

24 October 2013

The Manager-Listings  
Australian Securities Exchange Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

*Via electronic lodgement*

Dear Sir

**Demerger of Recall Holdings Limited by Brambles Limited**

Reference is made to the announcement on 23 October 2013 that the Federal Court of Australia has ordered a meeting (**Scheme Meeting**) of Brambles' ordinary shareholders to be convened to vote on the scheme of arrangement to effect the proposed demerger of Recall Holdings Limited from Brambles (**Demerger**). The Scheme Meeting will be followed by a general meeting (**General Meeting**) of Brambles' ordinary shareholders to approve the capital reduction of Brambles shares as part of the Demerger and other matters.

Attached is a copy of the Scheme Book to be sent to Brambles ordinary shareholders for the Scheme Meeting and General Meeting. Brambles' shareholders should carefully read the Scheme Book in its entirety and the materials accompanying it before making a decision as to how to vote on the resolutions to be considered at the Scheme Meeting and General Meeting.

Yours faithfully

**BRAMBLES LIMITED**

**Robert Gerrard**  
Company Secretary

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## Scheme Book

For the Demerger of Recall by Brambles

### VOTE IN FAVOUR

Your Directors unanimously recommend that you vote in favour of the resolutions to approve the Demerger

The Independent Expert has concluded that the Demerger is in the best interests of Brambles Shareholders



This is an important document and requires your immediate attention. You should read this Scheme Book in its entirety, taking particular notice of the advantages, disadvantages and risks of the Demerger (see Sections 4.1 to 4.3) and the risks of an investment in Recall (see Sections 4.4 and 4.6) and in Brambles (after the Demerger) (see Sections 4.5 and 4.6), prior to deciding whether or not to vote in favour of the resolutions to approve the Demerger.

Brambles Shareholders who have any questions in relation to this Scheme Book or the Demerger should consult their financial, legal, taxation or other professional adviser.

You can also call the Brambles Shareholder Information Line on +61 1800 209 118 on Business Days between 8.30am and 5.30pm (AEDT).  
Brambles Limited (ABN 89 118 896 021).

# IMPORTANT NOTICES

## Purpose of this Scheme Book

The purpose of this Scheme Book is to explain the terms of the Demerger and the manner in which the Demerger will be considered and implemented (if approved), to set out certain information required by law and to provide all other information (other than information previously disclosed to Brambles Shareholders) which is known to Brambles which is material to the decision of Brambles Shareholders whether or not to vote in favour of the resolutions to be considered at the Meetings.

This Scheme Book includes:

- the explanatory statement required by section 412(1) of the *Corporations Act* in relation to the Scheme; and
- a statement of all the information known to Brambles that is material to Brambles Shareholders in deciding how to vote on the Capital Reduction Resolution, as required by section 256C(4) of the *Corporations Act*.

Brambles Shareholders should read this Scheme Book in its entirety before making a decision as to how to vote on the resolutions to be considered at the Scheme Meeting and the General Meeting.

## Responsibility statements

This Scheme Book (other than Sections 7 and 8) has been prepared by Brambles and its Directors as at the date of this Scheme Book and is the responsibility of Brambles.

PricewaterhouseCoopers Securities Ltd (Australian Financial Services License 244572) has prepared the Investigating Accountant's Report set out in Section 7 in relation to the pro forma historical financial information included in Sections 2.16 and 3.9 and takes responsibility for that report.

KPMG Financial Advisory Services (Australia) Pty Ltd has prepared the Independent Expert's Report and the concise version of the Independent Expert's Report set out in Section 8, and takes responsibility for that report (including the concise version).

## IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER UNDER SECTION 411(1) OF THE CORPORATIONS ACT

The fact that under section 411(1) of the *Corporations Act* the Court has ordered that a meeting be convened and has approved this Scheme Book does not mean that the Court:

- has formed any view as to the merits of the proposed scheme or as to how members should vote (on this matter, members must reach their own decision); or
- has prepared, or is responsible for, the content of this Scheme Book.

## ASIC

A copy of this Scheme Book has been lodged with ASIC in accordance with section 256C(5) of the *Corporations Act* and registered by ASIC under section 412(6) of the *Corporations Act*.

Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Book.

## Status of this Scheme Book

This Scheme Book is not a prospectus lodged under Chapter 6 of the *Corporations Act*. Section 708(17) of the *Corporations Act* provides that disclosure to investors under Part 6D.2 of the *Corporations Act* is not required for an offer of securities if it is made under a compromise or arrangement under Part 5.1 of the *Corporations Act*, approved at a meeting held as a result of an order made by the court under section 411(1) or (1A) of the *Corporations Act*.

## Foreign jurisdictions and shareholders

Brambles Shareholders who are Ineligible Overseas Shareholders will not receive Recall Shares under the Scheme. Recall Shares that would otherwise be transferred to these shareholders under the Scheme will be transferred to the Sale Agent to be sold on market, with the Sale Facility Proceeds remitted to them, free of any brokerage costs or stamp duty. Refer to Sections 1, 5.3 and 5.4 for further information.

Brambles Shareholders resident outside Australia, the United States and the United Kingdom for tax purposes should seek specific tax advice in relation to the Australian and overseas tax implications of the Demerger. For a discussion of the tax implications of the Scheme for resident Australian, United States and United Kingdom Brambles Shareholders please refer to Section 6.

This Scheme Book does not in any way constitute an offer of securities in any place in which, or to any person to whom, it would be unlawful to make such an offer.

This Scheme Book is neither an offer to sell nor a solicitation of an offer to buy securities as those terms are defined under the *US Securities Act*. Recall Shares to be transferred under the Scheme have not been and will not be registered under the *US Securities Act* or the securities laws of any jurisdiction and may not be offered, sold or resold in, or to persons in, the United States except in accordance with an available exemption from registration under the *US Securities Act*.

None of the US Securities and Exchange Commission ("SEC"), any US state securities commission or any other US regulatory authority has passed comment upon or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of this Scheme Book. Refer to Section 9.10 for information about selling restrictions in other foreign jurisdictions.

## ASX listing

Recall Holdings Limited ("Recall Holdings") will apply for admission to the Official List and for official quotation of all Recall Shares on ASX. A copy of this Scheme Book has been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Book. The fact that ASX may admit Recall Holdings to the Official List does not make any statement regarding, and should not be taken in any way as an indication of, the merits of an investment in Recall Holdings.

## Financial information

Other than as noted in this Scheme Book, the financial information contained in this Scheme Book has been prepared and presented in accordance with Brambles' accounting policies as disclosed in its 30 June 2013 financial statements (contained in its 2013 Annual Report). The 30 June 2013 financial statements have been prepared in accordance with Australian Accounting Standards as issued by the Australian Accounting Standards Board ("AASBs") and International Financial Reporting Standards as issued by the International Accounting Standards Board.

Brambles and Recall use certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively

referred to as "non-IFRS financial measures" and include Underlying EBITDA and Underlying Profit.

Brambles Shareholders should also note that this Scheme Book contains pro forma historical financial information. In preparing the pro forma historical financial information, certain adjustments were made to the historical financial information of Brambles that Brambles considered appropriate to reflect the indicative effect of the Demerger, as described in this Scheme Book. The financial information contained in this Scheme Book is historical only. Brambles Shareholders should note that past financial performance is not necessarily a guide to future financial performance.

## Investment decisions

The information in this Scheme Book is general information only and does not take into account the investment objectives, financial situation or particular needs of any Brambles Shareholder or any other person. This Scheme Book should not be relied upon as the sole basis for any investment decisions in relation to Brambles Shares, Recall Shares or any other securities. You should consider whether the information in this Scheme Book is appropriate for you in light of your objectives, financial situation and needs and consult your financial, legal, taxation or other professional adviser before making any investment decision.

## Forward looking statements

Certain statements in this Scheme Book relate to the future. While Brambles and Recall believe there is a reasonable basis for these forward looking statements they do involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Brambles or Recall to be materially different from the future results, performance or achievements expressed or implied by such statements. Such forward looking statements are based on numerous assumptions regarding present and future business strategies and the environment in which Brambles or Recall will operate in the future. Certain important factors that could cause actual results, performance or achievements to differ materially from those in the forward looking statements include, among others, the risk factors described in this Scheme Book, and other unknown risks and uncertainties. Forward looking statements should, therefore, be construed in light of such risk factors. You are cautioned not to place undue reliance on these statements.

Other than as required by law, none of Brambles, Recall or any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Scheme Book will actually occur.

The forward looking statements in this Scheme Book reflect views held only at the date of this Scheme Book. Subject to any continuing obligations under law or the Listing Rules or as contemplated by Section 9.12, Brambles and Recall and their respective directors disclaim any obligation or undertaking to disseminate after the date of this Scheme Book any updates or revisions to any forward looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

## Estimates

Unless otherwise indicated, all references to estimates and derivations of the same in this Scheme Book are references to estimates by Brambles management or Recall management. Management estimates are based on views at the date of this Scheme Book and actual facts or outcomes may be materially different from those estimates.

## Interpretation

Capitalised terms and certain abbreviations used in this Scheme Book have the defined meanings set out in the Glossary.

Figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Book are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Book.

All references to \$, US\$, USD, dollars and cents, are to United States currency, unless specified otherwise. Historical financials are translated into US\$ at actual exchange rates, unless specified otherwise.

All references in this Scheme Book to time are to Australian Eastern Daylight Time ("AEDT").

## Privacy and personal information

Brambles and Recall and their respective share registries may collect personal information in the process of implementing the Scheme and the Demerger and administering the shareholdings arising from the Demerger. The personal information may include the names, addresses, other contact details and details of the shareholdings of Brambles Shareholders, and the names of individuals appointed by Brambles Shareholders as proxies, corporate representatives or attorneys at the Scheme Meeting and the General Meeting.

Brambles Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact Link Market Services Limited on +61 1800 209 118 on Business Days from 8.30am to 5.30pm (AEDT) in the first instance if they wish to request access to that personal information.

The personal information is collected for the primary purpose of implementing the Scheme and the Demerger and administering the shareholdings arising from the Demerger. The personal information may be disclosed to Brambles' and Recall's share registries, to securities brokers, to print and mail service providers and to any other service providers and advisers engaged by Brambles, Recall or their respective share registries for this purpose.

The main consequence of not collecting the personal information outlined above would be that Brambles and Recall may be hindered in, or prevented from, conducting the Scheme Meeting and the General Meeting and implementing the Scheme and the Demerger.

Brambles Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting and the General Meeting should inform such individual of the matters outlined above.

## Supplementary information

Refer to Section 9.12 for information about the steps Brambles will take if information about the Scheme needs to be updated.

## Date of this Scheme Book

This Scheme Book is dated 23 October 2013.

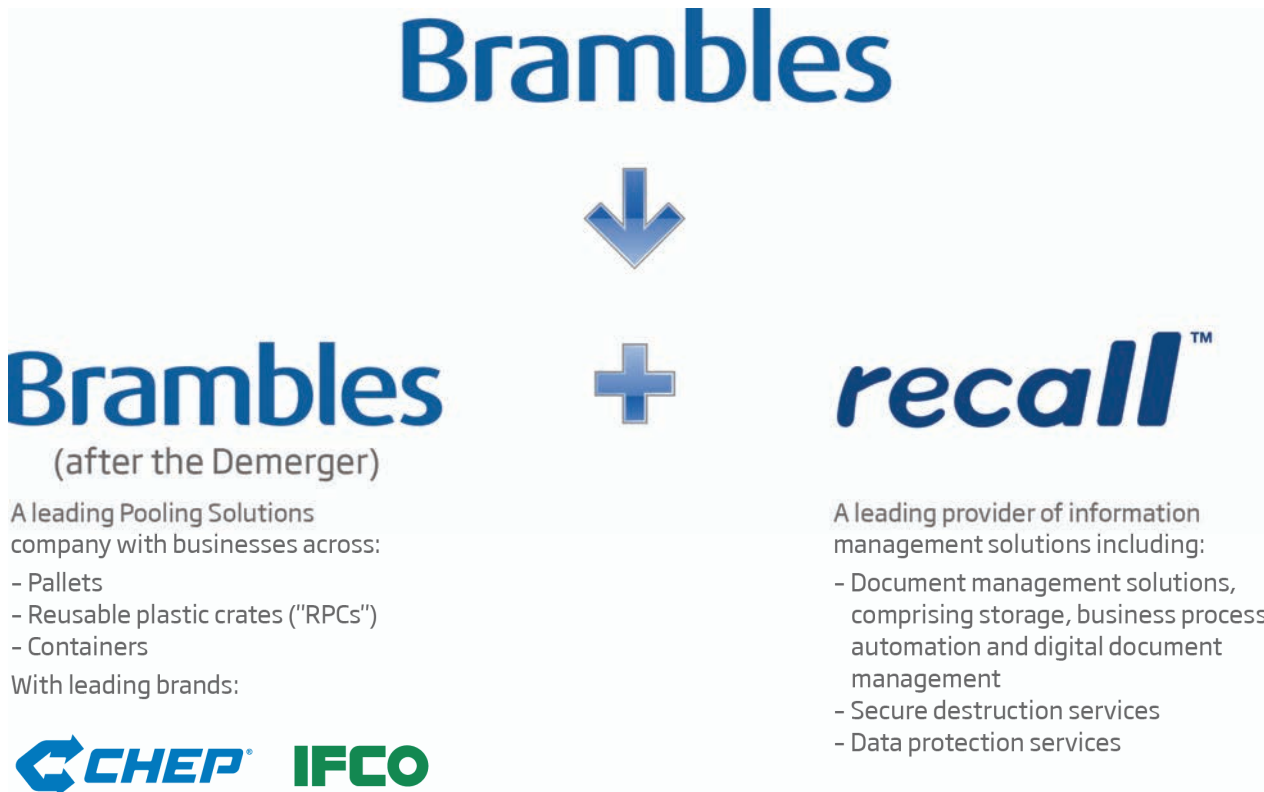
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**All references in the Scheme Book to \$, US\$, dollars and cents, are to United States currency, unless specified otherwise**

## OVERVIEW

If the Demerger is implemented, Eligible Shareholders will retain their current Brambles shareholding and receive one share in Recall Holdings for every five shares they hold in Brambles.



### Reasons to vote for the Demerger

- Allows Brambles (after the Demerger) and Recall to focus on their respective core businesses
- Positions both Brambles (after the Demerger) and Recall to independently pursue their respective growth objectives
- Enables better allocation of Brambles' (after the Demerger) and Recall's capital resources, tailored to each company's needs and growth opportunities
- Provides Eligible Shareholders with an investment in two independent ASX listed companies of scale
- The Brambles Board believes that the Demerger is more likely to enhance Brambles Shareholder value over the long term than the currently available alternatives for Recall

### Reasons to vote against the Demerger

- Brambles (after the Demerger) will be less diversified than Brambles prior to the Demerger
- As a standalone entity, Recall is expected to incur additional corporate costs and its cost and availability of future funding may not be as favourable as those for Brambles
- Transaction and implementation costs of approximately \$62 million are expected to be incurred, of which approximately \$22 million are expected to have been incurred prior to the Scheme Meeting
- There are risks associated with the Demerger (including that the expected advantages of the Demerger may not materialise) as set out in Section 4.3

## CHAIRMAN'S LETTER



Brambles' Chairman Graham Kraehe AO

23 October 2013

Dear Shareholder,

On behalf of the Brambles Board, I am delighted to present you with this Scheme Book containing information about the proposed demerger of Recall Holdings Limited from Brambles Limited ("Demerger"). Your Board unanimously and strongly encourages you to support the Demerger, which will result in Recall becoming an independent ASX listed company.

Brambles has undertaken a thorough review of the divestment options for Recall. The Brambles Board believes the Demerger is the best way to provide value and certainty for Brambles Shareholders.

The Demerger enables you to own separate shares in Brambles, the world's leading supply chain pooling equipment company, and Recall, a leading global provider of information management solutions. Each company will have a dedicated board and management team able to focus on its distinctive strategies and opportunities. In Brambles' case, this will mean continuing to invest in a global logistics business with a global franchise and strong growth and return characteristics. In the case of Recall, investors will have exposure to a global business in the information management services industry, with a high proportion of recurring revenues, strong cash flow and good growth prospects.

Following the Demerger, the Brambles Board intends to retain a progressive dividend policy in Australian dollars. The Brambles Board intends to keep the annual dividend at least at FY13 levels (i.e. 27.0 Australian cents per share) and not rebase the dividend to reflect the Demerger of Recall, subject to Brambles' financial performance and cash requirements during the relevant period, and any unforeseen circumstances.

The Recall Board intends to initially target a dividend pay-out ratio of at least 60% of net profit after tax. Recall's first dividend to be paid is expected to be for the six month period up to 30 June 2014 and to be payable in September or October 2014.

If the Demerger proceeds, it will be implemented via a scheme of arrangement and will involve each Eligible Shareholder receiving one Recall Share for every five Brambles Shares owned, proportionate to their holding in Brambles at the Scheme Record Date. Eligible Shareholders will, post implementation of the Demerger, have the choice to retain both their Brambles Shares and Recall Shares or sell either or both.

The Demerger must be approved by Brambles Shareholders, who will be able to vote on the Demerger at the Meetings to be held at 9.00am (AEDT) on Tuesday, 3 December 2013 at the Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales.

After considering the options for the Recall business and the advantages, disadvantages and risks of the Demerger, the Brambles Directors unanimously consider that the Demerger is in the best interests of Brambles Shareholders. The Brambles Directors unanimously recommend that you vote in favour of the resolutions to approve the Demerger. Each Brambles Director intends to vote any Brambles Shares held by or controlled by him or her in favour of the resolutions to approve the Demerger.

KPMG Financial Advisory Services (Australia) Pty Ltd, the Independent Expert appointed by Brambles to review the Demerger, has also concluded that the Demerger is in the best interests of Brambles Shareholders. A copy of its concise report is included in Section 8.

This Scheme Book sets out important information about the Demerger, including advantages, disadvantages and risks (see Sections 4.1 to 4.3), as well as the risks of an investment in Recall (see Sections 4.4 and 4.6) and Brambles (after the Demerger) (see Sections 4.5 and 4.6). I encourage you to read this Scheme Book carefully and in its entirety.

## CHAIRMAN'S LETTER - CONTINUED

If you have any questions about the Scheme Book or the Demerger, please consult your financial, legal, taxation or other professional adviser. You can also call the Brambles Shareholder Information Line on + 61 1800 209 118 on Business Days between 8.30am and 5.30pm (AEDT), or visit the Brambles website at [www.brambles.com/investor-centre/Recall-demerger](http://www.brambles.com/investor-centre/Recall-demerger).

On behalf of the Board, I strongly urge you to support this important proposal by voting in favour of it, either in person or by proxy, at the Meetings on Tuesday, 3 December 2013.

Yours faithfully,

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

Graham Kraehe AO  
Chairman  
Brambles Limited



## TIMETABLE OF KEY DATES AND TIMES

Event	Indicative date (AEDT)
Date of the First Court Hearing at which the Court ordered the convening of the Scheme Meeting	Wednesday, 23 October 2013
Last time and date by which the Scheme Meeting Proxy Form can be lodged	9.00am, Sunday, 1 December 2013
Last time and date by which the General Meeting Proxy Form can be lodged	9.30am, Sunday, 1 December 2013
Time and date for determining eligibility to vote at the Scheme Meeting and General Meeting	7.00pm, Sunday, 1 December 2013
Scheme Meeting to be held at the Wesley Theatre, Wesley Conference Centre	9.00am, Tuesday, 3 December 2013
General Meeting to be held at the Wesley Theatre Wesley Conference Centre	9.30am, Tuesday, 3 December 2013 or as soon after that time as the Scheme Meeting has concluded or been adjourned.

### Following Brambles Shareholder approval of Scheme

Event	Indicative date (AEDT)
Date of the Second Court Hearing at which the Court orders the approval of the Scheme	Friday, 6 December 2013
Effective Date and last day of trading in Brambles Shares cum-Distribution Entitlements on ASX	Monday, 9 December 2013
ASX listing of Recall Holdings; Recall Shares commence trading on ASX on a deferred settlement basis	Tuesday, 10 December 2013
Brambles Shares commence trading on ASX on an ex-Distribution Entitlements basis	Tuesday, 10 December 2013
Latest time and date by which Sale Facility Forms must be received by the Brambles Share Registry (for Eligible Shareholders who individually hold 2,500 Brambles Shares or less as at the Scheme Record Date)	7.00pm, Tuesday, 10 December 2013
Scheme Record Date for determining entitlements to Distribution Entitlements and Recall Shares	Monday, 16 December 2013
Demerger Date and transfer of Recall Shares to Eligible Shareholders (or Sale Agent as applicable)	Wednesday, 18 December 2013
Dispatch of holding statements for Recall Shares to Eligible Shareholders (or Sale Agent as applicable)	Friday, 20 December 2013
Last day of deferred settlement trading for Recall Shares	Friday, 20 December 2013
Recall Shares commence trading on a normal T+3 settlement basis on ASX	Monday, 23 December 2013
Recall Shares sold by the Sale Agent on behalf of Selling Shareholders	Wednesday, 18 December 2013 to Friday 17 January 2014
Dispatch of payments to Selling Shareholders	Friday, 24 January 2014

Other than the date of the First Court Hearing, this timetable is indicative only and, among other things, is subject to all necessary Court and regulatory approvals and the satisfaction (or waiver, if applicable) of conditions precedent to the Scheme. Brambles has the right to vary any or all of these dates and times, subject to the approval of the variation by ASX and the Court, where required. Any variation to the timetable set out above will be announced to ASX and notified on Brambles' website at [www.brambles.com/investor-centre/Recall-demerger](http://www.brambles.com/investor-centre/Recall-demerger).

## WHAT IS THIS SCHEME BOOK FOR?

This Scheme Book relates to the Demerger of Recall by Brambles. The purpose of this Scheme Book is to provide Brambles Shareholders with information to consider before voting on the resolutions to be considered at the Scheme Meeting scheduled for 9.00am on Tuesday, 3 December 2013 and the General Meeting scheduled for 9.30am on Tuesday, 3 December 2013 (or as soon after that time as the Scheme Meeting has concluded or been adjourned).

