian and New Zealand shareholders can elect to apply some or all of their dividends to the purchase of shares in Brambles Limited instead of receiving cash
DLC	Dual-listed companies structure: the contractual arrangement between Brambles Industries Limited and Brambles Industries plc from August 2001 to December 2006 under which they operated as if a single economic enterprise, while retaining separate legal identities, tax residences and stock exchange listings
EPS (Earnings Per Share)	Profit after finance costs, tax, minority interests and Significant Items, divided by the weighted average number of shares on issue during the period
EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation)	Operating profit from continuing operations after adding back depreciation and amortisation

Glossary – continued

ELT	Brambles' Executive Leadership Team, details of which are on pages 22 and 23
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; FY18 indicates the financial year ended 30 June 2018
Group or Brambles	Brambles Limited and all of its related bodies corporate
IBCs (Intermediate Bulk Containers)	Palletised containers used for the transport and storage of bulk products in a variety of industries including the food, chemical, pharmaceuticals and transportation industries
IPEP (Irrecoverable Pooling Equipment Provision)	Provision held by Brambles to account for pooling equipment that cannot be economically recovered and for which there is no reasonable expectation of receiving compensation
Key Management Personnel	Members of the Board of Brambles Limited and Brambles' Executive Leadership Team
KPI(s)	Key Performance Indicator(s)
LTI	Long-Term Incentive
Matching Awards	Matching share rights over Brambles Limited shares allocated to employees when they purchase Acquired Shares under MyShare; when an employee's Matching Awards vest, Matching Shares are allocated
Matching Shares	Shares allocated to employees who have held Acquired Shares under MyShare for two years, and who remain employed at the end of that two-year period; one Matching Share is allocated for every Acquired Share held
MyShare	The Brambles Limited MyShare Plan, an all-employee share plan, under which employees acquire ordinary shares by means of deductions from their after-tax pay and must hold those shares for a two-year period. If an employee holds those shares and remains employed at the end of the two-year period, Brambles will match the number of shares that employee holds by issuing or transferring to them the same number of shares they held for the qualifying period, at no additional cost to the employee
Operating profit	Statutory definition of profit before finance costs and tax; sometimes called EBIT (earnings before interest and tax)
Performance Period	A two-to-three-year period over which the achievement of performance conditions is assessed to determine whether STI and LTI share awards will vest
Performance Share Plan or PSP	The Brambles Limited Performance Share Plan (as amended)
PAT (Profit after Tax)	Profit after finance costs, tax, minority interests and Significant Items
RPCs	Reusable/returnable plastic/produce container/crate, generally used for shipment and display of fresh produce items
ROCI (Return on Capital Invested)	Underlying Profit divided by Average Capital Invested
Sharing economy	An economic system in which assets or services are shared between different agents, either free or for a fee
Significant Items	Items of income or expense which are, either individually or in aggregate, material to Brambles or to the relevant business segment and: outside the ordinary course of business (e.g. gains or losses on the sale or termination of operations, the cost of significant re-organisations or restructuring); or part of the ordinary activities of the business but unusual because of their size and nature
STI	Short-Term Incentive
TSR (Total Shareholder Return)	Measures the returns that a company has provided for its shareholders, reflecting share price movements and reinvestment of dividends over a specified performance period
Underlying EPS	Profit after finance costs, tax and minority interests but before Significant Items, divided by the weighted average number of shares on issue during the period

Glossary – continued

ULP (Underlying Profit)	Profit from continuing operations before finance costs, tax and Significant Items
Unification	The unification of the dual-listed companies structure (between Brambles Industries Limited and Brambles Industries plc) under a new single Australian holding company, Brambles Limited, which took place in December 2006
Unit-load equipment	A term for any tools or platforms (such as pallets, crates and containers) used for the shipment or storage of multiple units of goods (for example, boxes of grocery items) in standardised volumes and formats for ease of shipment and storage through the supply chain
Year	Brambles' 2018 financial year

Notes

Contact Information

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Investor & Analyst Queries

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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

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
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American Depositary Receipts Registry

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