### What should you do next?

#### Step 1: Read this Scheme Book

You should read and carefully consider the information included in this Scheme Book to help you make an informed decision as to how to vote in relation to the Demerger.

#### Step 2: Vote on the Demerger Resolutions

As a Brambles Shareholder, you are entitled to vote on the Demerger Resolutions and, therefore, whether the Demerger should proceed. In addition to the Demerger Resolutions, the Executive Benefits Resolution will be considered at the General Meeting. You can vote in person or by proxy, by attorney or, in the case of a corporation, by corporate representative. Details of how to vote are set out below.

#### Step 3: If you are a Small Shareholder, choose whether to keep your Recall Shares or sell them (via the Sale Facility)

If you are a Small Shareholder, being an Eligible Shareholder who individually holds 2,500 Brambles Shares or less as at the Scheme Record Date, you may elect to have all (but not some) of the Recall Shares to which you are entitled under the Scheme sold on market by the Sale Agent and the Sale Facility Proceeds remitted to you, free of any brokerage costs or stamp duty.

To make this election, you must complete and return the Sale Facility Form using the enclosed reply paid pre-addressed envelope or by fax on +61 (0) 2 9287 0309 so that it is received by the Brambles Share Registry by 7.00pm (AEDT) on Tuesday, 10 December 2013.

If you are an Ineligible Overseas Shareholder, you do not need to decide whether to keep or sell Recall Shares. If the Demerger proceeds, the Recall Shares which you would otherwise have received will automatically be sold on market by the Sale Agent and the Sale Facility Proceeds remitted to you, free of any brokerage costs or stamp duty.

Refer to Sections 5.3 and 5.4 for further information applicable to Small Shareholders and Ineligible Overseas Shareholders.

### For further information

If you have any questions after reading this Scheme Book, please contact your financial, legal, taxation or other professional adviser. You can also call the Brambles Shareholder Information Line on +61 1800 209 118 on Business Days between 8.30am to 5.30pm (AEDT) or visit the Brambles website at [www.brambles.com/investor-centre/Recall-demerger](http://www.brambles.com/investor-centre/Recall-demerger).

### Scheme Meeting and General Meeting details

#### Scheme Meeting

The Scheme Meeting is scheduled to be held at 9.00am (AEDT) on Tuesday, 3 December 2013 at the Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales.

In order to proceed, the Scheme Resolution must be approved at the Scheme Meeting by:

- A majority in number (i.e. 50% or more) of Brambles Shareholders present and voting at the Scheme Meeting; and
- A majority whose votes in favour of the Scheme Resolution are in aggregate at least 75% of the total number of votes cast on the Scheme Resolution.

## WHAT IS THIS SCHEME BOOK FOR? - CONTINUED

### General Meeting

The General Meeting is scheduled to be held at 9.30am (AEDT) on Tuesday, 3 December 2013 at the Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales, or as soon after that time as the Scheme Meeting has concluded or been adjourned. At the General Meeting, the following resolutions will be considered:

- **Capital Reduction Resolution** - resolution to approve the reduction of Brambles' share capital on the Demerger Date by the Capital Reduction Aggregate Amount which will be applied (together with the Demerger Dividend) by Brambles on behalf of Scheme Participants as consideration for the transfer of Recall Shares under the Scheme; and
- **Executive Benefits Resolution** - resolution to approve benefits that may be given to Recall Holdings' Managing Director and Chief Executive Officer, Mr Doug Pertz.

Each of these resolutions must be approved by a simple majority of votes cast by Brambles Shareholders on the resolution in order to be passed.

The Capital Reduction and the giving of benefits as contemplated by the Executive Benefits Resolution are subject to and conditional on the Scheme becoming Effective. Further, the Scheme is conditional on the Scheme Resolution being approved at the Scheme Meeting and the Capital Reduction Resolution being approved at the General Meeting, Court approval and satisfaction or waiver of the other conditions precedent to the Scheme. If all the conditions precedent to the Scheme are not satisfied or waived by 30 April 2014 (or such other date determined by Brambles), then the Scheme will lapse and be of no effect and the Demerger will not proceed.

### Voting by poll

Voting at both the Scheme Meeting and the General Meeting will be conducted by way of a poll. Brambles Shareholders will have one vote for every Brambles Share held (subject to the restrictions on voting rights set out in the Notice of General Meeting).

### Entitlement to vote

Each Brambles Shareholder who is registered on the Brambles Share Register as the holder of a Brambles Share at 7.00pm (AEDT) on Sunday, 1 December 2013 may vote at both the Scheme Meeting and the General Meeting in person, by proxy, by attorney or, in the case of a corporation, by corporate representative (subject to the restrictions on voting rights referred to in the Notice of General Meeting).

### How to vote

Each Brambles Shareholder who is entitled to vote can vote at either or both the Scheme Meeting and the General Meeting:

- **In person**, by attending the Meetings. If you plan to attend the Scheme Meeting and General Meeting, please arrive at the Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales, by 8.00am if possible, so that your shareholding may be checked against the Brambles Share Register and your attendance noted. You must register your attendance on arrival.
- **By attorney or corporate representative**. You are entitled to appoint an attorney or, in the case of a corporate shareholder, a corporate representative to attend and vote at the Scheme Meeting and General Meeting on your behalf.
  - > If voting by attorney, the power of attorney appointing the attorney must be duly signed and specify the name of each of the Brambles Shareholder, Brambles and the attorney, and also specify the meetings at which the appointment may be used. The power of attorney must be returned in the same manner, and by the same time, as outlined for the proxy forms.
  - > If voting by corporate representative, the representative should bring to the Scheme Meeting and General Meeting a letter or certificate evidencing their appointment.
  - > A form of corporate representative certificate may be obtained from the Brambles Share Registry at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) (see the "Investor Services", "Forms" section under the "General" heading) or from Link Market Services Limited, Level 12, 680 George Street, Sydney, New South Wales 2000.

## WHAT IS THIS SCHEME BOOK FOR? - CONTINUED

- **By proxy:**

- > **By lodging a proxy online** at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au), by going to the “Vote Online” section and following the prompts and instructions;
- > **By mailing** the enclosed Scheme Meeting Proxy Form and/or General Meeting Proxy Form using the enclosed reply paid pre-addressed envelope;
- > **By faxing** the enclosed Scheme Meeting Proxy Form and/or General Meeting Proxy Form to +61 (0) 2 9287 0309; or
- > **By hand-delivering** the enclosed Scheme Meeting Proxy Form and/or General Meeting Proxy Form to the Brambles Share Registry at Link Market Services Limited, Level 12, 680 George Street, Sydney, New South Wales 2000.

To be valid, your proxy form(s) must be received by the Brambles Share Registry by 9.00am, Sunday, 1 December 2013 (for the Scheme Meeting Proxy Form) or by 9.30am, Sunday, 1 December 2013 (for the General Meeting Proxy Form).

For further information on proxy voting, please refer to the detailed instructions contained on your Scheme Meeting Proxy Form and General Meeting Proxy Form.

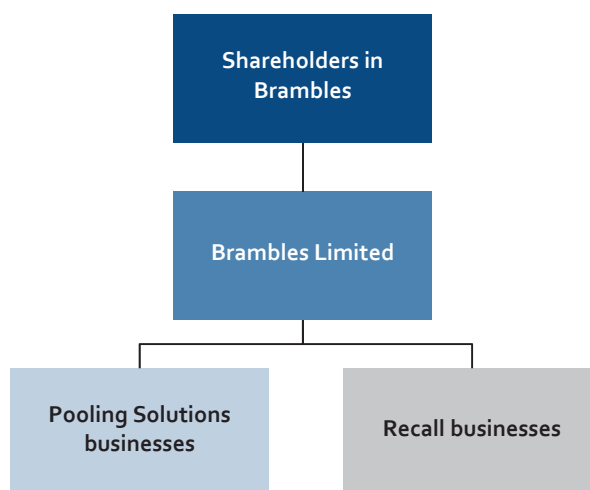


# 1. DEMERGER OVERVIEW

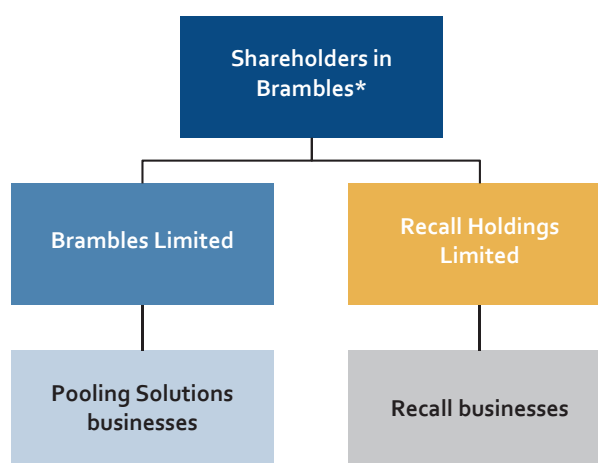
Topic	Summary	Further information
<b>1. THE DEMERGER</b>		

1.1 Overview	If the Demerger is implemented, Eligible Shareholders will retain their current Brambles Shares and receive one Recall Share for every five Brambles Shares that they hold on the Scheme Record Date (expected to be Monday, 16 December 2013). Immediately after the Demerger is implemented, Eligible Shareholders* will have the same overall economic interest in the businesses operated by Brambles and Recall as they did immediately prior to the Demerger, although they will hold that interest separately through their Brambles Shares and Recall Shares.	Section 5
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## Current structure

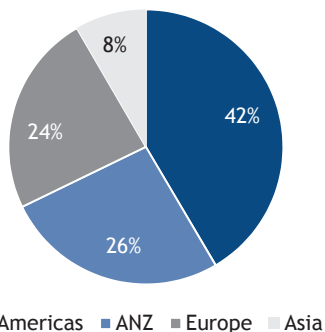


## Proposed structure if the Demerger is implemented



\*Other than Selling Shareholders who hold Brambles Shares but will not hold Recall Shares as a result of the Demerger.

# 1. DEMERGER OVERVIEW - CONTINUED

Topic	Summary	Further information										
<b>2. OVERVIEW OF RECALL</b>												
2.1 What is Recall?	Recall is one of two global providers of information management solutions. Recall Holdings will be the Australian parent of Recall, listed on ASX and headquartered in Atlanta, Georgia in the United States. Recall will also have a corporate office in Sydney, Australia. Established by Brambles in 1999 as an integration of several existing Brambles businesses, Recall has evolved to become a leading global provider of information management solutions, spanning both physical and digital information.	Section 2										
2.2 What services does Recall currently provide?	<p>Recall provides the following services:</p> <ul style="list-style-type: none"> <li>- <b>Document management solutions ("DMS") (74% of Recall's FY13 Pro Forma Sales Revenue)</b> The storage, indexing and retrieval of physical and digital documents, business process automation and digital document management.</li> <li>- <b>Secure destruction services ("SDS") (15% of Recall's FY13 Pro Forma Sales Revenue)</b> The collection and secure destruction of physical documents and other media items.</li> <li>- <b>Data protection services ("DPS") (11% of Recall's FY13 Pro Forma Sales Revenue)</b> The offsite storage and rotation, protection and recovery of computer back-up data.</li> </ul>	Section 2.3.6										
2.3 Where does Recall operate?	<p>Recall is a global business, with operations in North America, Brazil, Europe, Australia, New Zealand and Asia. The following chart shows the percentage of Recall's FY13 Pro Forma Sales Revenue attributable to each region in which Recall operates.</p> <p><b>Geographic breakdown (FY13 Pro Forma Sales Revenue)</b></p>  <table border="1"> <caption>Geographic breakdown (FY13 Pro Forma Sales Revenue)</caption> <thead> <tr> <th>Region</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Americas</td> <td>42%</td> </tr> <tr> <td>ANZ</td> <td>26%</td> </tr> <tr> <td>Europe</td> <td>24%</td> </tr> <tr> <td>Asia</td> <td>8%</td> </tr> </tbody> </table>	Region	Percentage	Americas	42%	ANZ	26%	Europe	24%	Asia	8%	Section 2.3.3
Region	Percentage											
Americas	42%											
ANZ	26%											
Europe	24%											
Asia	8%											
2.4 Key investment highlights	<p>Key investment highlights for Recall include:</p> <ul style="list-style-type: none"> <li>- One of two global providers of information management solutions, with leading positions in North America, Brazil, Europe, Australia, New Zealand and Asia;</li> <li>- Well positioned for growth in a growing industry;</li> <li>- Supported by a stable revenue base underpinned by recurring revenues;</li> <li>- Attractive cash flow characteristics;</li> <li>- Diverse and high quality customer base; and</li> <li>- Experienced management team.</li> </ul>	Section 2										

## 1. DEMERGER OVERVIEW - CONTINUED

Topic	Summary	Further information																
	<p><b>Financial profile (Pro Forma FY13)</b></p> <table border="1"> <tr> <td>Pro Forma Sales Revenue</td> <td>\$840 million</td> </tr> <tr> <td>Pro Forma Underlying EBITDA</td> <td>\$206 million</td> </tr> <tr> <td>Pro Forma Underlying Profit</td> <td>\$142 million</td> </tr> <tr> <td>Pro Forma NPAT</td> <td>\$79 million</td> </tr> <tr> <td>Pro Forma Operating Cash Flow</td> <td>\$160 million</td> </tr> <tr> <td>Underlying Profit margin<sup>1</sup></td> <td>17%</td> </tr> <tr> <td>Sites</td> <td>308</td> </tr> <tr> <td>Employees</td> <td>c. 5,190</td> </tr> </table>	Pro Forma Sales Revenue	\$840 million	Pro Forma Underlying EBITDA	\$206 million	Pro Forma Underlying Profit	\$142 million	Pro Forma NPAT	\$79 million	Pro Forma Operating Cash Flow	\$160 million	Underlying Profit margin <sup>1</sup>	17%	Sites	308	Employees	c. 5,190	
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2.5 What are the risks associated with an investment in Recall?	<p>Some of the key risks associated with Recall include:</p> <ul style="list-style-type: none"> <li>- Inability to maintain information security or inadequate contract management;</li> <li>- Inability to comply with regulatory obligations (including increased governmental focus on data security and privacy);</li> <li>- Competition and loss of major customers;</li> <li>- Failure to adapt to business environment changes;</li> <li>- Reduction in physical paper records storage;</li> <li>- Disruptions to systems and technology impairing ability to provide services;</li> <li>- Fluctuations in commodity prices (e.g. paper prices) and raw material availability;</li> <li>- Inability to attract, develop and retain high performing individuals;</li> <li>- Insufficient growth or inability to execute strategy;</li> <li>- Inability to innovate or take advantage of technological advancements;</li> <li>- Inability to manage occupational health and safety obligations; and</li> <li>- Impact of fires or other unexpected events.</li> </ul> <p>See Sections 4.4 and 4.6 for a description of these and other risks.</p>	Sections 4.4 and 4.6																
<b>3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER)</b>																		
3.1 What is Brambles?	<p>Brambles (after the Demerger) will continue to be a supply chain logistics company specialising in the provision of Pooling Solutions and associated services, focusing on the outsourced management of reusable and returnable pallets, RPCs and containers. Brambles' businesses predominantly serve the consumer goods, dry grocery, fresh food, retail and general manufacturing industries. Brambles has specialist businesses serving the automotive manufacturing, aerospace, catalyst and chemical sectors. Brambles is headquartered in Sydney, Australia, and operates in more than 50 countries, employing approximately 13,500 people.</p>	Section 3																
3.2 What services does Brambles provide?	<p>Brambles (after the Demerger) will continue to provide the following services:</p> <ul style="list-style-type: none"> <li>- <b>Pallets (78% of FY13 pro forma sales revenue of Brambles (excluding Recall))</b></li> </ul> <p>The primary service offering is the pooling of pallets under the CHEP brand. Wood pallets have been and remain the industry standard due to their relatively low cost of manufacture, ease of repair and the wide adoption by industry of standard pallet sizes. CHEP also offers plastic pallets in certain geographies and for certain niche applications.</p>	Section 3.2																

<sup>1</sup> Underlying Profit margin: Pro Forma Underlying Profit as a percentage of Pro Forma Sales Revenue.



# 1. DEMERGER OVERVIEW - CONTINUED

Topic	Summary	Further information												
	<ul style="list-style-type: none"> <li>- <b>RPCs (16% of FY13 pro forma sales revenue of Brambles (excluding Recall))</b> RPCs are durable, reusable and high quality crates that are shipped through the supply chain and displayed in a retail environment with minimum handling. RPCs are primarily used to transport fresh fruits and vegetables.</li> <li>- <b>Containers (6% of FY13 pro forma sales revenue of Brambles (excluding Recall))</b> Brambles’ containers operations provide solutions for the bulk goods, automotive, aerospace and catalyst and chemical sectors worldwide.</li> </ul>													
<p>3.3 Where does Brambles operate?</p>	<p>Brambles (after the Demerger) will continue to operate pallet, RPC and/or container pools in more than 50 countries, including the developed economies of North America, Western Europe, Australia and New Zealand and the emerging economies of Latin America, China, India, South East Asia, Central and Eastern Europe, the Middle East and Africa.</p> <p>The following chart shows the breakdown of Brambles’ FY13 pro forma sales revenue (excluding Recall) between RPCs, containers and the pallets regions.</p> <p><b>Segment breakdown (FY13 pro forma sales revenue)</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <caption>Segment Breakdown (FY13 pro forma sales revenue)</caption> <thead> <tr> <th>Segment</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Pallets - Americas</td> <td>43%</td> </tr> <tr> <td>Pallets - EMEA</td> <td>27%</td> </tr> <tr> <td>RPCs</td> <td>16%</td> </tr> <tr> <td>Pallets - Asia-Pacific</td> <td>8%</td> </tr> <tr> <td>Containers</td> <td>6%</td> </tr> </tbody> </table>	Segment	Percentage	Pallets - Americas	43%	Pallets - EMEA	27%	RPCs	16%	Pallets - Asia-Pacific	8%	Containers	6%	
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Containers	6%													
<p>3.4 Key investment highlights</p>	<p>Key investment highlights for Brambles (after the Demerger) include:</p> <ul style="list-style-type: none"> <li>- Leading provider of pallet, RPC and container Pooling Solutions primarily through the CHEP and IFCO brands;</li> <li>- Large addressable market in pallets, RPCs and containers;</li> <li>- Growth opportunities from new products, customers, market segments and geographies;</li> <li>- Experienced management team with proven track record;</li> <li>- Strong profile of global customers; and</li> <li>- Good track record of growth and return on capital invested (16% in FY13).</li> </ul>	<p>Section 3</p>												

## 1. DEMERGER OVERVIEW - CONTINUED

Topic	Summary	Further information																
	<p><b>Financial profile (pro forma (excluding Recall) FY13)</b></p> <table border="1"> <tr> <td>Sales revenue</td> <td>\$5,083 million</td> </tr> <tr> <td>Underlying EBITDA</td> <td>\$1,403 million</td> </tr> <tr> <td>Underlying Profit</td> <td>\$908 million</td> </tr> <tr> <td>NPAT</td> <td>\$586 million</td> </tr> <tr> <td>Operating cash flow</td> <td>\$692 million</td> </tr> <tr> <td>Underlying Profit margin</td> <td>18%</td> </tr> <tr> <td>Return on capital invested<sup>2</sup></td> <td>16%</td> </tr> <tr> <td>Employees</td> <td>c. 13,500</td> </tr> </table>	Sales revenue	\$5,083 million	Underlying EBITDA	\$1,403 million	Underlying Profit	\$908 million	NPAT	\$586 million	Operating cash flow	\$692 million	Underlying Profit margin	18%	Return on capital invested <sup>2</sup>	16%	Employees	c. 13,500	
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Return on capital invested <sup>2</sup>	16%																	
Employees	c. 13,500																	
3.5 What are the risks associated with an investment in Brambles (after the Demerger)?	<p>Some of the key risks associated with Brambles (after the Demerger) include:</p> <ul style="list-style-type: none"> <li>- Failure to set and/or meet quality standards for its operations and pooling equipment;</li> <li>- Pooling equipment loss and inadequate pooling equipment control processes;</li> <li>- Insufficient growth or inability to execute strategy;</li> <li>- Competition and loss of major customers;</li> <li>- Inability to innovate;</li> <li>- Increased pooling equipment maintenance costs;</li> <li>- Disruptions to systems and technology impairing ability to provide services;</li> <li>- Failure to adapt to business environment changes; and</li> <li>- New technologies in pooling equipment design or components may reduce the competitiveness of wood pallets.</li> </ul> <p>See Sections 4.5 and 4.6 for a description of these and other risks.</p>	Sections 4.5 and 4.6																
<b>4. OVERVIEW OF THE DEMERGER</b>																		
4.1 What is the Demerger?	<p>The Demerger is the proposed restructure of Brambles, involving the separation of Recall's operations from the remaining Brambles businesses into two separate corporate groups.</p> <p>The result of the Demerger will be that Recall will operate under a newly listed entity on ASX, Recall Holdings (ASX: REC). Brambles (after the Demerger) will continue to operate its other existing businesses and remain listed on ASX (ASX: BXB).</p> <p>As a result of the Demerger, Brambles Shareholders will retain their Brambles Shares and Eligible Shareholders not participating in the Sale Facility will be entitled to receive one Recall Share for every five Brambles Shares they hold at the Scheme Record Date. Eligible Shareholders not participating in the Sale Facility will hold the same proportion of Brambles and Recall upon the Demerger coming into effect, subject only to the impact of rounding in the number of Recall Shares that Eligible Shareholders are entitled to receive. The Demerger does not require any Brambles Shareholder to pay cash for Recall Shares.</p> <p>Ineligible Overseas Shareholders will have all of their Recall Shares transferred to the Sale Agent and sold on their behalf in accordance with the Sale Facility terms. Small Shareholders, being Eligible Shareholders who hold 2,500 Brambles Shares or less, on the Scheme Record Date may elect to participate in the Sale Facility. Refer to Sections 5.3 and 5.4 for further detail.</p>	Section 5																

<sup>2</sup> Return on capital invested: Underlying Profit as a percentage of Average Capital Invested.

# 1. DEMERGER OVERVIEW - CONTINUED

Topic	Summary	Further information
	<p>No new equity capital is being raised from Brambles Shareholders in connection with the Demerger (Recall Shares will be issued in connection with the Demerger in relation to the internal restructure to separate and align the relevant businesses, assets and liabilities of Brambles with the appropriate entity prior to the Demerger (see Section 5.2.1.1))</p>	
<p>4.2 Why has the Demerger been proposed by the Brambles Board?</p>	<p>The Brambles Board believes that the Demerger will enable Brambles and Recall to maximise long term value for Brambles Shareholders, taking into account the alternatives to the Demerger (set out below) and the advantages, disadvantages and risks of the Demerger (set out in Section 4).</p>	
<p>4.3 What alternatives did the Brambles Board consider?</p>	<p>After withdrawing the sale process for Recall in June 2012, the Brambles Board undertook a strategic review of the business. As part of the strategic review the Brambles Board considered the following alternatives to the Demerger:</p> <ul style="list-style-type: none"> <li>- <b>Status quo</b> Recall and Brambles’ Pooling Solutions businesses have different strategies, growth and risk profiles and investment characteristics. There are no material operational or other synergies between Recall and Brambles’ Pooling Solutions businesses. If the status quo were maintained, the benefits of having separate management teams focus on Recall and Brambles and allowing capital resources and financial policies to be tailored to each company’s needs and growth opportunities may not be realised.</li> <li>- <b>Trade sale</b> Brambles conducted a formal trade sale process for Recall but this process was terminated in June 2012 as proposals ultimately did not provide sufficient value and certainty for Brambles to proceed with a sale. In light of this, Brambles conducted a rights issue to pay down a portion of the debt which was used to fund the acquisition of IFCO.</li> <li>- <b>Initial public offering (“IPO”)</b> The Brambles Board did not consider an IPO optimal in the current capital market conditions. An IPO of Recall could, over time, realise significant cash proceeds, which would be available for reinvestment in Brambles’ Pooling Solutions businesses. However, an IPO may result in a divestment of Recall at a discount to its fair value. Taxes and transaction costs would potentially be greater. Demerger tax relief would not be available for Brambles or Brambles Shareholders if an IPO were pursued. Following this strategic review, the Brambles Board determined to proceed with the Demerger after taking into account the value available to Brambles Shareholders and execution certainty provided by a demerger compared with the alternatives.</li> </ul>	
<p>4.4 Brambles Board’s recommendation</p>	<p>The Brambles Directors unanimously believe that the Demerger is in the best interests of Brambles Shareholders as a whole.</p> <p>The Brambles Directors are also of the view that, taking into account all relevant matters, the Capital Reduction is fair and reasonable to Brambles Shareholders as a whole and will not materially prejudice the ability of Brambles to pay its creditors.</p> <p>The Brambles Directors unanimously recommend that Brambles Shareholders vote in favour of all of the resolutions to be considered at the Scheme Meeting and the General Meeting.</p>	

## 1. DEMERGER OVERVIEW - CONTINUED

Topic	Summary	Further information
4.5 Independent Expert conclusion	<p>Each Brambles Director intends to vote any Brambles Shares held or controlled by him or her in favour of all of those resolutions.</p> <p>The Independent Expert has concluded that the Demerger is in the best interests of Brambles Shareholders.</p> <p>The Independent Expert has also concluded that the Capital Reduction will not materially prejudice Brambles' ability to pay its creditors.</p> <p>A copy of the concise Independent Expert's Report is contained in Section 8. A full copy can be obtained by contacting the Brambles Shareholder Information Line on +61 1800 209 118 on Business Days between 8.30am and 5.30pm (AEDT) or from Brambles website at <a href="http://www.brambles.com/investor-centre/Recall-demerger">www.brambles.com/investor-centre/Recall-demerger</a>.</p>	Section 8
<b>5. ADVANTAGES, DISADVANTAGES AND RISKS OF THE DEMERGER</b>		
5.1 Advantages of the Demerger	<p>Potential advantages of the Demerger include:</p> <ul style="list-style-type: none"> <li>- <b>Allows Brambles (after the Demerger) and Recall to focus on their core businesses</b></li> </ul> <p>The Demerger should enable the respective Brambles and Recall management teams to completely focus on their business plans and respond with greater flexibility to challenges and opportunities as they present themselves.</p> <ul style="list-style-type: none"> <li>- <b>Positions both Brambles (after the Demerger) and Recall to independently pursue their respective growth objectives</b></li> </ul> <p>Brambles and Recall both have a range of growth opportunities which they will be able to focus on and pursue independently following the Demerger.</p> <p>Recall has opportunities to grow its business through customer acquisitions in the unvented segment, geographic expansion, bolt-on acquisitions and further extension of the services it provides into workflow automation and other ancillary business segments. Brambles has a range of opportunities to grow its Pooling Solutions businesses into its adjacent segments, products and geographies.</p> <ul style="list-style-type: none"> <li>- <b>Enables better allocation of Brambles' (after the Demerger) and Recall's capital resources, tailored to each company's needs</b></li> </ul> <p>Both companies will be able to adopt an independent capital structure and financial policies appropriate for their operating requirements and strategic objectives.</p> <p>In particular, Recall management will have greater freedom to pursue growth opportunities without competing for capital resources with Brambles' much larger Pooling Solutions businesses, while Brambles will be able to devote all of its available capital to pursuing profit growth in its target Pooling Solutions businesses.</p> <ul style="list-style-type: none"> <li>- <b>Provides shareholders with a choice of investment in two independent ASX listed companies of scale</b></li> </ul> <p>The operating characteristics and financial policies of Brambles (after the Demerger) and Recall differ and may appeal to different types of investors.</p> <p>Once Recall Holdings is separately listed on ASX, existing and future investors will have greater investment choice and opportunities to manage their exposure to both Brambles and Recall.</p>	Section 4.1

## 1. DEMERGER OVERVIEW - CONTINUED

Topic	Summary	Further information
	<p>- <b>More likely to enhance Brambles Shareholder value over the long term than the currently available alternatives</b></p> <p>The Brambles Directors are of the view that a Demerger is more likely to enhance value for Brambles Shareholders over the long term than the currently available alternatives.</p>	
5.2 Disadvantages of the Demerger	<p>Potential disadvantages of the Demerger include:</p> <p>- <b>Brambles (after the Demerger) will be less diversified than Brambles prior to the Demerger</b></p> <p>While Brambles (after the Demerger) will be exposed to equity market fluctuations and broader market conditions as a less diversified company, it will remain a sizeable company with exposure to a range of geographies, customers and products. Similarly, while Brambles will be a less diversified business from a credit perspective, after Brambles announced its intention to demerge Recall, Brambles' primary credit ratings agencies confirmed that their respective credit ratings of Brambles are expected to remain unchanged as a result of the Demerger.</p> <p>- <b>As a standalone entity, Recall Holdings is expected to incur additional corporate costs and the cost and liquidity of future funding may not be as favourable as those for Brambles</b></p> <p>Following the Demerger, Recall Holdings will be a standalone entity, listed on ASX, which will involve standalone corporate costs, estimated to be approximately \$14 million per annum. Additionally, while Recall will no longer benefit from Brambles' financial support, Recall has arranged \$800 million of debt facilities on market competitive terms and has a strong cash flow profile and ability to service its debt.</p> <p>- <b>Transaction and implementation costs of approximately \$62 million are expected to be incurred, of which approximately \$22 million is expected to have been incurred prior to the Scheme Meeting</b></p> <p>Total transaction and implementation costs in relation to the Demerger are estimated to be approximately \$62 million. Approximately \$22 million of these costs are expected to have been incurred prior to the Meetings when Brambles Shareholders will vote on the Demerger.</p>	Section 4.2
5.3 What are the main risks associated with the Demerger?	<p>Potential risks associated with the Demerger include:</p> <ul style="list-style-type: none"> <li>- Advantages of the Demerger may not materialise;</li> <li>- Uncertainty about the combined market value of Brambles Shares and Recall Shares after the Demerger;</li> <li>- Recall's pro forma financial statements do not necessarily reflect the results of an independent, public listed company;</li> <li>- Potential for delays, unexpected costs or other issues in establishing Recall Holdings as a standalone legal entity;</li> <li>- Potential inability to obtain third party consents;</li> <li>- Risks associated with the Restructure;</li> <li>- The Court may not approve the Scheme or its approval may be delayed; and</li> <li>- The ATO or other tax authorities may conclude that demerger tax relief is not available.</li> </ul>	Section 4.3

# 1. DEMERGER OVERVIEW - CONTINUED

Topic	Summary	Further information
	Refer to Section 4.3 for further information. Refer also to Sections 4.4, 4.5 and 4.6 for risks associated with an investment in Recall, risks associated with an investment in Brambles (after the Demerger) and general risks.	
5.4 What significant interests and benefits are payable to Brambles Directors, Recall Directors and other persons connected with the Demerger?	<p>No significant interests or benefits are payable to Brambles Directors in connection with the Demerger.</p> <p>Other than the Recall directors' fees and indemnity arrangements referred to in Section 2.11.10, the remuneration arrangements for Recall's Managing Director and Chief Executive Officer, Mr Doug Pertz, described in Section 2.11.3, the consultancy fees paid to Dr Ian Blackburne and Mr Neil Chatfield as described in Section 2.16.16 and Recall directors' fees as described in Section 9.3.15, no other significant interests or benefits are payable to Recall directors in connection with the Demerger.</p> <p>Brambles will also pay advisory fees, listing and administrative fees, expenses associated with the Recall Syndicated Facility and printing and advertising expenses associated with the Demerger.</p>	Sections 9.2.3
<b>6. IMPLEMENTATION AND PROCESS</b>		
6.1 What are the key steps involved in the Demerger?	<p>The key steps associated with the Demerger include:</p> <ul style="list-style-type: none"> <li>- <b>Restructure</b> - Brambles and its related entities undertaking a restructure to: <ul style="list-style-type: none"> <li>&gt; Transfer to Recall any information management solutions related subsidiaries, businesses and assets not currently held by Recall; and</li> <li>&gt; Transfer to Brambles any subsidiaries, businesses and assets intended to remain with Brambles (after the Demerger).</li> </ul> </li> <li>- <b>Scheme Meeting</b> - Brambles Shareholders passing the Scheme Resolution at the Scheme Meeting (scheduled to be held on Tuesday, 3 December 2013);</li> <li>- <b>General Meeting</b> - Brambles Shareholders approving the Capital Reduction Resolution and Executive Benefits Resolution at the General Meeting to be held immediately after the Scheme Meeting;</li> <li>- <b>Court approval</b> - the Court approving the Scheme at the Second Court Hearing (scheduled for Friday, 6 December 2013), all other conditions precedent to the Scheme being satisfied or waived and the Scheme becoming Effective;</li> <li>- <b>Demerger Date</b> - Recall Shares being transferred to Eligible Shareholders or the Sale Agent (in the case of Selling Shareholders), Recall drawing down under its new debt facility and applying sufficient proceeds of that drawdown to repay the outstanding balance of any amounts owed by a member of Recall to a member of Brambles (after the Demerger) by way of debt or other financial accommodation; and</li> <li>- <b>Arrangements after the Demerger</b> - implementing any necessary transitional services arrangements and providing for any circumstances where parts of the Recall or Brambles businesses cannot be adequately transferred either prior to the Demerger or following the Demerger for any reason.</li> </ul> <p>For details regarding the voting thresholds applicable to the Demerger Resolutions, see the "Scheme Meeting and General Meeting details" section on pages 6 and 7 and the Notice of Scheme Meeting and Notice of General Meeting.</p>	Sections 5.2 and 5.5

## 1. DEMERGER OVERVIEW - CONTINUED

Topic	Summary	Further information
	<p>If the Demerger is implemented, Brambles Shareholders on the Brambles Share Register as at the Scheme Record Date will be credited with their non-cash Distribution Entitlement (being the aggregate of that Brambles Shareholder's Capital Reduction Entitlement and Demerger Dividend Entitlement) and Brambles will transfer one Recall Share for every five Brambles Shares held by the relevant Brambles Shareholder at the Scheme Record Date to each Eligible Shareholder (not participating in the Sale Facility) or to the Sale Agent (in respect of Selling Shareholders).</p>	
6.2 What shareholder approvals are required?	<p>For the Demerger to proceed, Brambles Shareholder approval will be required for the Scheme (voted on at the Scheme Meeting) and for the Capital Reduction Resolution (voted on at the General Meeting). At the General Meeting, Brambles Shareholders are also being asked to approve the Executive Benefits Resolution.</p>	Annexures C and D
6.3 Is the Demerger subject to any conditions?	<p>The Demerger is subject to a number of conditions precedent. These are described in Section 5.2.5.</p> <p>Importantly, the Demerger is conditional on Brambles Shareholder approval of the Scheme and the Capital Reduction, Court approval of the Scheme, ASX approval for Recall Holdings to be listed as a separate entity and other regulatory approvals being obtained.</p>	Section 5.2.5
6.4 Who is eligible to participate in the Demerger?	<p>All Brambles Shareholders registered on the Brambles Share Register as the holder of Brambles Shares on the Scheme Record Date will participate in the Scheme, Capital Reduction and Demerger Dividend.</p> <p>Eligible Shareholders (not participating in the Sale Facility) will be entitled to receive one Recall Share for every five Brambles Shares they hold at the Scheme Record Date. As at the date of this Scheme Book, Brambles Shareholders in Australia and New Zealand will be eligible and it is expected that Brambles Shareholders with registered addresses in the following jurisdictions will also be eligible to receive Recall Shares:</p> <ul style="list-style-type: none"> <li>- Canada;</li> <li>- France;</li> <li>- Germany;</li> <li>- Hong Kong;</li> <li>- Ireland;</li> <li>- Malaysia;</li> <li>- Singapore;</li> <li>- South Africa;</li> <li>- Spain;</li> <li>- United Kingdom; and</li> <li>- United States.</li> </ul> <p>Ineligible Overseas Shareholders are Brambles Shareholders who are not Eligible Shareholders. Therefore, as at the date of this Scheme Book, it is expected that Brambles Shareholders with registered addresses outside of the above mentioned jurisdictions will be ineligible to receive Recall Shares.</p> <p>Small Shareholders can elect to sell all (but not some) of the Recall Shares to which they are entitled under the Scheme through the Sale Facility. Small Shareholders are Eligible Shareholders who hold 2,500 Brambles Shares or less as at the Scheme Record Date.</p>	Section 5.3

## 1. DEMERGER OVERVIEW - CONTINUED

Topic	Summary	Further information
6.5 Can I choose to receive cash instead of Recall Shares?	<p>There is no option to elect to receive cash instead of Recall Shares. However, Small Shareholders can elect to sell all of their Recall Shares through the Sale Facility and Ineligible Overseas Shareholders will automatically have their Recall Shares sold through the Sale Facility.</p> <p>Once Recall Shares have commenced trading on ASX, you may sell some or all of your Recall Shares on ASX.</p>	Section 5.4
6.6 What will Brambles Shareholders receive if the Demerger proceeds?	<p>Eligible Shareholders (who are not Selling Shareholders) will receive one Recall Share for every five Brambles Shares they hold at the Scheme Record Date, which is expected to be at 7.00pm (AEDT) on Monday, 16 December 2013.</p> <p>Selling Shareholders will not receive Recall Shares. Instead, the Recall Shares to which they are entitled under the Scheme will be sold on market through the Sale Facility.</p>	Section 5.3 and 5.4
6.7 What is the Sale Facility?	<p>The Sale Facility will be used to sell Recall Shares that:</p> <ul style="list-style-type: none"> <li>- Otherwise would have been received by Ineligible Overseas Shareholders; and</li> <li>- Small Shareholders have elected to sell through the Sale Facility.</li> </ul> <p>Under the Sale Facility, the Sale Agent will, as soon as reasonably practicable (and in any event not more than 20 Business Days following the Demerger Date or, subject to obtaining any necessary ASIC exemptions or modifications, such longer period of time which the Sale Agent and Brambles determine), sell those Recall Shares on market.</p> <p>The Sale Facility Proceeds (calculated on an averaged basis so that all Selling Shareholders receive the same price for each Recall Share sold on their behalf) will, as soon as practicable, be distributed to Selling Shareholders, free of any brokerage costs or stamp duty. The estimated date of dispatch of payment to Selling Shareholders is currently expected to be around Friday, 24 January 2014.</p>	Section 5.4
6.8 Can I apply for more Brambles Shares or Recall Shares?	<p>There is no option to apply for more Brambles Shares or Recall Shares through the Demerger process. However, Brambles Shares are available on market and once Recall Shares have commenced trading on ASX, you may also acquire Recall Shares on market.</p>	
<b>7. TRANSACTION STRUCTURE</b>		
7.1 What is the impact of the Demerger on the number of Brambles Shares I hold?	<p>The number of shares you hold in Brambles will not change as a result of the Demerger.</p>	
7.2 Will I need to make any payments to participate in the Demerger?	<p>No payments are required to be made by you to Brambles or Recall to participate in the Demerger.</p>	
7.3 What happens if the Demerger does not proceed?	<p>If the Demerger does not proceed:</p> <ul style="list-style-type: none"> <li>- The Capital Reduction will not proceed and the Demerger Dividend will not be paid;</li> <li>- You will not receive Recall Shares (or, if you are a Selling Shareholder, you will not receive the Sale Facility Proceeds from the sale of Recall Shares);</li> </ul>	



# 1. DEMERGER OVERVIEW - CONTINUED

Topic	Summary	Further information
	<ul style="list-style-type: none"> <li>- You will retain your current holding of Brambles Shares (unless you otherwise sell all or some of them or purchase any additional Brambles Shares);</li> <li>- Brambles will continue to own and manage the same businesses that it currently does (including Recall);</li> <li>- Brambles Shares will trade on ASX on the basis that there will not be a Demerger. The price of Brambles Shares in such circumstances is uncertain;</li> <li>- The advantages, disadvantages and risks of the Demerger, as described in Section 4, will not arise;</li> <li>- Depending on timing, some or all of the Restructure steps may have occurred (including associated costs);</li> <li>- It is expected that Brambles will have incurred transaction and implementation costs of approximately \$22 million prior to the Scheme Meeting; and</li> <li>- The Brambles Board and management may consider other alternatives for the Recall business in the future</li> </ul>	
<p>7.4 What ongoing arrangements will Brambles and Recall have with each other following the Demerger?</p>	<p>Brambles and Recall have entered into the Demerger Deed to facilitate the orderly separation of Recall from Brambles Limited and the transition and emergence of Recall as an independently owned corporate group. The terms of the Demerger Deed reflect the general principle that the assets and liabilities relating to Recall shall be held by Recall and the remaining assets and liabilities relating to the Brambles businesses shall be held by Brambles, and impose various obligations on the parties in respect of separation arrangements and ongoing risk allocation to give effect to that principle.</p> <p>Brambles and Recall will also enter into a Transitional Services Agreement to formalise the terms upon which Brambles will provide, or procure the provision of, certain information technology and other services to Recall for a transitional period following the Demerger, pending the migration of those services to or the replication of those services by Recall.</p>	<p>Sections 2.15 and 5.7.4</p>
<p><b>8. MORE DETAILS ON RECALL</b></p>		
<p>8.1 What will be Recall's business model and strategic priorities after the Demerger?</p>	<p>After the Demerger, Recall will continue to pursue a strategy of enhancing its leading position in key markets while expanding the breadth of services offered. In addition, Recall aims to identify new geographic markets to further expand its footprint organically and through consolidation.</p> <p>Specifically, Recall plans to drive sustainable growth through:</p> <ul style="list-style-type: none"> <li>- Improving sales force effectiveness;</li> <li>- Expanding services;</li> <li>- Converting unvetted in-house holdings of customers;</li> <li>- Expansion into new geographic markets;</li> <li>- Driving innovation;</li> <li>- Continuous improvement; and</li> <li>- Acquisitions.</li> </ul> <p>Refer to Section 2.3 for further information.</p>	<p>Sections 2.3</p>

## 1. DEMERGER OVERVIEW - CONTINUED

Topic	Summary	Further information
8.2 Who will be the Directors and members of the Executive Leadership Team of Recall after the Demerger?	<p><b>Board of Directors</b></p> <p>If the Demerger proceeds, the Recall Board will initially comprise:</p> <ul style="list-style-type: none"> <li>- Ian Blackburne (Non-executive Chairman);</li> <li>- Doug Pertz (Managing Director and Chief Executive Officer); and</li> <li>- Neil Chatfield (Non-executive Director).</li> </ul> <p>Following the Demerger, Tahira Hassan will also join the Recall Board as a Non-executive Director. She will also remain a member of the Brambles Board. Recall Holdings expects to add one additional Non-executive Director upon Demerger with one or two further Non-executive Directors to be added in the future.</p> <p>Refer to Section 2.10.1 for information on the experience of each Recall Board member. Further people with relevant experience may join the Recall Board at a later date.</p> <p><b>Executive Leadership Team</b></p> <p>The Recall Executive Leadership Team currently comprises:</p> <ul style="list-style-type: none"> <li>- Doug Pertz (Chief Executive Officer);</li> <li>- Mark Wratten (Chief Financial Officer);</li> <li>- Mark Wesley (President, Recall Americas);</li> <li>- Owen Kinnaird (President, Recall ANZ);</li> <li>- Christian Coenen (President, Recall Europe); and</li> <li>- Lyn Ng (President, Recall Asia).</li> </ul> <p>Refer to Section 2.11.2 for information on the experience of each Recall Executive Leadership Team member.</p>	Sections 2.10.1 and 2.11.2
8.3 What will be Recall's dividend policy and will dividends be franked?	<p>Recall's dividend policy will be determined by the Recall Board at its discretion and may change over time. The Recall Board intends to initially target a dividend pay-out ratio of at least 60% of net profit after tax. Recall's first dividend to be paid is expected to be for the six month period up to 30 June 2014 and to be payable in September or October 2014.</p> <p>The Recall Board has confirmed that Recall intends to frank its dividends to the extent practicable. Whether any dividend can be franked will depend on Recall's franking account balance which, upon the Demerger, will be nil and will depend on the amount of Australian income tax paid by Recall following the Demerger. Dividends are not expected to be franked until FY15 with the proportion of dividends to be franked expected to be between 20% and 40% for the foreseeable future. The Recall Board will seek to ensure that the unfranked component of Recall's dividend paid to non-Australian residents is conduit foreign income and therefore not subject to Australian withholding tax. However, there is a risk that some or all of the unfranked component may be subject to Australian withholding tax.</p> <p>Dividends are intended to be declared by Recall in Australian dollars and paid to Recall Shareholders in Australian dollars.</p>	Sections 2.8 and 6.4
8.4 What will Recall's share price be?	There is no certainty as to the price of Recall Shares after the Demerger is implemented.	Section 4.3.2
8.5 What will be Recall's capital structure?	<p>At the time of the Demerger, Recall is expected to have approximately \$500 million of net debt (comprising approximately \$550 million drawn debt and approximately \$50 million cash (before paying \$6 million post Demerger transaction costs) at 30 June 2013 foreign exchange rates), which implies a net debt to FY13 Pro Forma Underlying EBITDA ratio of 2.4x. Recall will apply approximately \$529 million of the drawn debt to repayment of its liability to</p>	Section 2.16.6

## 1. DEMERGER OVERVIEW - CONTINUED

Topic	Summary	Further information
	<p>Brambles (after the Demerger), pay \$5 million capitalised funding costs and retain the remainder of \$16 million as cash.</p> <p>Based on the Recall Pro Forma Historical Balance Sheet as at 30 June 2013, Recall Holdings' shareholders' equity at the time of the Demerger is expected to be approximately \$513 million.</p> <p>At the time of the Demerger, Recall Holdings will only have ordinary shares on issue and no other equity securities.</p>	
8.6 When will Recall Shares commence trading separately on ASX?	Recall Shares are expected to commence trading on ASX on Tuesday, 10 December 2013, initially on a deferred settlement basis. It is the responsibility of each Eligible Shareholder to confirm their holding by calling the Brambles Shareholder Information Line or Link Market Services Limited, before trading in Recall Shares. Trading on a normal T+3 settlement basis is expected to commence on Monday, 23 December 2013.	Section 5.5.3
8.7 What additional corporate costs will Recall Holdings have as a standalone listed company?	Following the Demerger, Recall Holdings will be a separately listed company and will incur additional corporate costs. These costs will include company secretary costs, IT, investor relations, ASX listing fees, share registry costs, audit fees, insurance and the cost of maintaining a separate board of directors. It is estimated that total standalone corporate costs will initially be approximately \$14 million per annum.	Section 2.16.3.1
8.8 When will Recall Holdings release its first results as a standalone company?	Recall Holdings is expected to release its results for the year ended 30 June 2014 by the end of August 2014.	
8.9 Overview of Recall's corporate governance arrangements	<p>Following the Demerger, the Recall Board will have overall responsibility for overseeing the effective management and control of Recall on behalf of Recall Shareholders and supervising executive management's conduct of Recall's affairs. The Recall Board has adopted a schedule of matters reserved to it for decision, further details of which are set out in Section 2.10.2.</p> <p>The Recall Board has delegated some of its functions to the Audit and Remuneration Committees, although overall responsibility for those functions remains with the Recall Board. The charters of the Recall Board Committees also require certain matters to be approved by the Recall Board. Details of the Recall Board committees are set out in Section 2.10.2. Refer to Section 2.10.2 for further information on Recall's Board Committees corporate governance arrangements and policies.</p>	Section 2.10.2
<b>9. MORE DETAILS ON BRAMBLES (AFTER THE DEMERGER)</b>		
9.1 What will be the business model and strategic priorities of Brambles (after the Demerger)?	<p>Brambles' (after the Demerger) strategy in respect of its Pooling Services businesses will remain unchanged after the Demerger, and comprises four key themes:</p> <ul style="list-style-type: none"> <li>- <b>Diversification</b> - expanding into more customer segments, broadening the range of products and services and growing geographically;</li> <li>- <b>Cost leadership</b> - delivering a low cost business model that leverages Brambles' global scale to create a sustainable competitive advantage;</li> <li>- <b>Go to market</b> - strengthening the brand position and enhancing the customer experience through continuously improving the quality of Brambles' products and services; and</li> </ul>	Section 3.2

## 1. DEMERGER OVERVIEW - CONTINUED

Topic	Summary	Further information
	<p>- <b>People and leadership</b> - attracting, developing and retaining the right individuals and teams that can enhance Brambles' culture and bring the required capability for sustainable success.</p>	
<p>9.2 Who will be the Directors and senior management of Brambles (after the Demerger)?</p>	<p><b>Brambles Board</b></p> <p>There will not be any changes to the Brambles Board as a consequence of the Demerger.</p> <p>The Brambles Board currently comprises:</p> <ul style="list-style-type: none"> <li>- Graham Kraehe AO (Non-executive Chairman);</li> <li>- Doug Duncan (Non-executive Director);</li> <li>- Tony Froggatt (Non-executive Director);</li> <li>- Tom Gorman (Chief Executive Officer);</li> <li>- David Gosnell (Non-executive Director);</li> <li>- Tahira Hassan (Non-executive Director);</li> <li>- Stephen Johns (Non-executive Director);</li> <li>- Carolyn Kay (Non-executive Director);</li> <li>- Luke Mayhew (Non-executive Director); and</li> <li>- Brian Schwartz AM (Non-executive Director).</li> </ul> <p>Tahira Hassan will also join the Recall Board following the Demerger as a Non-executive Director.</p> <p>Refer to Section 3.7 for information on the experience of each Brambles Board member.</p> <p><b>Senior Management</b></p> <p>The Brambles (after the Demerger) senior management team will comprise:</p> <ul style="list-style-type: none"> <li>- Tom Gorman (Chief Executive Officer);</li> <li>- Zlatko Todorcevski (Chief Financial Officer);</li> <li>- Jean Holley (Chief Information Officer);</li> <li>- Peter Mackie (Group President, Pallets);</li> <li>- Wolfgang Orgeldinger (Group President, RPCs);</li> <li>- Jason Rabbino (Group President, Containers); and</li> <li>- Nick Smith (Group Senior Vice President, Human Resources).</li> </ul> <p>Refer to Section 3.8.1 for information on the experience of each Brambles senior management team member.</p>	<p>Sections 3.7 and 3.8.1</p>
<p>9.3 What will be the dividend policy of Brambles (after the Demerger)?</p>	<p>Brambles' (after the Demerger) future dividend policy will be determined by the Brambles Board at its discretion and may change over time.</p> <p>Brambles currently has a progressive dividend policy of maintaining at least its level of dividends per share in Australian dollars, subject to Brambles' financial performance and cash requirements. For the year ended 30 June 2013, Brambles declared total dividends of 27.0 Australian cents per share, comprising an interim dividend of 13.5 Australian cents and a final dividend of 13.5 Australian cents.</p> <p>Brambles will receive the benefit of Recall's earnings for most of the half year to 31 December 2013, and will accordingly pay a dividend for that period reflective of the earnings from Brambles' Pooling Solutions businesses as well as the Recall business. It is the current intention of the Brambles Board, subject to Brambles' financial performance, cash requirements and any unforeseen circumstances, to pay a dividend of 13.5 Australian cents per share for the half year to 31 December 2013.</p>	

## 1. DEMERGER OVERVIEW - CONTINUED

Topic	Summary	Further information
	<p>Following the Demerger, the Brambles Board intends to retain a progressive dividend policy in Australian dollars. The Brambles Board intends to keep the annual dividend at least at FY13 levels (i.e. 27.0 Australian cents per share) and not rebase the dividend after the Demerger.</p> <p>The actual amount of any future dividends will be subject to Brambles' financial performance and cash requirements during the relevant period and any unforeseen circumstances.</p> <p>Brambles' future dividends are expected to be franked to between 20% and 30% for the near term. The unfranked components of Brambles' dividends paid to non-Australian residents are expected to continue to be conduit foreign income and therefore not subject to Australian dividend withholding tax.</p>	
9.4 What will Brambles' share price after the Demerger be?	There is no certainty as to the price of Brambles Shares after the Demerger is implemented. However, the price of Brambles Shares is likely to decrease after the Demerger because Recall will no longer be owned by Brambles.	
9.5 What impact will the Demerger have on existing Brambles debt?	Recall is expected to have approximately \$500 million of net debt (comprising approximately \$550 million drawn debt and approximately \$50 million cash (before paying \$6 million post Demerger transaction costs) at 30 June 2013 foreign exchange rates). Proceeds from the borrowings will be used to repay the intercompany loan owing to Brambles (expected to be approximately \$529 million at 30 June 2013 foreign exchange rates). As a result, Brambles is expected to reduce its borrowings by approximately \$529 million. This should not result in a material change to Brambles' current coverage ratios. The Demerger will not change Brambles' financial policy of targeting a ratio of net debt to EBITDA of less than 1.75 times.	Section 3.9.7
9.6 How will the performance rights under the Brambles employee incentive plans be dealt with?	<p>The Brambles Performance Share Plan and the Brambles MyShare Plan will continue to operate.</p> <p>As part of the Demerger, Brambles proposes to adjust the awards granted under these plans to reflect the impact of the Demerger.</p> <p>In addition, certain Recall employees who currently have invested Brambles STI Awards and Brambles LTI Awards under the Brambles Performance Share Plan will receive Transitional Recall STI Awards and Transitional Recall LTI Awards.</p>	Sections 2.11.7 and 3.8.3
<b>10. VOTING ON THE DEMERGER</b>		
10.1 When are the Meetings?	<p>The Scheme Meeting will be held at 9.00am (AEDT) at the Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales on Tuesday, 3 December 2013.</p> <p>The General Meeting will be held at 9.30am (AEDT) (or as soon after that time as the Scheme Meeting has concluded or been adjourned) at the Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales on Tuesday, 3 December 2013.</p>	
10.2 Voting information	For information regarding how to vote, eligibility to vote and relevant voting thresholds at the Meetings, see the 'Scheme Meeting and General Meeting details' section on pages 6 and 7 and the Notice of Scheme Meeting and Notice of General Meeting.	

## 1. DEMERGER OVERVIEW - CONTINUED

Topic	Summary	Further information
10.3 What if I do not vote at the Meetings or do not vote in favour of the Demerger Resolutions?	If the Demerger Resolutions are approved, and the Court approves the Scheme and all other conditions of the Demerger are satisfied or waived, the Demerger will be implemented and binding on all Brambles Shareholders as at the Scheme Record Date, including those who did not vote at the Meetings and those who did not vote in favour of the Demerger Resolutions.	
<b>11. TAXATION IMPLICATIONS</b>		
11.1 What are the tax implications of the Demerger for Brambles' Australian resident Shareholders?	<p>Brambles is seeking tax rulings from the ATO confirming that demerger tax relief is available for both Brambles itself and separately for Australian resident Brambles Shareholders who hold their Brambles Shares on capital account.</p> <p>On the basis of its discussions with the ATO and after consultation with its advisers, Brambles expects that demerger tax relief will be available although obtaining demerger tax relief will ultimately depend on the terms of the rulings sought from the ATO.</p> <p>If Australian resident Brambles Shareholders can and do choose for demerger tax relief to apply and the ruling for Brambles Shareholders is issued in accordance with the application made by Brambles, then, in summary:</p> <ul style="list-style-type: none"> <li>- Any capital gain made from a CGT event happening to their Brambles Shares as a result of the Capital Reduction will be disregarded;</li> <li>- The cost base of their Brambles Shares will be allocated between the Brambles Shares and Recall Shares in proportion to their respective market values just after the Demerger;</li> <li>- They will be deemed to have acquired the relevant Recall Shares at the same time as they acquired their Brambles Shares for the purposes of determining eligibility for the CGT discount; and</li> <li>- The amount that is taken to be a demerger dividend for tax purposes will not be assessable to them.</li> </ul> <p>Brambles will make an announcement to ASX upon the ruling being finalised with the ATO.</p> <p>Further information on the general Australian taxation implications of the Capital Reduction, the Demerger Dividend, and the Scheme, including information on the implications if demerger tax relief is not available and/or the tax rulings are not issued in accordance with the applications made by Brambles, is set out in Section 6.2.</p> <p>This guide is expressed in general terms and does not constitute taxation advice in respect of the particular circumstances of any Brambles Shareholder. You should seek your own specific taxation advice for your individual circumstances.</p>	Section 6
11.2 What are the tax implications of the Demerger for Brambles' United States and United Kingdom resident Shareholders?	A summary of the general US and UK tax implications for US and UK shareholders, respectively, in respect of the Capital Reduction and the Demerger Dividend, and the Scheme, is set out in Section 6.	

## 1. DEMERGER OVERVIEW - CONTINUED

Topic	Summary	Further information
<b>12. FURTHER QUESTIONS</b>		
12.1 Where can I find out more information about the Demerger, the Sale Facility and related matters?	If you have further questions you can: <ul style="list-style-type: none"><li>- Consult your financial, legal, taxation or other professional adviser; or</li><li>- Call the Brambles Shareholder Information Line on +61 1800 209 118 from 8.30am to 5.30pm (AEDT) on Business Days.</li></ul>	





## 2. OVERVIEW OF RECALL

### 2.1 Business summary

Recall is a global provider of information management solutions. Established by Brambles in 1999 through the integration of several existing document management businesses, Recall has evolved to become a leader in the global information management market. Recall's services span both physical and digital information assets, such as paper documents, records and electronic files, and have developed to meet the diverse and evolving information management needs of customers.

Recall is a leader in the use of technology and process standardisation to drive innovation and efficiency in responding to the increasing demand for information management solutions. Recall offers integrated storage, access, workflow automation, back-up protection and certified destruction of its customers' information assets across the information media spectrum. Recall's service-oriented approach seeks to deliver security, accuracy and accountability to reduce risk, increase efficiency and contain costs for customers facing a rapidly changing and expanding information management environment.

Recall has a diverse customer base, servicing approximately 80% of the Fortune 100, over 65% of the Fortune 500 and a large number of small and medium-sized businesses. Recall provides services primarily under long term, contractual relationships, which provide both recurring revenue streams and growth opportunities through expanded service offerings. Further growth potential arises from Recall's global service capabilities and the increasing complexity and volume of both physical and digital documents.

In FY13, Recall generated \$840 million in Pro Forma Sales Revenue and \$206 million in Pro Forma Underlying EBITDA. Approximately two thirds of Recall's FY13 Pro Forma Sales Revenue was derived from fees related to the storage of physical documents and related activity and services revenue. Recall provides services through approximately 5,190 employees in 308 facilities across 23 countries. Recall is headquartered in Atlanta, Georgia in the United States and will also have a corporate office in Sydney, Australia.

### 2.2 Industry overview

#### 2.2.1 Introduction

Based on industry research, Recall management estimates the global market for Recall's information management services to be at least \$20 billion per annum. Services are primarily provided across the following market segments:

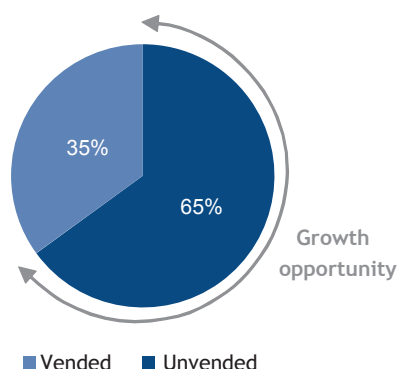
- Collection, indexing and storage of physical documents and records, as well as digital information assets (document management);
- Secure destruction of information assets (secure destruction);
- Protection and back-up of computer data and other media (data protection); and
- A growing market for broader technology enabled information management solutions, including active file management, document conversion, archiving, back-up and electronic litigation support (e-discovery) services.

Recall presently provides services in much, but not all segments, of the global information management market described above, although not with equal emphasis. The principal part of Recall's business is its physical (and to a lesser extent, digital) document management offering, along with secure destruction and data protection services.

Information management activities can be performed in-house by businesses (either wholly unvended or partially vended), or outsourced to a third party such as Recall (vended). The in-house portion still represents a majority of the total information management market, offering a substantial unvended opportunity, even in developed geographic markets with lower rates of economic growth. In emerging markets, the growth opportunities for third party providers are expected to be greater due to higher economic growth rates and increasing trends toward outsourcing of information management solutions. As set out in Figure 2.1, for the physical document management market segment, Recall management estimates approximately 65% of the global market is currently unvended.

## 2. OVERVIEW OF RECALL - CONTINUED

Figure 2.1 - Global physical document management market



Source: Recall management estimates.

Global information management industry participants include both third party service providers and businesses that manage information in-house. The third party service provider landscape within the document management and data protection segments of the market is highly fragmented. There are two leading global providers in these market segments, Recall and Iron Mountain, as well as smaller multi-national providers such as Crown Records Management in Asia and Cintas in North America and a large number of national, regional and local providers. Competition within these market segments primarily depends upon location, services provided, security standards, efficiency and innovation, standardisation and price.

As a global information management service provider, Recall offers consistent services to large, corporate customers in multiple geographic locations. Global providers benefit from scale advantages, including the significant infrastructure required to offer consistent service on a national or global basis. Regional and local players generally compete on cost and offer a narrower range of services than larger regional, national or multi-national players, whereas larger market participants are usually perceived to have higher safety and security standards as well as greater sophistication and efficiency.

The secure destruction services market segment includes many single-service providers due to relatively low barriers to entry and switching costs, and is subject to greater competition than other information management service market segments. With increased regulation and litigation risk, security and certification capabilities are becoming more significant differentiators, typically benefiting larger service providers with greater investment capabilities.

### 2.2.2 Market trends and growth drivers

The information management market is experiencing growth and change due to increasing amounts of information in multiple media formats. This creates an opportunity for third party service providers to offer high-quality information management solutions capable of efficiently managing all information assets.

Key trends include:

- **Stringent regulatory requirements** - global regulatory environments are becoming increasingly stringent, resulting in increased compliance standards and requirements for document retention and traceability. Awareness of the significant costs associated with lack of compliance is driving businesses to seek solutions to reduce their risk, placing increased importance on effective information management solutions;
- **Requirements of global customers** - increasing scale and geographic diversity of global companies are driving demand for consistent information management solutions across various geographies;
- **Increasing litigation** - increasing incidence of litigation across certain industries is leading businesses to retain greater amounts of information. Businesses must ensure sufficient documentation of past events and store information in a more organised manner that enables prompt responses to litigation related discovery requests;
- **Cost pressures** - developing and maintaining in-house information security, storage and organisational tools become increasingly expensive and divert customers from their core competencies. Outsourcing to specialised providers may offer cost savings, quality improvements and reduced investment;
- **Security** - identity theft and data breaches have caused heightened awareness and focus on risk management requirements. Businesses are becoming more willing to invest to avoid security breaches and associated

## 2. OVERVIEW OF RECALL - CONTINUED

penalties. Further, businesses are increasingly relying on outsourced providers to establish auditable processes for handling their information management needs to enhance risk management efforts;

- **Customer rationalisation of service providers** - in order to reduce cost and simplify the process of outsourcing non-core services, customers are seeking to reduce the number of vendors with whom they do business. This is expected to favour larger information management service providers with proven service capabilities, a broad range of services and the ability to provide consistent services and standards on a global basis; and
- **Digitisation** - this leads to an overall compounding effect on information growth and complexity. As a result, the volume of physical and digital data continues to grow. In addition, the accelerating pace of transfer from physical to digital formats increases the intricacy of information management and represents a substantial opportunity for outsourced document management processes such as workflow management, conversion, retrieval, digitisation and storage of electronic information.

### 2.2.3 Regulatory framework

A significant amount of activity generated in the information management industry is underpinned by legislative requirements. To varying degrees across the world, organisations are required by law to create certain records, for example tax records and regulatory records (such as health records and bank records), and to retain them for a specified period of time.

Most jurisdictions have data protection and privacy laws that require personal information held by an organisation to be processed and stored securely, to be protected from misuse, loss, unauthorised access, modification or disclosure, and to be securely destroyed when no longer required for an authorised purpose. These laws may also impose more stringent requirements on information regarded as being sensitive such as information held by financial institutions, health plans and health care providers. For example:

- Certain Australian jurisdictions have legislation that extends to private sector handling of particular categories of sensitive personal information, such as the *Victorian Health Records Act 2001* (Vic), and which imposes obligations on both outsourcing organisations and the information service provider;
- Under United States federal law<sup>1</sup>, regulated companies are required to develop a written information security plan that describes their data security program to protect customer records and information;
- US federal and state agencies with jurisdiction over financial institutions are required to implement regulations requiring financial institutions to establish safeguards to protect against unauthorised access to and use of customer records and information, ensure the security and confidentiality of those records and protect against any anticipated threats or hazards to the security or integrity of information; and
- In some jurisdictions, health care providers, data processors, pharmacies and other entities (such as information management service providers) that come into contact with medical information are often required to implement data security procedures, protocols and policies at administrative, technical, physical and organisational levels to protect data.

In some jurisdictions, data protection and privacy laws also require organisations holding personal information to contractually require information management service providers to provide a level of data protection that is comparable to the organisation's statutory obligations. In the United States, federal and state agencies have legislative powers to require financial institutions to contractually require their service providers to meet the objectives of the financial institution's security program and to monitor them. Under various Canadian federal and provincial privacy laws, organisations, enterprises and health care custodians or trustees are ultimately responsible for personal information within their care and control and must use contractual or other means to provide a comparable level of protection while information is being processed or held by a third party. Agreements with information management service providers therefore typically require adherence to security safeguards and include audit rights, indemnities and rights to liquidated damages in the case of non-compliance with the requirements of privacy legislation.

In addition, the increased governmental focus globally on data security and privacy may lead to further legislative action (refer to Section 4.4.2 for further information).

These legislative and regulatory requirements drive demand for information management solutions and require service providers such as Recall to assist customers to improve data security and establish programs to ensure compliance with their regulatory obligations.

<sup>1</sup> See, for example, the *Financial Services Modernization Act (Gramm-Leach-Bliley Act)* (the GLB Act) and the *Health Insurance Portability and Accountability Act*. Other recent laws and proposed regulations also focus on consumer privacy, financial privacy and protection of personal health information.

## 2. OVERVIEW OF RECALL - CONTINUED

### 2.3 Recall business overview

#### 2.3.1 Vision

Recall aims to create superior value for its customers by being the innovation leader in information management and delivering information management solutions that manage physical and digital information in an integrated, cost-effective offering. Key components of the vision include:

- Providing customers with the tools, technologies and superior service for managing their information in a secure, cost-effective manner while mitigating their risks associated with enforcement of laws and regulations;
- Offering the development, implementation and maintenance of compliant information management programs and services, including classification, compliance, storage and destruction; and
- Providing full visibility and management of customers' information, including information stored by Recall and the customer itself (in-house).

#### 2.3.2 Business strategy

After the Demerger, Recall intends to pursue a strategy of:

- Enhancing its leadership position in key markets;
- Leveraging its global reach; and
- Expanding its breadth of service offerings and geographic footprint.

To achieve this strategy, Recall will focus on the following objectives:

- **Growth** - increasing revenue with existing customers and capturing new customers through new service/product offerings, expanding into new geographic markets and leveraging global accounts;
- **Go to market** - providing consistent global customer service and security while offering innovative technology as a competitive advantage; and
- **Cost containment** - leveraging global scale and systems to achieve a low cost business model with increased asset utilisation.

Key initiatives specifically include:

- **Improving sales force effectiveness** - invest in sales force effectiveness and specialisation to both increase overall market share and drive incremental cross selling of services;
- **Expanding services** - provide deeper integration of digital and physical information assets with workflow automation, unified information management tools spanning widely used forms of media and increased access to in-house customer records that have typically not been outsourced for storage and protection;
- **Converting unvended in-house holdings of existing customers** - capitalise on a large unvended segment to capture a greater share of existing customers' information management spend and gain new customers;
- **Expanding into new geographic markets** - use existing global customers as a base to expand Recall's geographic coverage;
- **Driving innovation** - address customers' increasingly complex information management needs through innovative service offerings - for example, continued development of comprehensive Radio Frequency Identification Device ("RFID") solutions and patented or proprietary technologies, and the use of enterprise business partnerships to provide enhanced solutions while maintaining Recall's focus and service orientation;
- **Continuous improvement** - pursue operational efficiency, building on demonstrated success in driving cost reductions and productivity improvements through Recall's 'IMPACT' continuous improvement system and tools; and
- **Acquisitions** - pursue select, value accretive acquisitions, in a highly fragmented market. Recall has a track record of successfully acquiring and integrating businesses, while realising substantial post-integration margin improvement through leveraging the fixed cost infrastructure and processes.

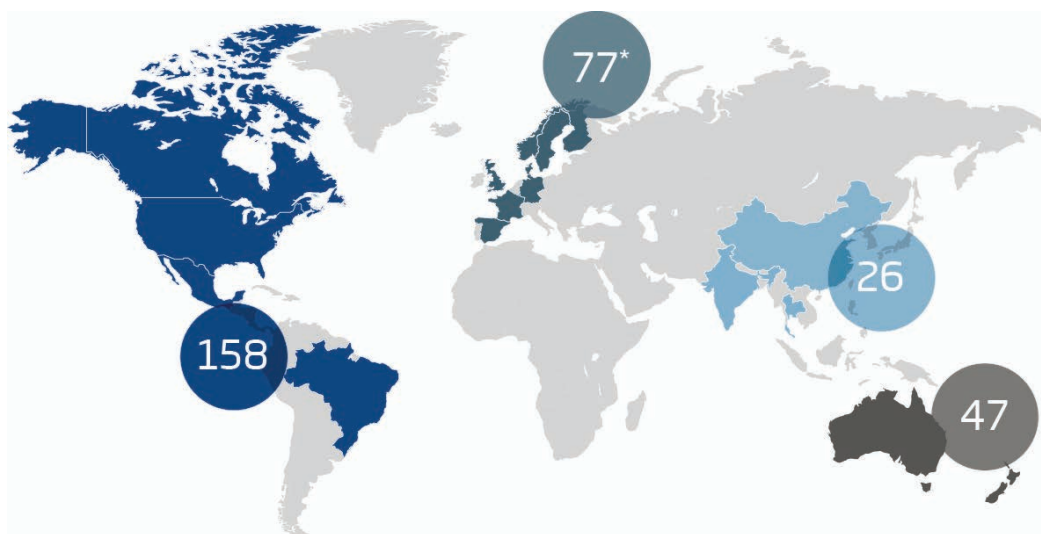
The Recall Board, together with management, will undertake a thorough review of the strategic options available to Recall after the Demerger has been completed.

#### 2.3.3 Geographic overview

Recall is a global business, with leading positions in North America, Brazil, Europe, Australia and New Zealand ("ANZ") and Asia. Recall has a network of 308 dedicated facilities (including physical storage and technology storage and support centres) strategically located across 23 countries of operation as shown in the Figure 2.2 below.

## 2. OVERVIEW OF RECALL - CONTINUED

**Figure 2.2 - Geographic footprint (number of facilities)**



\* Recall participates in a joint venture with Becker in Germany.

Figure 2.3 below sets out summary financial performance for Recall's businesses by region.

**Figure 2.3 - Regional summary**

Recall regional segments Profile (FY2013)	Americas	ANZ	Europe	Asia
Pro Forma Sales Revenue <sup>1</sup>	\$349 million	\$221 million	\$200 million	\$70 million
Full-time employees	c. 2,480	c. 740	c. 1,090	c. 880

Note to Figure 2.3:

1. Includes intercompany revenue with Brambles.

### 2.3.3.1 Recall Singapore

As at 30 June 2013, Brambles held a 49% interest in CISCO Recall Total Information Management Pte Ltd ("Recall Singapore"), a Singaporean entity which was operated as a joint venture with Singaporean entity Certis CISCO Security Pte Ltd ("Certis") (which owned the other 51% interest in Recall Singapore). Subsequently, Brambles has agreed with Certis to purchase Certis' 51% interest in the joint venture prior to the Demerger for a purchase price of S\$112.2 million (approximately \$88 million), under a sale and purchase agreement executed on 13 September 2013. There are no conditions to the completion of the sale under the agreement, and closing is expected to occur on 31 October 2013. After completion of the sale and before the Demerger Date, Recall will acquire Brambles' 100% interest in Recall Singapore, such that Recall Singapore will be wholly owned by Recall upon the Demerger. As such, references to Recall and Recall Pro Forma Historical Financial Information (as defined in Section 2.16.1) in this Scheme Book are presented assuming that Recall owns 100% of this joint venture unless otherwise noted.

### 2.3.4 Business model

Key characteristics of the Recall business model include:

- Recurring, contractual revenue streams (recurring revenues were estimated to be 68% of Pro Forma Sales Revenue in FY13);
- Strong customer satisfaction and long term relationships (16 of its top 20 customers have been with Recall for over 12 years);
- Diverse customer base (top 20 customers accounted for approximately 17% of Pro Forma Sales Revenue in FY13); and
- Strong market positions in the majority of markets served (over 90% of Recall's physical document storage services revenue is generated from markets where Recall estimates it has at least a top two position).

## 2. OVERVIEW OF RECALL - CONTINUED

Recall earns revenue in the following ways:

- **Storage fees** - recurring revenue for the provision of services through long term contracts under which customers are charged fees based on the quantity of information under management;
- **Non-storage fees** - recurring and activity-based revenue for the provision of services such as stored information retrieval, document and data tape pick-up or destruction and on-demand document conversion;
- **Consulting fees** - revenue for the provision of consulting services, specifically in relation to customers' information management needs assessments;
- **Termination fees** - revenue received when certain customer agreements are terminated or expire; and
- **Paper and metal recycling** - revenue earned from the sale of shredded paper as recycled paper and the sale of recycled metals from digital device destruction, which is dependent on prevailing recycled prices.

### 2.3.5 Recall's strengths and risks

Recall markets its services to customers based on its track record of expertise and innovation in providing information management solutions. Recall's global footprint, along with its consistent and high security standards and processes, enable it to provide reliable information management solutions to customers worldwide. Recall's business model is underpinned by the following:

- **Expertise** - Recall brings considerable experience in providing comprehensive information management solutions. It has developed global benchmarking, best practice sharing and continuous process and standards improvement programs to meet strict internal and external requirements for security, quality and efficiency;
- **Customer service** - Recall is focused on providing a high-quality service experience to its customers. Recall applies standard operating procedures to drive accuracy and Recall also strives for collaboration between its sales force and dedicated account managers to offer customers flexibility and responsiveness. Recall consistently measures service performance across its operations;
- **Global and national footprints with full standardisation** - Recall's operating footprint covers 308 locations in 23 countries across 5 continents with approximately 5,190 employees. Recall employs standardised systems and operating procedures and operates a global inventory management online system in over 17 different languages;
- **Innovation** - Recall fosters a culture focused on innovation in relation to both technology and processes, developing new ways of improving compliance and assessing and reducing system vulnerabilities for its customers. For example, Recall was an early adopter of RFID technology, operating a RFID system that enables comprehensive physical document audits with 99.999% accuracy in a time and labour efficient manner; and
- **Security standards and processes** - Recall employs global facility and vehicle security standards (including biometric access control and global positioning system monitoring), advanced fire and smoke suppression systems, chain of custody in closed loop processes, third party audits and comprehensive security breach protocols.

Recall's business model is subject to a number of risks, some of which include:

- Inability to maintain information security or inadequate contract management;
- Inability to comply with regulatory obligations (including increased governmental focus on data security and privacy);
- Competition and loss of major customers;
- Failure to adapt to business environment changes;
- Reduction in physical paper records storage;
- Disruptions to systems and technology impairing ability to provide services;
- Fluctuations in commodity prices (e.g. paper prices) and raw material availability;
- Inability to attract, develop and retain high performing individuals;
- Insufficient growth or inability to execute strategy;
- Inability to innovate or take advantage of technological advancements;
- Inability to manage occupational health and safety obligations; and
- Impact of fires or other unexpected events.

See Sections 4.4 and 4.6 for a full description of these and other risks.

### 2.3.6 Service offerings

Recall provides information management solutions emphasising security, accuracy, accountability and customer service to reduce risk, increase efficiency and deliver peace of mind to customers facing increasingly complex information management needs. Core services within Recall's integrated information management offering include:

## 2. OVERVIEW OF RECALL - CONTINUED

- Document management solutions, business process automation and digital document management ("DMS"). DMS represented 74% of FY13 Pro Forma Sales Revenue;
- Secure destruction services ("SDS"). SDS represented 15% of FY13 Pro Forma Sales Revenue; and
- Data protection services ("DPS"). DPS represented 11% of FY13 Pro Forma Sales Revenue.

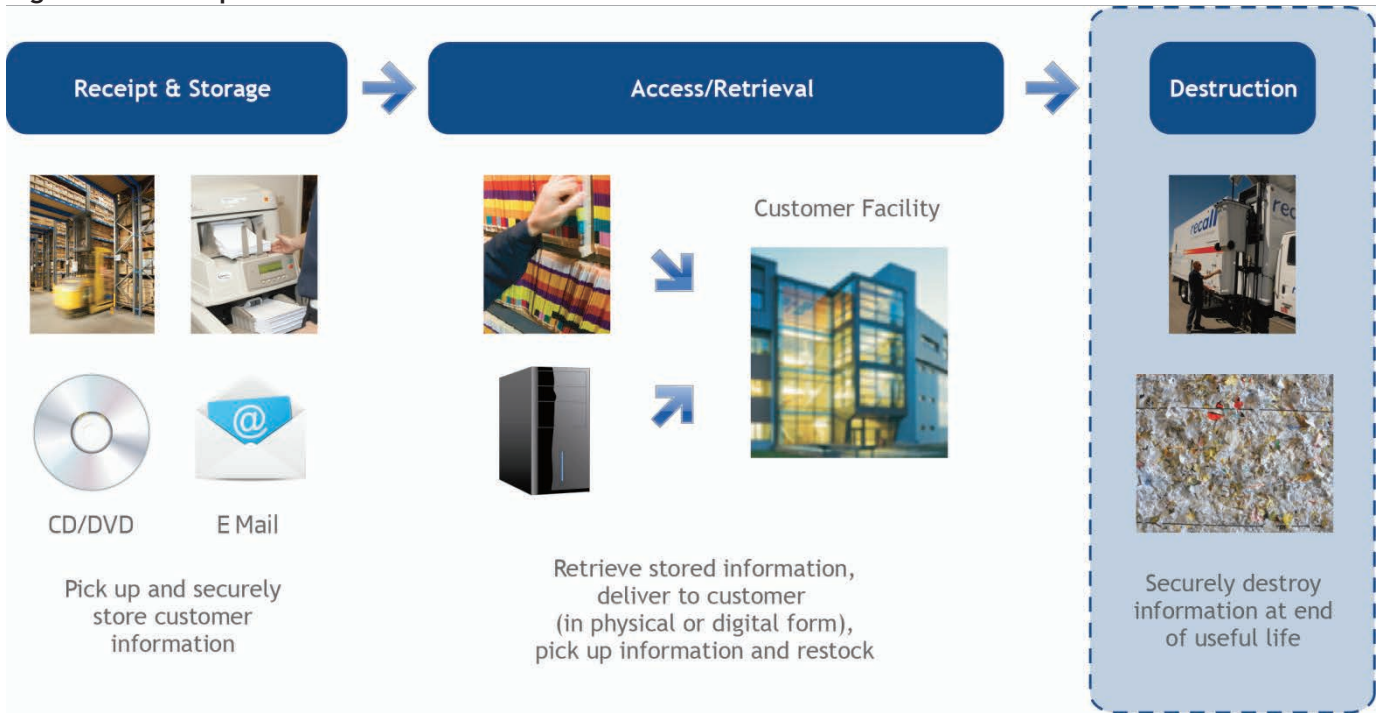
### 2.3.6.1 Document management solutions

Recall's DMS service offering provides secure indexing, storage and retrieval of physical documents ("DMSP"), as well as capture, indexing, storage and retrieval of digital information ("DMSD"). Recall provides offsite management and secure retention of all types of customer information assets. Recall also provides its customers with expert knowledge and consulting on information management policies and program implementation.

Recall works in partnership with its customers to ensure that they are able to access their stored information in an efficient manner. Recall's facilities were the first in North America to use RFID technology for the rapid and accurate auditing of physical documents. Customers can access managed electronic information real-time through Recall's proprietary ReQuest Web online platform. Recall also provides closed loop chain of custody practices to ensure information is secure, with integrity validated.

Figure 2.4 shows Recall's DMS process.

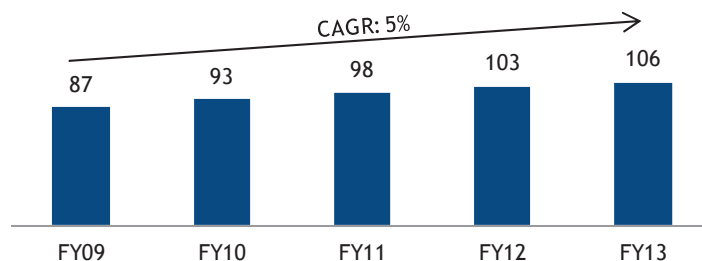
Figure 2.4 - DMS process overview



Source: Recall

As shown in Figure 2.5, Recall has continued to grow the number of cartons of customer information that it stores. Recall's storage of electronic information, while a less mature business, continues to grow and represents an increasingly important part of the customer's comprehensive information management.

Figure 2.5 - Average number of cartons stored (m)



Source: Recall

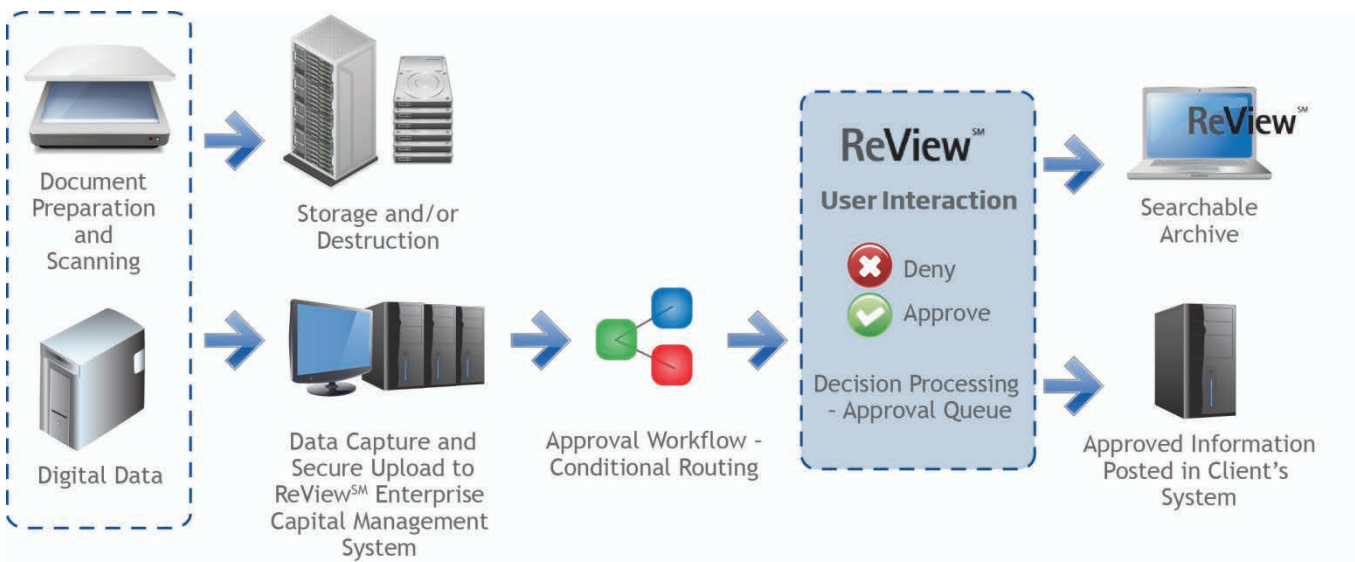
## 2. OVERVIEW OF RECALL - CONTINUED

Recall also provides integration of digital information into workflow processes and systems. Recall’s digital business solutions allow customers to convert critical information to a digital format, which can then be accessed through multiple channels, including online or through mobile devices. Recall also offers the deployment of a cloud-based enterprise content management system. That system is capable of storing and managing all converted images and key data, and leverages digital information management tools to automate workflow for transactional business processes including accounts payable, human resources, claims management and government services.

Workflow integration and business process automation services (refer to Figure 2.6) provide significant value to customers through cost savings, reduced response time and improved accuracy. Generally, it is not economical for customers to individually invest in these systems and infrastructure to achieve desired benefits themselves. Automation services create additional revenue opportunities for Recall due to increased integration with the customer and access to incremental customer information assets.

Business process automation services represent a small, but growing part of Recall’s business. Figure 2.6 sets out the workflow integration and digital business solutions process.

**Figure 2.6 - Workflow integration and digital business solutions process overview**



Source: Recall

### 2.3.6.2 Secure destruction services

Recall’s SDS service offering provides confidential certified destruction of sensitive physical and digital information in an eco-friendly manner. For physical information assets, additional income is generated by selling the shredded paper produced in the destruction process. This service offering provides safe and secure pick-up, transport and destruction of sensitive items and supports green initiatives through the recycling of paper. Additionally, digital information management solutions ensure information assets are identified, aggregated and securely destroyed to reduce the risk of multiple legacy copies. Figure 2.7 shows Recall’s SDS (physical) process.



## 2. OVERVIEW OF RECALL - CONTINUED

Figure 2.7 - SDS (physical) overview



Source: Recall

### 2.3.6.3 Data protection services

Recall’s DPS service offering provides secure offsite storage and rotation, protection and recovery of computer back-up data to protect information stored on customers’ computer systems. Recall’s DPS business provides customers immediate access to information as required which minimises the downtime associated with disasters and other unplanned events.

Recall provides a safe, secure environment for customers to store and have ready access to critical business information. Recall provides a single source for customers’ total data protection needs, including tape-based back-up, rotation and recovery, e-discovery processing and business continuity and disaster recovery planning.

Figure 2.8 shows Recall’s DPS process.

Figure 2.8 - DPS process overview



Source: Recall

### 2.4 Customer overview

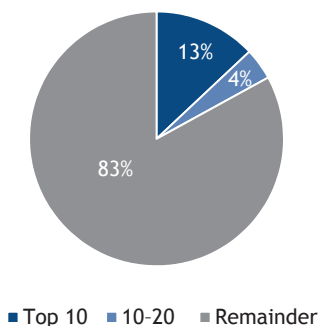
Recall has established a diverse customer base including approximately 80% of the Fortune 100 and over 65% of the Fortune 500. Recall’s partnership approach has enabled it to retain customers and expand its service offering over a long period, having served 16 of its top 20 customers for over 12 years.

Recall’s largest customers are predominantly companies in the financial services industry; however, it operates across a broad array of other sectors including legal services, health care and government. Recall also has a highly diversified customer base, with its top 10 customers contributing 13% of total revenue and its top 20

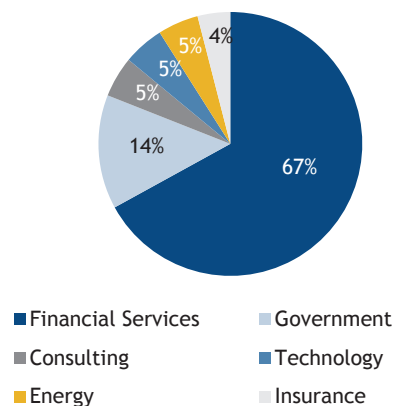
## 2. OVERVIEW OF RECALL - CONTINUED

customers contributing 17% of total revenue in FY13. Figures 2.9 and 2.10 break down Recall's FY13 Pro Forma Sales Revenue by customer and end market.

**Figure 2.9 - FY13 Pro Forma Sales Revenue by Customer**



**Figure 2.10 - FY13 Pro Forma Sales Revenue by end market (top 20 customers)**



Source: Recall

Source: Recall

Note to Figures 2.9 and 2.10:

1. Customer revenue presented at 30 June 2013 foreign exchange rates.

Recall maintains long term service contracts with many of its customers. Recall primarily enters into two main types of customer contracts.

- The most common is a standard form open-ended contract made with small and medium-sized customers. These contracts generally contain "evergreen" clauses so the initial terms automatically renew unless one party provides notice of termination. These contracts typically contain termination rights for Recall and generally do not provide for corresponding rights for the customer (outside of the normal expiry of the contract's term; however, small and medium sized customers often require a right to terminate in the event of a Recall default).
- For larger customers, Recall often enters into tailored customer-specific contracts. Most of these contracts have a term of three-to-five years; however, some larger customers have seven-to-ten-year contracts. Recall's longer term contracts with larger customers typically contain termination rights for the customer and some termination rights for Recall.
- For both small and large customer contracts, Recall endeavours to include termination costs for the customer in the event of early termination or expiration of the contract.

Recall's standard commercial terms and conditions generally limit Recall's liability to either a fixed amount per carton up to a maximum amount based on a component of annual revenue or just a fixed amount based on a component of annual revenue. For those customer contracts that seek to impose "unlimited liability" for certain commercial terms such as breach of contract, or other unusual risks such as assignment of IP ownership rights or unusual indemnification obligations, Recall requires the applicable sales organisation to prepare an 'Unusual Risk Analysis'. The 'Unusual Risk Analysis' explains, among other items, the background with the particular customer and the mitigation strategy that will be implemented to minimise the risk of loss. The 'Unusual Risk Analysis' is submitted initially to the Regional leadership team for approval and then to Recall's General Counsel, CFO and then CEO.

### 2.5 Information technology

Brambles has commenced the process of separating Recall from the Brambles network, to create an independent, functional Recall IT platform separate from the Brambles IT platform. This process, which will be completed after the Demerger supported by a Transitional Services Agreement with Brambles (refer Section 5.7.4), will move Recall users, devices and applications to this new domain. Following the Demerger, Recall will operate its own IT platform to meet its internal requirements and customers' needs. Recall's IT platform is critical to its operations and service delivery. Recall's IT platform consists of a number of integrated

## 2. OVERVIEW OF RECALL - CONTINUED

applications, including an operational portal, business intelligence reporting as well as content management and information services.

Management of customer information and security is core to Recall’s operations. Recall’s security policies extend to system design documents, authorisation and access forms and usage guidelines, all of which are developed and maintained for each system to ensure security of customer data.

Recall’s global disaster recovery plan is documented and tested, and is designed to support Recall in the event of a catastrophic loss of its core data centre in Atlanta. Recall’s disaster recovery site is located in the western region of the US. Recall’s IT infrastructure extends to all of its 308 facilities in 23 countries. There are four primary data centres in Atlanta, London, Kuala Lumpur and Sydney, with secondary data centres located in Sweden and Singapore. In addition, each country headquarters has local servers to provide local services.

### 2.6 Key intellectual property assets

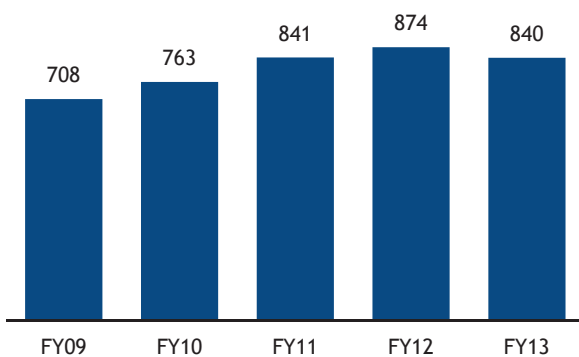
Recall has developed a US patented system to place Radio Frequency Identification Device (“RFID”) tags securely on cartons and other items for tracking, storing and auditing purposes. This system, which employs methods from a US Patent entitled “Method and System for RFID Label Replacement of Conventional Labels on Media in a Media Storage System”, allows Recall to accurately replace existing, less reliable labels (such as bar codes) on stored items. Traditional bar codes are generally less effective than RFID tags in terms of auditability and traceability since they normally require a direct line of sight to the scanner. Moreover, traditional replacement techniques generally result in a high rate of misplaced labels. RFID tags, by contrast, need not be visible to the scanning device and can be scanned much more efficiently and quickly using the Recall scanning process. Recall has filed a similar application for patent protection in international jurisdictions.

### 2.7 Recent operational and financial performance

As shown in Figure 2.12, Recall generates revenue in the Americas, Europe, ANZ and in Asia. Over the past five years, total Pro Forma Sales Revenue and Pro Forma Underlying Profit have grown at a compound average growth rate of 4% and 9% respectively (refer to Figures 2.11 and 2.14). The Pro Forma Underlying Profit margin has increased to 17% from 14% over the period. The Pro Forma Sales Revenue decline in FY13 was principally caused by reduced transactional customer activity in the information management industry and the first-half impact of weaker selling prices for destroyed paper. Recall has improving trends for cash flow generation (refer Figure 2.13), despite the challenging prevailing macroeconomic conditions in many of its markets. Further discussion of the financial performance of Recall is provided in Section 2.16.

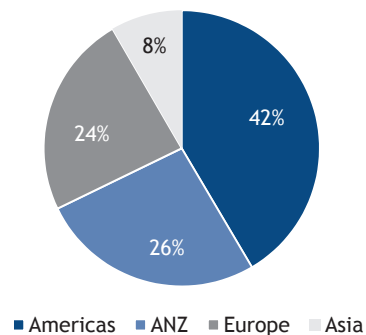
Figures 2.11 and 2.12 show Recall’s historical Pro Forma Sales Revenue and split of FY13 Pro Forma Sales Revenue by geographic region.

**Figure 2.11 - Historical Pro Forma Sales Revenue (\$m)**



Source: Recall

**Figure 2.12 - Historical Pro Forma Sales Revenue by region (\$m)**

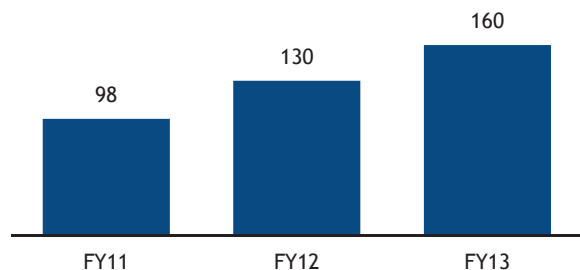


Source: Recall

Figures 2.13 and 2.14 show Recall’s historical Pro Forma Operating Cash Flow and historical Pro Forma Underlying Profit.

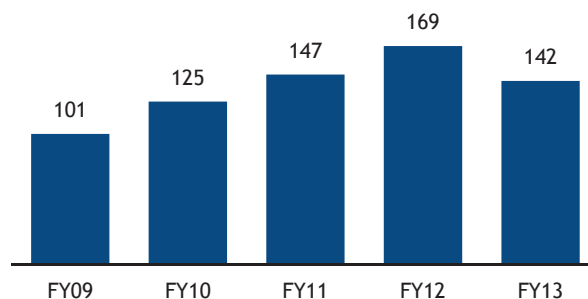
## 2. OVERVIEW OF RECALL - CONTINUED

**Figure 2.13 - Historical Pro Forma Operating Cash Flow (\$m)**



Source: Recall

**Figure 2.14 - Historical Pro Forma Underlying Profit (\$m)**



Source: Recall

### 2.8 Dividend policy and franking credits

Recall's dividend policy will be determined by the Recall Board at its discretion and may change over time. The Recall Board intends to initially target a dividend pay-out ratio of at least 60% of net profit after tax. Recall's first dividend is intended to be paid in September or October 2014 and be based on earnings for the six month period up to 30 June 2014.

The Recall Board has confirmed that it intends for Recall to frank its dividends to the extent practicable. Whether any dividend can be franked will depend on Recall's franking account balance which, upon the Demerger, will be nil and will depend on the amount of Australian income tax paid by Recall following the Demerger. Dividends are not expected to be franked until FY15 with the proportion of dividends to be franked expected to be between 20% to 40% for the foreseeable future. The Recall Board will seek to ensure that the unfranked component of Recall's dividend paid to non-Australian residents is conduit foreign income and therefore not subject to Australian withholding tax; however, there is a risk that some or all the unfranked component may be subject to Australian withholding tax.

Dividends are intended to be declared by Recall in Australian dollars and paid to Recall Shareholders in Australian dollars.

### 2.9 Trading update and outlook

For the quarter to the end of September 2013, Recall's Pro Forma Sales Revenue was \$206 million, up 3% in constant currency terms<sup>2</sup> (down 0.4% in actual currency terms). The increase primarily reflected 8% constant currency growth in Recall's core DMS business, driven by growth in carton storage volumes and revenue, as well as related activities.

Sales revenue growth was offset to some extent by lower sales revenue in the SDS business, which was negatively impacted by lower one-off service activity and paper prices compared with the prior corresponding period.

Based on Recall's performance in the first quarter of the 2014 financial year, Recall has confidence in its ability to deliver growth in total sales revenue and Underlying Profit (adjusting for one-time demerger and standalone expenses) in constant currency for the 2014 financial year, although the second half of the year is forecast to be stronger than the first half.

Recall's outlook is based on assumptions regarding present and future business strategies and the environment in which Recall will operate in the future. However, Recall's future results, performance or achievements are subject to market conditions, unforeseen circumstances and risks (including those described in Sections 4.4 and 4.6), and accordingly may differ from this outlook.

### 2.10 Recall board of directors and corporate governance

#### 2.10.1 Board of directors

The Recall Board brings extensive relevant experience and skills to Recall. Consistent with the ASX Corporate Governance Principles and Recommendations ("ASX Principles"), the Recall Board is comprised of a majority of independent directors. The Recall Board will initially be constituted as set out below.

<sup>2</sup> Constant currency results are presented by translating results into US dollars at the exchange rates applicable during the prior corresponding period.

## 2. OVERVIEW OF RECALL - CONTINUED



### **IAN BLACKBURNE INDEPENDENT NON-EXECUTIVE CHAIRMAN**

Dr Blackburne is Chairman of ASX listed gaming technology company Aristocrat Leisure Limited and a director of New York Stock Exchange listed marine energy transportation company Teekay Corporation. He has previously been Chairman of CSR Limited and the Australian Nuclear Science & Technology Organisation and a Non-executive Director of Suncorp-Metway Limited and Symbion Health Limited. Age: 67.



### **DOUG PERTZ MANAGING DIRECTOR, EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER**

Joined Brambles as Group President, Recall, in April 2013 from Bolder US Sanitation Group, where he was Chairman and Chief Executive Officer. Prior to that, Doug served as Chief Executive Officer of a number of companies, including: Clipper Windpower, a utility-scale wind turbine manufacturer; IMC Global (now Mosaic Company), a leading miner and producer of concentrated phosphate, potash and salt for agricultural and industrial applications; and Culligan Water Technologies. He was previously a group executive at Danaher and held various international management roles with Cummins Engine Company and Caterpillar. Doug holds a Bachelor of Mechanical Engineering degree from Purdue University, Indiana, USA. Age: 59.



### **NEIL CHATFIELD INDEPENDENT NON-EXECUTIVE DIRECTOR**

Non-executive Chairman of Seek since 2012 and Director since 2005. Non-executive Chairman of Virgin Australia since 2007 and Director since 2006, Non-executive Deputy Chairman of Grange Resources since 2009 and Non-executive Director of Transurban Group since 2009. Non-executive Director of Whitehaven Coal from 2007 to 2012. Neil has over 35 years of experience in the transport, logistics and resources industries, including as an Executive Director and Chief Financial Officer of Toll Holdings for over 10 years. Neil is a fellow of the Australia Institute of Company Directors (FAICD) and is a Certified Practising Accountant, Australia (FCPA). He holds a Masters of Business in Finance and Accounting from UTS Sydney, Australia as well as Post-Graduate Diplomas in Information Technology and Accounting. Age: 59.

Following the Demerger, Ms Tahira Hassan will also join the Recall Board as an Independent Non-executive Director. She will also remain a member of the Brambles Board (refer to Section 3.7 for a biography for Ms Hassan). Recall Holdings expects to add one additional Non-executive Director upon Demerger with one or two Non-executive Directors to be added in the future.

The Recall Board has considered Recall Holdings' immediate requirements as it transitions to an ASX listed company and is satisfied that the composition of the Recall Board reflects an appropriate range of independence, skills and experience for Recall Holdings after listing.

### **2.10.2 Corporate governance**

The Recall Board strongly supports the principles of good corporate governance and is committed to maintaining the highest standards of business behaviour and accountability within Recall Holdings after the Demerger. This is particularly relevant given the highly regulated environment in which Recall Holdings operates.

#### **2.10.2.1 ASX Principles**

If the Demerger proceeds, Recall Holdings will seek a listing on ASX. The ASX Corporate Governance Council has developed and released corporate governance recommendations (the ASX Principles) for Australian listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations. The ASX Principles are not prescriptions, but guidelines. As at the date of the Scheme Book, Recall Holdings will follow the recommendations set by the ASX Corporate Governance Council, other than Recommendation 2.4 (Establishment of a Nomination Committee) Recall's Board will manage the appointment of new directors, establishment of governance policies and similar matters. Recall intends to follow the other 29 ASX Corporate Governance Council recommendations under its eight enumerated principles.

#### **2.10.2.2 Roles and responsibilities**

The Recall Board has overall responsibility for overseeing the effective management and control of Recall Holdings on behalf of Recall Shareholders, and supervising executive management's conduct of Recall Holdings' affairs within a control and authority framework which is designed to enable risk to be prudently and effectively assessed and monitored.

## 2. OVERVIEW OF RECALL - CONTINUED

The Recall Board has delegated day to day management of the business and affairs of Recall Holdings to executive management and will, prior to the Effective Date, set the levels of authority for the Chief Executive Officer, Chief Financial Officer and other members of executive management. These levels will be periodically reviewed by the Recall Board and are documented.

However, there are certain matters which are reserved for the collective decision of the Recall Board. The principle underlying this approach is the need to ensure that appropriate matters can be dealt with effectively under delegated authority, while ensuring good corporate governance by retaining Recall Board control over significant decisions.

These matters include:

- Recall Holdings' overall strategy and direction;
- The financial controls, compliance and internal control and risk management of Recall Holdings;
- Changes to Recall Holdings' corporate or capital structure;
- Appointments to, and removals from, the Recall Board;
- The delegation of authority to the Chief Executive Officer, Chief Financial Officer and other members of executive management, and any changes to the charter and membership of any committee established by the Recall Board;
- Substantial policies adopted by Recall Holdings and any changes to those policies;
- Corporate governance matters;
- Executive compensation and remuneration;
- Internal audit committee function;
- Adoption of corporate policies; and
- Disclosure obligations.

The Recall Board has also delegated some of its functions to its committees, although overall responsibility for those functions remains with the Recall Board.

### **2.10.2.3 Recall Board committees**

To assist in carrying out its responsibilities, the Recall Board will have an Audit Committee and a Remuneration Committee.

Recall Board committee membership will be restricted to Non-executive Directors of Recall Holdings. Each board committee will have terms of reference which set out the roles, responsibility, composition and processes of each committee.

### **2.10.2.4 Audit Committee**

The Audit Committee will be responsible for monitoring, reviewing, and reporting to the Recall Board on, financial reporting matters, internal controls and internal and external audit functions.

In addition, the Audit Committee will be responsible for making recommendations to the Recall Board, in relation to the appointment of the external auditors, the approval of their remuneration and the terms of their engagement.

It is proposed that Mr Neil Chatfield will be the chairman of the Audit Committee.

### **2.10.2.5 Remuneration Committee**

The Remuneration Committee will be responsible for establishing, overseeing and advising the Recall Board in relation to remuneration arrangements and incentive plans, preparation of the annual remuneration report, assessment of management performance and other human resources related matters.

It is proposed that Dr Ian Blackburne will be the chairman of the Remuneration Committee.

### **2.10.2.6 Corporate governance policies**

The Recall Board has adopted the following corporate governance policies, each of which has been prepared having regard to the ASX Principles. Recall Holdings' policies and corporate governance practices will continue to be reviewed regularly and will continue to be developed and refined to meet the needs of Recall Holdings and best practice.

### **Code of Conduct**

Recall Holdings is committed to providing an ethical and legal framework for all Recall Holdings employees in the conduct of Recall Holdings' business. Accordingly, Recall Holdings has adopted a code of conduct ("Code of

## 2. OVERVIEW OF RECALL - CONTINUED

Conduct”) which provides a common behavioural framework for all Recall Holdings employees, irrespective of their specific job, direct employer or location in the world. The Code of Conduct includes the following policies.

### ***Corporate Social Responsibility Policy***

The Corporate Social Responsibility Policy (“CSR Policy”) includes a summary of the key themes set out in the Code of Conduct and reinforces Recall Holdings’ commitment to providing an ethical and legal framework for all Recall Holdings employees in the conduct of Recall Holdings business. In addition, the CSR Policy builds on Recall Holdings’ commitment to sound environmental practice, just and fair treatment of Recall Holdings employees, the community in which Recall Holdings operates and fair and honest dealings with its suppliers. Anti-bribery and corruption policies will be implemented.

### ***Continuous Disclosure and Communications Policy***

Recall Holdings is committed to the promotion of investor confidence by taking steps within its power to ensure that trading in Recall Shares occurs in an efficient and well informed market. Recall Holdings recognises the importance of effective communication as a key part of building shareholder value and that, to prosper and grow, it must earn the trust of shareholders, employees, customers, suppliers and communities by being open in its communications. Recall Holdings has adopted a Continuous Disclosure and Communications Policy to:

- Reinforce Recall Holdings’ commitment to the continuous disclosure obligations imposed by law and to describe the processes Recall Holdings implements to ensure compliance;
- Outline Recall Holdings’ corporate governance standards and related processes and ensure that timely and accurate information about Recall is provided equally to all Recall Shareholders and market participants; and
- Outline Recall Holdings’ commitment to communicating effectively with Recall Shareholders and encouraging participation of Recall Shareholders in shareholder meetings.

### ***Guidelines for serious incident reporting***

Recall Holdings has adopted guidelines for serious incident reporting, which among other things, sets out those matters that Recall Holdings considers to qualify as a serious incident, and the process involved for reporting a serious incident or an occurrence which has the potential to result in a serious incident.

### ***Environmental Policy***

Recall Holdings is committed to acting with integrity and respect for the community and the environment. Specifically, Recall Holdings is committed to working towards a zero harm approach in accordance with its zero harm policy, meaning, no injuries and no environmental damage. Accordingly, Recall Holdings has adopted an Environmental Policy which sets out the guiding principles for Recall Holdings employees to work towards sound environmental practice.

### ***Health and Safety Policy***

Recall Holdings has adopted a Health and Safety Policy which details Recall Holdings’ commitment to providing and maintaining a healthy and safe working environment and to prevent injury, illness or impairment to the health of employees, contractors, customers or the public.

### ***Diversity Policy***

Diversity in the workforce is an integral part of Recall Holdings’ corporate strategy. Recall Holdings’ Diversity Policy reflects the commitment of the Recall Board and the Recall Executive Leadership Team to valuing and managing diversity in the workforce, so as to create and maintain a culture which Recall Holdings believes will deliver outstanding performance and results.

### ***Securities Trading Policy***

Recall Holdings has adopted a Securities Trading Policy which details Recall Holdings’ policy, and rules for, trading in its securities (which includes Recall Shares). The policy applies to directors, officers, persons located in Recall’s head offices or personnel located in another office who have a corporate function or role, and other specified persons, and is additional to the legal prohibitions on insider trading in Australia.

### ***Risk Management Policy***

The Recall Board is responsible for approving and reviewing the effectiveness of Recall Holdings’ system of internal control and risk management and has adopted a risk management framework, the objectives of which are to:

- Incorporate effective risk management as part of Recall’s strategic planning process;
- Require business operating plans to address the effective management of key risks;
- Develop internal audit plans to concentrate efforts on providing assurance on the viability and value of risk mitigation/management processes;

## 2. OVERVIEW OF RECALL - CONTINUED

- Embed a strong risk management culture;
- Improve allocation of capital to reflect business risks;
- Seek competitive advantage through increased certainty of achieving agreed organisational and business objectives; and
- Continue to fulfil governance requirements for risk management.

Recall Holdings will design and implement internal control systems which will be regularly reviewed by the Recall Board.

### **Social Media Policy**

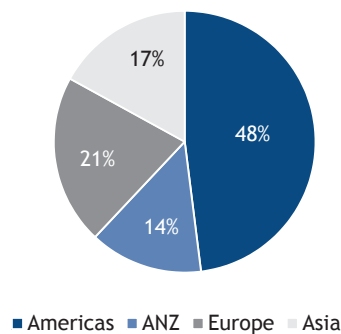
Recall Holdings has adopted a Social Media Policy to guide Recall Holdings employees in making responsible decisions about their use of social media. This policy is designed to protect the interests of Recall Holdings, its employees and its customers and suppliers so as not to breach any relevant confidentiality requirements and to otherwise ensure that Recall Holdings employees' use of social media is in compliance with the Code of Conduct and Continuous Disclosure and Communications Policy.

### **2.11 Employees, industrial relations and employee share incentive plans**

#### **2.11.1 Recall's employees**

Recall employs an experienced workforce with whom management maintains a generally strong working relationship. Recall has approximately 5,190 employees globally. Nearly half of Recall's employees are located in the Americas region. Figure 2.15 shows Recall's global employee distribution by geography.

**Figure 2.15 - Recall's global employee distribution**



Source: Recall

Note to Figure 2.15:

1. Based on employee numbers at 30 June 2013.

#### **2.11.2 Recall Executive Leadership Team**

The Recall Executive Leadership team has experience in the information management industry and has a proven track record of successfully managing and growing international businesses. Set out below are the biographies of the Recall Executive Leadership Team.



#### **DOUG PERTZ MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**

Joined Brambles as Group President, Recall, in April 2013 from Bolder US Sanitation Group, where he was Chairman and Chief Executive Officer. Prior to that, Doug served as Chief Executive Officer of a number of companies, including: Clipper Windpower, a utility-scale wind turbine manufacturer; IMC Global (now Mosaic Company), a leading miner and producer of concentrated phosphate, potash and salt for agricultural and industrial applications; and Culligan Water Technologies. He was previously a group executive at Danaher and held various international management roles with Cummins Engine Company and Caterpillar. Doug holds a Bachelor of Mechanical Engineering degree from Purdue University, Indiana, USA. Age: 59.



## 2. OVERVIEW OF RECALL - CONTINUED



### **MARK WRATTEN CHIEF FINANCIAL OFFICER**

Appointed Group CFO of Recall in August 2012. Served as CFO of Hastie Group from October 2011 to April 2012. Mark has experience in leading global financial organisations, with expertise in financial controls, corporate governance, compliance and risk management, along with M&A, capital investment and operational planning and management.

Mark has held various senior leadership roles during 10 years at Brambles including CFO of Brambles Industrial Services and Cleanaway in Sydney, Group VP of Risk and Audit and Global CIO in Orlando, Florida.

Mark holds a Bachelor of Business degree from Edith Cowan University, Perth, Australia and is a CPA. Age: 48.



### **MARK WESLEY PRESIDENT, RECALL AMERICAS**

Joined Recall in 2002 as General Manager of the Document Management Solutions division in North America. Mark has served as Vice President, Operations for North America and President of Recall's ANZ business prior to his current role.

Prior to Recall, he acted as a supply chain consultant with A.T. Kearney, held senior account management positions with The Coca-Cola Company, and senior management roles with ICG Commerce. Previously served for five years as a Logistics Officer in the United States Marine Corps.

Mark holds a Bachelor of Science degree in Systems Engineering from the United States Naval Academy and an MBA from The Wharton School of The University of Pennsylvania, USA. Age: 47



### **OWEN KINNAIRD PRESIDENT, RECALL ANZ**

Appointed President, Recall Australia/New Zealand in August 2013. He has previously served in UK based roles for CHEP Europe as Vice President, Strategy and Marketing and CHEP Global as Vice President, Customer Solutions. He also served as President, CHEP New Zealand. Owen has also been the General Manager at Cardlink (NZ), the CEO of the Maurice Kain Group (NZ) and had sales and marketing experience with 3M in Australia and New Zealand.

Owen holds a Bachelor of Management degree from Waikato University (NZ) with a focus in marketing and finance. Age: 45.



### **CHRISTIAN COENEN PRESIDENT, RECALL EUROPE**

Joined Recall in 2000 as Sales and Marketing Manager of France. Christian served as General Manager of Sales and Marketing for Recall Europe, General Manager of France and Global Vice President, Sales and Marketing prior to his current role.

Prior to joining Recall, Christian worked at Danka France and Eastman Kodak in group regional and national sales management positions. Age: 49.



### **LYN NG PRESIDENT, RECALL ASIA**

Joined Distrepark Storage as a Sales Executive in 1993, a company purchased by Brambles in 1996. Lyn held a number of roles with Recall including General Manager, Recall Malaysia and Customer Service and Operations Manager prior to her current role.

Lyn holds a Bachelor of Commerce degree in Finance from University of Calgary, Canada. Age: 43.

### **2.11.3 Chief Executive Officer**

Mr Doug Pertz, the current Recall Group President, will be the Managing Director and Chief Executive Officer of Recall following the Demerger. Mr Pertz entered into an employment agreement with Recall Corporation (which, shortly before the Demerger, will be a subsidiary of Recall Holdings) on 1 April 2013. The material terms of Mr Pertz's employment agreement are summarised below.

Position	Managing Director and Chief Executive Officer, Recall
Remuneration	Annual base salary of \$900,000 to be increased to \$1,200,000 on 1 April 2014 plus benefits comprising a relocation and motor vehicle allowance, spousal travel, standard USA health benefits and pension contributions.

## 2. OVERVIEW OF RECALL - CONTINUED

One-time cash performance bonus payable following 31 December 2013 of up to \$1,000,000 subject to the satisfaction of financial objectives relating to Recall's EBITDA and cash flow and personal objectives relating to Recall's safety performance, retaining key customers and driving the achievement of a successful Demerger. The amount of the payment will depend on the extent to which the conditions are satisfied as determined by the Brambles Board and Recall Board.

To recognise the opportunity he forfeited upon leaving his previous employer to join Recall, a one-off grant of \$6,000,000 of rights under the Recall Performance Share Plan with Recall Shares to be released to Mr Pertz no earlier than 4 years after the date he commenced employment with Recall (which is 1 April 2017, "Payment Date"). The number of rights to be granted to Mr Pertz will be calculated by dividing the Australian dollar equivalent of \$6,000,000 by the volume weighted average price of Recall Shares traded on ASX over the five trading days after (and excluding) the first date Recall Shares commence trading on ASX. Mr Pertz will not be required to make any payment either on the grant or vesting of the rights. The rights will be granted to Mr Pertz as soon as practicable following the Effective Date and in any event within 12 months of the Meeting.

The rights granted to Mr Pertz will vest as follows, subject to Mr Pertz's continuing his employment with Recall at the relevant vesting date:

- One third will vest as soon as practicable after the day Recall Shares are first quoted on ASX;
- One third will vest 12 months after the day Recall Shares are first quoted on ASX, half of which are subject to the performance condition described below; and
- One third will vest 24 months after the day Recall Shares are first quoted on ASX, half of which are subject to the performance condition described below.

Of those rights that are eligible to vest 12 and 24 months after the day Recall Shares are first quoted on ASX, half will vest subject to satisfaction of the completion of milestones in the Recall Strategic Plan as determined by the Recall Board. The Recall Strategic Plan was commissioned by the Recall Board and is designed to identify growth opportunities in Recall's current and emerging markets as well as digital growth opportunities. These milestones, and performance against them, will be included in Recall's remuneration report for the 2014 and 2015 financial years.

Following the vesting of Mr Pertz's rights, the relevant number of Recall Shares will be held in trust on Mr Pertz's behalf until the Payment Date. Mr Pertz will not be able to sell or exercise voting rights in respect of any of these shares until the Payment Date. In addition, any dividends paid on these shares will be held in trust and paid to Mr Pertz in a lump sum on the Payment Date.

If Recall terminates Mr Pertz's employment without Good Cause (as defined below) or if he resigns with Good Reason (as defined below), all of Mr Pertz's rights will automatically vest and the Payment Date will be brought forward to the date he ceases to be an employee of the Recall Group.

If Recall terminates Mr Pertz's employment with Good Cause (as defined below) or if he resigns without Good Reason (as defined below), all of Mr Pertz's unvested rights will automatically lapse. The Recall Shares in respect of any rights which had vested prior to Mr Pertz ceasing employment will continue to be held subject to the Recall Performance Share Plan and will be released to Mr Pertz on the Payment Date as if he had remained a Recall employee.

In accordance with the rules of the Recall Performance Share Plan, the Recall Board can claw back any of Mr Pertz's rights which have not vested (and he will cease to have any right or interest in those rights) if he engages in conduct which adversely affects, or is likely to adversely affect, Recall's financial position or reputation.

"Good Reason" Mr Pertz resigns with Good Reason where there is a material reduction in his base salary or remuneration, a material diminution in his role or he is required to relocate to a place outside the USA.

"Good Cause" Recall terminates Mr Pertz's employment with Good Cause in circumstances including where Mr Pertz intentionally produces inaccurate information to the Recall Board, materially fails to perform his duties, wilfully violates the law or Recall policy causing material harm to Recall, is grossly negligent or engages in wilful misconduct.

Subject to obtaining any necessary shareholder approval, Mr Pertz will be eligible to receive awards under the Recall Short Term Incentive Arrangements beginning 1 January 2014 and the

## 2. OVERVIEW OF RECALL - CONTINUED

Recall Long Term Incentive Arrangements from 1 July 2014; see Sections 2.11.5 and 2.11.6 for further details.

Term and termination

No fixed term.

Mr Pertz may terminate his employment at any time on six months' notice.

If Mr Pertz resigns with Good Reason or is terminated by Recall without Good Cause, in addition to the treatment of his rights described above, Mr Pertz will be entitled to a payment of 12 months' base salary in lieu of notice and, if he ceases to be an employee prior to 1 January 2014, a pro-rata portion of his one-off cash bonus equal to the portion of 1 April 2013 to 31 December 2013 that he was a Recall employee and the level of satisfaction of the objectives described in this Section 2.11.3.

If Mr Pertz resigns without Good Reason, Recall Corporation will not have any obligations to pay compensation or benefits to Mr Pertz beyond the date of termination of his employment<sup>3</sup>.

### 2.11.4 Senior managers' arrangements

The following is a summary of the material terms of the senior managers' employment arrangements (other than Doug Pertz, which are set out in Section 2.11.3).

**Fixed remuneration** - comprises base salary and other benefits (such as motor vehicle allowances, standard health benefits and pension or superannuation contributions). Base salaries reflect an individual's seniority, role and location and Recall's size, complexity and geographic spread. Fixed remuneration for senior managers has been set by the Recall Board and has been benchmarked against market data for the relevant role and location.

**Termination** - Senior manager contracts are continuing contracts which may be terminated without cause by, depending on the role of the manager, the employer giving either three, six or twelve months' notice or by the employee giving either three or six months' notice, with any payment in lieu of notice calculated by reference to annual base salary. If a senior manager's employment is terminated without cause or by reason of redundancy, the maximum payment to which he or she will be entitled is 12 months of base salary.

**Short Term Incentive** - senior managers will be entitled to participate in the Recall Short Term Incentive Arrangements, details of which are described in Section 2.10.5. In addition, Mark Wratten, the Chief Financial Officer of Recall will be entitled to a one-off bonus of A\$250,000 on 31 August 2014 in consideration for the transition from his previous fixed term arrangements to an ongoing contract provided he remains a Recall employee on that date. This amount will be paid to Mr Wratten immediately if his employment is terminated by Recall without cause prior to 31 August 2014.

**Long Term Incentive** - depending on their role, senior managers will also be entitled to receive annual grants of Recall LTI Awards under the Recall Performance Share Plan ranging from 40% to up to 100% (or 170% in the case of Mr Pertz) of their base salary. It is currently proposed that the Recall LTI Awards will be eligible to vest three years after the date they are granted subject to the satisfaction of performance conditions. The first grant of Recall LTI Awards to those senior managers who receive Transitional Recall LTI Awards (described below) is expected to be made in September 2014 for the performance period commencing 1 July 2014. Details of the Recall Performance Share Plan are set out in Section 2.11.6.

**Transitional Recall STI and LTI Awards** - in compensation for forgoing their existing Brambles STI Awards and their existing Brambles LTI Awards, if they have any, senior managers (other than Doug Pertz) will also receive a replacement grant of Transitional Recall STI Awards and, if they have existing Brambles LTI Awards, a replacement grant of Transitional Recall LTI Awards as described in Section 2.11.7. These awards will be granted as soon as practicable after the Demerger Date. In addition, the senior managers who are forgoing their Brambles STI and LTI Awards and certain other senior managers will receive an additional one-off grant of Transitional Recall LTI Awards as described in Section 2.11.7.

### 2.11.5 Recall Short Term Incentive arrangements

Recall will establish a Short Term Incentive Plan ("Recall STI Plan"). Under the Recall STI Plan, a portion of Recall managers' and selected employees remuneration opportunity will be paid in the form of an annual short term incentive payment ("Recall STI Payment"). With the exception of Mr Pertz, it is currently expected that the Recall STI Payments will be paid in cash following the end of the relevant financial year. The amount of any manager's Recall STI Payment will depend on their performance during the relevant year against certain pre-determined performance conditions approved by the Recall Remuneration Committee. Financial performance metrics will comprise 70% of the Recall STI Payment opportunity and 30% will comprise personal objectives.

<sup>3</sup> If a Demerger or initial public offering has not proceeded by 1 July 2014 and Mr Pertz gives notice for any reason or after that date, Mr Pertz is entitled to compensation and benefits, and the proportion of his base salary, up to the date of termination.

## 2. OVERVIEW OF RECALL - CONTINUED

Financial performance metrics will be set at “target” and “stretch” levels. Depending on whether, and if so to what extent, some or all of those performance conditions are met, managers will be entitled to receive a Recall STI Payment of between 0% and up to 60% of their base salary for target performance and 90% of base salary for stretch performance (or, for Mr Pertz, 100% of his base salary for target and 150% of base salary for stretch performance). Recall currently expects that approximately 100 of its senior managers and employees will participate in the Recall STI Plan.

Recall’s managers (other than Mr Pertz) will be eligible to participate in the Recall STI Plan for the whole of the 2014 financial year.

Mr Pertz will become eligible to participate in the Recall STI Plan, on the terms outlined above, for the period from 1 January 2014 to 30 June 2014. Any Recall STI Payment received by Mr Pertz will be prorated for that six month period.

It is the intention of the Recall Board that half of Mr Pertz’s Recall STI Payment will be taken in the form of short term Retention Awards granted under the Recall Performance Share Plan (see Section 2.11.6 for details) and which will vest two years from their grant date subject to Mr Pertz being an employee of Recall at the applicable vesting date.

### 2.11.6 Recall Performance Share Plan

Recall has established an employee incentive plan called the Recall Performance Share Plan (“Recall PSP”).

The Recall PSP is designed to align the interests of employees with the interests of Recall Shareholders by linking the rewards employees receive with the performance of the Recall Group. The Recall PSP will assist Recall in attracting and retaining high performing employees.

Participation in the Recall PSP will be open to managers (including Mr Pertz) and selected employees whom the Recall Board determines to be eligible to participate. Recall currently expects approximately 100 of its employees will participate in the Recall PSP.

Under the Recall PSP, Recall will grant participating employees awards (“Recall PSP Awards”) in the form of either:

- Conditional Rights - rights to receive Recall Shares or the cash equivalent upon vesting for no payment; and
- Share Rights - options to subscribe for or acquire Recall Shares upon vesting.

Recall PSP Awards may be subject to performance conditions determined by the Recall Board (“Recall LTI Awards”) or subject only to continued employment (“Retention Awards”).

A summary of the material terms of the rules for the Recall PSP (“Recall PSP Rules”) is set out below. The Recall PSP Rules set out the general terms of the Recall PSP. A grant of a Recall PSP Award under the Recall PSP is subject both to the Recall PSP Rules and the terms of the specific grant.

**Types of awards** The Recall PSP Rules permit Recall to grant Recall PSP Awards in the form of:

“**LTI Awards**” - which will represent long term remuneration and vest subject to the satisfaction of the performance conditions determined by the Recall Board; and

“**Retention Awards**” - which will represent either short term or long term remuneration and will vest on a date determined by the Recall Board, subject only to continued employment with Recall.

The Recall PSP Rules also permit Recall to grant short term incentive awards which will vest subject to performance conditions (“Recall STI Awards”). However, Recall has no current intention to grant Recall STI Awards and no current intention to grant Retention Awards representing short term remuneration other than to Mr Pertz as described in Section 2.11.5 and the Transitional Recall STI and Transitional Recall LTI Awards described in Sections 2.11.7.1 and 2.11.7.2.

**Vesting** The vesting of Recall LTI Awards will be, and the vesting of Recall STI Awards may be, subject to the satisfaction of performance conditions determined by the Recall Board from time to time. The Recall Board will also determine the period over which the performance conditions will be assessed.

Participants in the Recall PSP will not have any interest in Recall Shares or cash payments in respect of their Recall PSP Awards until the awards vest (and if necessary are exercised) and the Recall Shares are issued, transferred or allocated to the participant. On vesting (and for Share Rights, exercise), Recall will deliver to the participant, or procure that a trustee holds for the participant, one Recall Share for every Recall PSP Award that vested or was exercised.

## 2. OVERVIEW OF RECALL - CONTINUED

Lapsing	<p>Alternatively, subject to the form of Recall PSP Award granted, Recall may pay to the participant a cash payment equal in value to the Recall Shares that would have been delivered.</p> <p>The Recall Board can claw back any Recall PSP Award which has not vested (and the participant will cease to have any right or interest in that Recall PSP Award) if the Recall Board reasonably considers that an employee has engaged in conduct which adversely affects, or is likely to adversely affect, Recall's financial position or reputation.</p> <p>Recall PSP Awards may also lapse if the participant ceases to be a Recall employee or there is a change of control or other corporate event as described below.</p>
Ceasing to be a Recall employee and corporate events	<p>All of a participant's Recall PSP Awards will lapse immediately if the participant is terminated by Recall for gross misconduct or poor performance or they resign. In any other circumstances, the participant will retain a pro-rata portion of his or her Recall PSP Awards (which will vest or lapse on the ordinary vesting date subject to the satisfaction of the applicable performance conditions, if any, as if the participant remained a Recall employee) representing the portion of the vesting period elapsed, unless the Recall Board determines otherwise.</p> <p>If there is a change of control (noting the Recall PSP Awards will not be granted until after the Demerger), scheme of arrangement or winding up of Recall, all Retention Awards (and any Recall STI Awards without performance conditions) and a portion of Recall LTI Awards (determined by the Recall Board having regard to the satisfaction of the performance conditions at that time) will vest as soon as practicable.</p>

Except for those senior managers who will receive Transitional Recall LTI Awards and the one-off awards referred to in Section 2.11.8, the first grant of Recall LTI Awards is expected to take place shortly after the Demerger and will vest, subject to the satisfaction of their performance conditions, in September 2016. Senior managers who will receive Transitional Recall LTI Awards are expected to receive their first grant of Recall LTI Awards in September 2014. Mr Pertz will become entitled to participate in the Recall PSP in respect of Recall LTI Awards from 1 July 2014, and is expected to receive his first grant of Recall LTI Awards in September 2014, subject to obtaining any necessary shareholder approval. Details of any securities issued to Mr Pertz under the Recall PSP will be published annually in the Recall Holdings' annual report.

### 2.11.7 Transitional Recall STI and LTI awards

#### 2.11.7.1 Transitional Recall STI awards

Certain Recall employees currently have unvested Brambles STI Awards granted under the Brambles Performance Share Plan which are due to vest in September 2014. Absent the Demerger, these employees would also have been eligible to receive a grant of Brambles STI Awards during September 2013 which would have been eligible to vest in September 2015 ("2013 Brambles STI Grant"). Because of the proximity of the Demerger to the grant date of the 2013 Brambles STI Grant, Recall and Brambles agreed that Recall employees should not receive a 2013 Brambles STI Grant. Recall and Brambles have also agreed that all current unvested Brambles STI Awards held by Recall employees will lapse on implementation of the Demerger in accordance with the terms of the Brambles PSP.

In lieu of their Brambles STI Awards that will lapse and their 2013 Brambles STI Grant that was not made, the relevant Recall employees will receive a number of Transitional Recall STI Awards equal in value to the value of the lapsed Brambles STI Awards and the forgone 2013 Brambles STI Grant ("Transitional Recall STI Awards").

The number of Transitional Recall STI Awards will be calculated as follows:

$$N = ((A + B) \times (VWAPB + VWAPR)) / (VWAPR \times 5)$$

Where:

N = the number of Transitional Recall STI Awards

A = the number of lapsed Brambles STI Awards

B = the number of the September 2013 grant of Brambles STI Awards forgone

VWAPB = the VWAP of Brambles Shares traded on ASX over the five trading days starting from the date Recall Shares commence trading on ASX

VWAPR = the VWAP of Recall Shares traded on ASX over the five trading days starting from the date Recall Shares commence trading on ASX, divided by five

## 2. OVERVIEW OF RECALL - CONTINUED

The lapse of the Brambles STI Awards and the grant of the Transitional Recall STI Awards are both conditional on implementation of the Demerger.

The Transitional Recall STI Awards will be granted in the form of Retention Awards under the Recall PSP on substantially the same terms as the relevant Brambles STI Awards. Unless they vest or lapse earlier in accordance with the Recall PSP Rules, the Transitional Recall STI Awards will vest at the same time as the relevant Brambles STI Awards would have vested (i.e. in September 2014 and September 2015). In accordance with the Recall PSP Rules, the Transitional Recall STI Awards will generally lapse if the relevant manager ceases to be an employee of the Recall Group prior to the ordinary vesting date. The Brambles STI Awards are, or would have been, subject to an equivalent tenure condition.

### 2.11.7.2 Transitional Recall LTI awards

Certain Recall employees currently have unvested Brambles LTI Awards under the Brambles PSP. These Brambles LTI Awards would have been eligible to vest in either or both of September 2014 and September 2015. Some of these Recall employees would also have been entitled to receive a grant of Brambles LTI Awards which would have been granted during September 2013 and would have been eligible to vest in September 2016 (“2013 Brambles LTI Grant”). Because of the proximity of the Demerger to the grant date of the 2013 Brambles LTI Grant, Recall and Brambles agreed that Recall employees should not receive a 2013 Brambles LTI Grant. Recall and Brambles have also agreed that all the current Brambles LTI Awards held by Recall employees will lapse on implementation of the Demerger in accordance with the terms of the Brambles Performance Share Plan.

In lieu of their Brambles LTI Awards that will lapse and their 2013 Brambles LTI Grant that they will not receive, the Recall employees will receive a grant of awards under the Recall PSP equal in value to the value of the lapsed Brambles LTI Awards and the Recall LTI Awards that they would have received under the Recall PSP for the 2013 year (if the Recall PSP had applied for that year) (“2013 Recall LTI Grant”). The total value of these grants for the senior managers listed in Section 2.11.2 (other than Doug Pertz) is expected to be approximately \$2.7 million.

In addition, those senior managers listed in Section 2.11.2 (other than Doug Pertz), will receive an additional one-off grant of awards under the Recall PSP as an additional incentive as Recall makes the transition to a public listed company. The total value of these one-off grants is expected to be approximately \$1.7 million.

The awards received under the Recall PSP comprising the lapsed Bramble LTI Awards, the replacement 2013 Recall LTI Grant and the one-off awards will be aggregated as one grant of awards (the “Transitional Recall LTI Awards”). The number of those awards will be calculated as follows:

$$N = \{ A \times (VWAPB + VWAPR) + B + D \} / (VWAPR \times 5)$$

Where:

N = the number of Transitional Recall LTI Awards

A = number of the Brambles LTI Awards that will lapse

B = the value of the Recall 2013 LTI Grant

D = the value of the one-off grant of Recall LTI Awards

VWAPB = the VWAP of Brambles Shares traded on ASX over the five trading days starting from the date Recall Shares commence trading on ASX

VWAPR = the VWAP of Recall Shares traded on ASX over the five trading days starting from the date Recall Shares commence trading on ASX, divided by five

Unlike with the Transitional Recall STI Awards, the Transitional Recall LTI Awards will not be eligible to vest on the same dates as the lapsed Brambles LTI Awards or the forgone 2013 Brambles LTI Grant. Instead, all of the Transitional Recall LTI Awards will be eligible to vest in September 2016, including those awards granted in lieu of Brambles LTI Awards which would have been eligible to vest in September 2014 and in September 2015. However, not all of the Transitional Recall LTI Awards will be subject to performance conditions:

- Two thirds of the Transitional Recall LTI Awards will be granted in the form of Recall LTI Awards under the Recall PSP and will be subject to the following performance conditions assessed over the period commencing on the Demerger Date and ending on 30 June 2016:
  - > “TSR condition” - One quarter of the LTI Awards will be measured by a relative total shareholder return (“TSR”) condition to be determined by the Recall Board;
  - > “EPS condition” - One quarter of the LTI Awards will be measured by a compound earnings per share (“EPS”) growth condition to be determined by the Recall Board;

## 2. OVERVIEW OF RECALL - CONTINUED

- > “Growth condition” - Half of the LTI Awards will be measured by a return on capital invested metric to be determined by the Recall Board; and
- One third of the Transitional Recall LTI Awards will be granted in the form of Retention Awards under the Recall PSP and, unless they vest or lapse earlier in accordance with the Recall PSP Rules, they will vest in September 2016. In accordance with the Recall PSP Rules, these Retention Awards will generally lapse if the relevant manager ceases to be an employee of the Recall Group prior to September 2016.

It is proposed that Recall will grant these Transitional Recall LTI Awards shortly after the Demerger. Details of these grants, including their performance conditions, will be set out in Recall’s 2014 remuneration report.

### 2.11.8 Other Recall equity awards to employees

In addition to the one-off Transitional Recall LTI Awards to be granted to Recall’s senior managers as described in Section 2.11.7.2, Recall proposes to grant awards on the same terms as the Transitional Recall LTI Awards to approximately 60 other Recall senior managers as an additional incentive as Recall makes the transition to a public listed company. The total value of these one-off awards will be approximately \$2.1 million. These one-off awards will, unless they vest or lapse earlier in accordance with the Recall PSP Rules, vest in September 2016.

It is proposed that Recall will grant these one-off awards shortly after the Demerger.

### 2.11.9 Industrial relations

Globally, Recall’s employees are employed under either individual contracts or other mechanisms, including industry awards or collective agreements. Excluding Brazil, Recall management estimates approximately 20% of its employees are employed under union based agreements. Including Brazil, Recall management estimates that 41% of Recall’s employees are employed under union based agreements. In Brazil, consistent with many Brazilian businesses, 100% of its employees are employed under union based agreements.

The existing collective agreements will transfer to Recall following the Demerger. Ongoing liabilities, including salary, superannuation and leave entitlements, will be assumed by Recall following the Demerger.

### 2.11.10 Director and officer indemnity arrangements

Recall will enter into a deed of indemnity, insurance and access with each of the Recall directors. In summary, each deed will provide:

- An indemnity, to the extent permitted by law, in favour of the Recall Director against liabilities and legal costs incurred by the Recall director in his or her capacity as an officer of Recall Holdings, subsidiaries of Recall Holdings or any other company where that office is held at the request of Recall Holdings;
- That Recall Holdings must effect and maintain directors’ and officers’ insurance for the entire period for which the director is a Recall director, and for 7 years after the date they cease to be a director of Recall Holdings or of a subsidiary of Recall Holdings (or longer, if relevant legal proceedings have been commenced). The directors’ and officers’ insurance must be from a reputable insurance company on terms and conditions commonly included in directors’ and officers’ insurance policies in Australia;
- That Recall Holdings must maintain and procure that each subsidiary of Recall Holdings maintains a complete set of its board papers for a period of 7 years after the date on which the Recall Director ceases to be a Recall Director (or longer, if relevant legal proceedings have been commenced); and
- That a former Recall Director may, for a period of 7 years after they cease to be a director of Recall Holdings or a subsidiary of Recall Holdings (or longer, if relevant legal proceedings have been commenced), inspect and take copies of Recall Board papers and books for the purpose of defending claims made against the former director.

### 2.12 Litigation and disputes

In June 2012, a third party facility leased by Recall suffered significant structural damage resulting in the facility becoming non-operational for a period of time (“Landover facility incident”). Sadly, a Recall employee was fatally injured as a result of the Landover facility incident. Recall is defending the only lawsuit filed against Recall from the Landover facility incident (a subrogation claim filed by Great Northern Insurance Company on behalf of its insured, one of Recall’s customers). A number of customers have filed claims with their insurance carriers and provided Recall with notice of these claims, but no other formal litigation filings have been made. Recall has resolved its dispute with the landlord of the Landover facility for various costs to be reimbursed under the lease following the incident. There are a number of aspects relating to this matter which have not been finalised including the potential for other claims and a number of parties which will be involved in their resolution. Provision, net of insurance proceeds received, has been made in respect of Recall’s obligations that are known to exist and can be reliably measured (refer to Section 2.16.9 for details).

## 2. OVERVIEW OF RECALL - CONTINUED

Recall has no other material litigation pending or threatened. No material environmental or regulatory issues or penalties have been assessed against Recall.

### 2.13 Insurance arrangements

Following the Demerger, Recall will independently have an insurance program in place. Global policies will likely include: general liability (currently includes Recall customer goods liability); property (property assets and business interruption); directors' and officers' liability; crime and fidelity; employment practice liability; professional indemnity; cyber liability and corporate travel. Local policies will likely include workers' compensation and employers' liability, as well as motor and automobile liability.

### 2.14 Dividend reinvestment plan

Following the Demerger, the Recall Board will determine, in its absolute discretion, whether or not to activate a dividend reinvestment plan ("DRP"). Further, if the Recall Board decides to activate a DRP, it will provide further details to Recall Shareholders at the relevant time, including details of the DRP and the election that Recall Shareholders may make in relation to their participation in the DRP.

### 2.15 Arrangements with Brambles

Brambles and Recall have entered into the Demerger Deed to facilitate the orderly separation of the Recall Group from Brambles and the transition and emergence of the Recall Group as an independently owned corporate group. The terms of the Demerger Deed reflect the general principle that the assets and liabilities relating to the Recall Group shall be held by the Recall Group and the remaining assets and liabilities relating to the Brambles (after the Demerger) businesses shall be held by the Brambles Group following the Demerger. Among other things, the Demerger Deed gives effect to that principle by providing that each party gives certain releases and indemnities in respect of the liabilities of each party and imposes certain obligations between the parties in respect of separation arrangements, including in relation to the transfer of contracts, rights in respect of intellectual property, management of claims, employee arrangements, insurance, taxation and general access to records and assistance.

Further details in respect of the terms of the Demerger Deed are set out at Section 5.7.2.

Brambles and Recall will also enter into a Transitional Services Agreement to formalise the terms upon which Brambles will provide, or procure the provision of, certain information technology and other services to Recall for a transitional period following the Demerger, pending the migration of those services to or the replication of those services by Recall.

Further details in respect of the terms of the Transitional Services Agreement are set out at Section 5.7.4.

### 2.16 Recall's pro forma historical financial information

#### 2.16.1 Overview

This Section contains a summary of the pro forma historical financial information of Recall ("Recall Pro Forma Historical Financial Information"), which is comprised of the following:

- Recall pro forma historical income statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 ("Recall Pro Forma Historical Income Statements");
- Recall pro forma historical cash flow statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 ("Recall Pro Forma Historical Cash Flow Statements"); and
- Recall pro forma historical balance sheet as at 30 June 2013 ("Recall Pro Forma Historical Balance Sheet").

References to Recall Pro Forma Historical Financial Information are references to aggregated pro forma historical financial information in relation to the assets and operations comprising Recall.

The Recall Pro Forma Historical Financial Information has been reviewed by the Investigating Accountant. The Investigating Accountant's Report is included in Section 7. The comments made in relation to the scope and limitations of the Investigating Accountant's Report should be noted.

This Section should be read in conjunction with the risks to which Recall is subject and the risks associated with the Demerger, as set out in Sections 4.4 and 4.6 and 4.3 respectively.

#### 2.16.2 Basis of preparation

The basis of preparation applied in compiling the Recall Pro Forma Historical Financial Information is set out below:

- Unless otherwise noted, the Recall Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles described in Australian Accounting Standards (including



## 2. OVERVIEW OF RECALL - CONTINUED

Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board, which comply with the recognition and measurement principles of the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. The accounting policies used in preparation of the Recall Pro Forma Historical Financial Information are consistent with those set out in the Brambles annual report for the year ended 30 June 2013;

- The results and cash flows of the entities that comprise the Recall Group are translated into US dollars using the average exchange rates for the period. Assets and liabilities of the entities that comprise the Recall Group are translated into US dollars at the exchange rate ruling at the balance sheet date;
- The Recall Pro Forma Historical Financial Information is an aggregation of financial information from individual entities that comprise the Recall Group. A consolidation has not been presented as there is currently no ultimate head entity of the Recall Group;
- The Recall Pro Forma Historical Financial Information is presented in an abbreviated form and does not contain all the disclosures required by Australian Accounting Standards in an annual financial report prepared in accordance with the *Corporations Act*; and
- The Recall Pro Forma Historical Financial Information has been derived from Brambles' financial reports for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 along with Brambles' management information. Brambles' annual financial reports for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 have been audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards. The audit opinions issued to Brambles in relation to those financial reports were unqualified.

Complete versions of Brambles' financial reports for these periods are available from Brambles' website, [www.brambles.com](http://www.brambles.com), or ASX's website, [www.asx.com.au](http://www.asx.com.au).

The Recall Pro Forma Historical Cash Flow Statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013, are presented as net operating cash flows after financing costs and tax and after capital expenditure.

The Recall Pro Forma Historical Financial Information presented in this Section illustrates the financial performance and net operating cash flows of Recall as if the Demerger was effective from 1 July 2010. Pro forma adjustments have been made in the preparation of the Recall Pro Forma Historical Income Statements and the Recall Pro Forma Historical Cash Flow Statements to reflect:

- The alignment of earnings and cash flows for the relevant periods to entities remaining with Brambles (after the Demerger) or to the entities forming Recall;
- The anticipated corporate and operating costs of Recall Holdings operating as a separately listed legal entity, including removing the allocation to Recall of certain corporate expenses incurred by Brambles;
- The acquisition of an additional 51% of Recall Singapore (as discussed in Section 2.3.3.1) such that Recall owns 100% of this joint venture upon Demerger. The Recall reported results reflect Recall Singapore as a 49% joint venture. Pro forma adjustments have been made to present the Recall Pro Forma Historical Financial Information as if Recall owned 100% of Recall Singapore from 1 July 2010;
- Financing costs of Recall which have been calculated on the basis of average base rates over the respective periods inclusive of borrowing margins and commitment fees but excluding one-off establishment costs; and
- Tax adjustments to reflect additional standalone corporate costs, the Recall Singapore acquisition and entities leaving the Brambles tax consolidation group (other than the Australian tax consolidation group).

Recall operated as part of Brambles during the periods for which financial information is presented and therefore the Recall Pro Forma Historical Financial Information does not purport to represent the actual financial performance and net operating cash flows that would have occurred had Recall been a separate group during the periods presented, principally because:

- Recall did not operate independently of Brambles during the periods for which financial information is presented;
- The Recall Pro Forma Historical Financial Information may not reflect the strategies or operations that Recall may have followed or undertaken as a separate group rather than as part of Brambles; and
- Recall may have been exposed to different financial and business risks had it operated as a separate group rather than as part of Brambles.

The Recall Pro Forma Historical Balance Sheet has been prepared on the basis that the Demerger was completed on 30 June 2013 and that assets and liabilities of Recall were transferred from Brambles at their book value on an aggregated basis. Pro forma adjustments have been made to reflect:

- The separation of assets and liabilities to entities remaining with Brambles (after the Demerger) and to Recall;
- The acquisition of an additional 51% of Recall Singapore such that Recall owns 100% of this joint venture upon Demerger. The Recall reported results reflect Recall Singapore as a 49% joint venture;
- Demerger transaction costs to be incurred by Recall;

## 2. OVERVIEW OF RECALL - CONTINUED

- External financial indebtedness that Recall is expected to drawdown or have drawn down upon the Demerger; and
- Settlement by cash payment of an amount owing from Recall to Brambles.

The Recall Pro Forma Historical Balance Sheet does not represent the actual financial position of Recall at the time of the Demerger, but represents an indication of the Recall Pro Forma Historical Balance Sheet as at 30 June 2013 in the circumstances set out in this Section.

### 2.16.3 Recall Pro Forma Historical Income Statements

The Recall Pro Forma Historical Income Statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013, reflecting the impact of the Recall Singapore acquisition for each line item are shown in Figure 2.16:

**Figure 2.16 - Recall Pro Forma Historical Income Statements**

\$ millions	Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013
<b>Pro forma sales revenue</b>	<b>841</b>	<b>874</b>	<b>840</b>
<b>Pro forma EBITDA including 100% of Recall Singapore</b>	<b>207</b>	<b>233</b>	<b>199</b>
Significant Items	-	14	16
Estimated additional standalone corporate costs	(6)	(13)	(9)
<b>Pro Forma Underlying EBITDA</b>	<b>201</b>	<b>234</b>	<b>206</b>
Depreciation and amortisation	(54)	(65)	(64)
<b>Pro Forma Underlying Profit</b>	<b>147</b>	<b>169</b>	<b>142</b>
Pro forma net financing costs <sup>1</sup>	(21)	(20)	(18)
Pro forma income tax expenses <sup>2</sup>	(39)	(52)	(45)
<b>Pro forma net profit</b>	<b>87</b>	<b>97</b>	<b>79</b>

Notes to Figure 2.16:

1. Assumes financing costs paid on \$550 million of debt drawn down at the commencement of each financial year at prevailing base interest rates plus margins and undrawn facility fees but excluding one-off establishment fees and costs. Notwithstanding the operating cash flows disclosed in Figure 2.20, it has been assumed that no debt repayments are made during the period under review and interest on cash balances is nil as interest earned is not likely to be material. Assumes each tranche of the Recall Syndicated Facility is drawn equally.
2. Tax expense has been calculated on an entity basis and reflects pro forma adjustments for the financing structure of the acquisition of Recall Singapore and estimated additional standalone corporate costs.

## 2. OVERVIEW OF RECALL - CONTINUED

Set out in Figure 2.17 is the reconciliation of the Recall Pro Forma Historical Income Statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013, to the reported income statements.

**Figure 2.17 - Reconciliation of the Recall Pro Forma Historical Income Statements to reported income statements**

\$ millions	Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013
Reported sales revenue	815	845	807
Adjustment to reflect the acquisition of Recall Singapore (100% of sales revenue)	26	29	33
<b>Pro forma sales revenue</b>	<b>841</b>	<b>874</b>	<b>840</b>
EBITDA	197	223	190
Adjustment to reflect the acquisition of Recall Singapore (additional 51% holding)	10	10	9
<b>Pro forma EBITDA including 100% of Recall Singapore</b>	<b>207</b>	<b>233</b>	<b>199</b>
Reported operating profit	145	160	128
Significant Items <sup>1</sup>	-	14	16
<b>Reported underlying profit</b>	<b>145</b>	<b>174</b>	<b>144</b>
Adjustment to reflect the acquisition of Recall Singapore (additional 51% holding)	8	8	7
Estimated additional standalone corporate costs	(6)	(13)	(9)
<b>Pro Forma Underlying Profit</b>	<b>147</b>	<b>169</b>	<b>142</b>

Note to Figure 2.17:

1. No adjustments have been made to Significant Items to reflect the acquisition of Recall Singapore.

Significant Items are items of income or expense which are, either individually or in aggregate, material to Recall 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 analysed in Figure 2.18 and are consistent with the disclosures made in the Brambles consolidated financial statements.

**Figure 2.18 - Significant Items**

\$ millions	Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013
Restructuring costs	-	(14)	(1)
Impairment of software development costs	-	-	(15)
<b>Significant Items</b>	<b>-</b>	<b>(14)</b>	<b>(16)</b>

Restructuring costs of \$14 million and \$1 million were incurred in Recall during the years ended 30 June 2012 and 30 June 2013 respectively.

Following a change in Recall's IT strategy, software development costs were written down to their recoverable values resulting in an impairment charge of \$15 million as at 30 June 2013.

### 2.16.3.1 Estimated additional standalone corporate costs

Following the Demerger, Recall Holdings will be a standalone, ASX listed entity, which will require Recall to necessarily incur additional corporate operating costs over and above those currently incurred as a division of Brambles as set out in Figure 2.19. Recall will also incur costs associated with certain services previously provided by Brambles, such as accounting, legal, tax, treasury, insurance, investor relations and information

## 2. OVERVIEW OF RECALL - CONTINUED

technology. As shown in Figure 2.19, these costs are estimated to amount in total to approximately \$14 million per year which represents \$9 million incremental costs in FY13 after taking into account \$5 million of corporate costs which were charged from Brambles to Recall and which will no longer be incurred by Recall after the Demerger.

**Figure 2.19 - Estimated additional standalone corporate costs<sup>1</sup>**

\$ millions	Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013
ASX listing fees and associated costs	(1)	(1)	(1)
Board costs	(2)	(2)	(2)
Corporate staff and additional corporate overheads	(8)	(8)	(8)
IT / Other	(2)	(2)	(2)
Insurance	(1)	(1)	(1)
<b>Total standalone corporate costs</b>	<b>(14)</b>	<b>(14)</b>	<b>(14)</b>
Add back: corporate costs recharged from Brambles	8	1	5
<b>Total incremental corporate costs</b>	<b>(6)</b>	<b>(13)</b>	<b>(9)</b>

Note to Figure 2.19:

1. Of the \$14 million standalone corporate costs, \$12 million are assumed to be cash and \$2 million are assumed to be non-cash as they relate to share based payments.

Corporate costs recharged from Brambles in FY11 \$8 million, FY12 \$1 million and FY13 \$5 million primarily relate to costs associated with being a subsidiary of Brambles and include Brambles executive costs, legal, strategy, treasury, tax, risk, internal audit, and human resources. These costs fluctuate year to year as initially they are allocated to subsidiary businesses based on forecast revenue. Subsequently, adjustments to these initial estimates to reflect actual costs incurred are calculated and recorded. Lower corporate costs were recharged from Brambles to Recall during FY12 due to the sale process.

### 2.16.3.2 Management discussion and analysis on Recall reported financial performance

Brambles' annual reports, for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 contain a full commentary on the historical results of Recall. These are available from Brambles' website, at [www.brambles.com](http://www.brambles.com), or ASX's website at [www.asx.com.au](http://www.asx.com.au). The following is a summary of the key financial highlights as presented within the Brambles financial statements. Financial commentary is before the impact of pro forma adjustments identified elsewhere.

#### 2011 results

##### Reported sales revenue

Recall's sales revenue was \$815 million, up 10% primarily reflecting ongoing growth in the storage of physical and digital information. Sales revenue in the DMS service line was \$581 million, up 12%, driven by growth in cartons in storage of 5% due to the expansion of operations in the Americas and Europe. Sales revenue in the SDS business was \$154 million, up 6% on higher average paper prices through the year. In the DPS service line, sales revenue was \$80 million, up 9%.

The impact during the period of Net New Business Wins was \$41 million, reflecting the strong contribution of two new contracts won in the prior period. The Net Annualised Value of New Business Recall won during FY11 was \$38 million.

##### Reported profit

Recall's operating profit was \$145 million, up 18%, as sales revenue grew and productivity improvements continued to drive increased margins. Underlying Profit was \$145 million, up 17%.

Both the operating and Underlying Profit margins improved 1 percentage point to 18%, as cost efficiencies offset expenditure on expanding Recall's sales force and improving its information technology systems.

## 2. OVERVIEW OF RECALL - CONTINUED

### 2012 results

#### *Reported sales revenue*

Recall's sales revenue was \$845 million, up 4%, with Net New Business Wins of \$24 million contributing 3% growth and like-for-like sales volume increases and pricing contributing a combined 1% growth. The Net Annualised Value of New Business was \$24 million.

#### *Reported profit*

Operating profit was \$160 million, up 10%, after including \$14 million of Significant Items associated with restructuring. The operating profit margin was 19%, up 1 percentage point. Underlying Profit was \$174 million, up 20% reflecting sales revenue growth and efficiency improvements. The Underlying Profit margin was 21%, up 3 percentage points.

### 2013 results

#### *Reported sales revenue*

Recall's sales revenue was \$807 million, down 4%. Growth in both carton volumes and retention revenue in the document storage part of the business was insufficient to offset lower transactional customer activity (i.e. lower rates of document retrieval and other projects carried out on behalf of customers in the DMS service line) as well as lower levels of activity in the SDS line. There was also a negative impact in the first half from lower selling prices for destroyed paper.

#### *Reported profit*

Operating profit was \$128 million, down 20%, reflecting the reduction in SDS and DMS transactional activity and associated revenues, the normalisation of business development costs following lower expenditure in FY12 and the \$15 million impairment of software development costs. The operating profit margin was 16%, down 3 percentage points.

Underlying Profit, which excludes \$16 million of Significant Items on restructuring and impairment of software development costs, was \$144 million, down 17%. The Underlying Profit margin was 18%, down 3 percentage points.

#### **2.16.4 Recall Pro Forma Historical Cash Flow Statements**

The Recall Pro Forma Historical Cash Flow Statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 including the impact of the Recall Singapore acquisition for each line item are shown in Figure 2.20:

## 2. OVERVIEW OF RECALL - CONTINUED

**Figure 2.20 - Recall Pro Forma Historical Cash Flow Statements**

\$ millions	Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013
<b>EBITDA</b>	<b>207</b>	<b>233</b>	<b>199</b>
Significant Items	-	14	16
<b>Underlying EBITDA (including 100% of Recall Singapore)</b>	<b>207</b>	<b>247</b>	<b>215</b>
Change in working capital	(24)	(14)	26
Proceeds from disposal	5	1	11
Other (including provisions)	4	(3)	-
<b>Net operating cash flows, before capital expenditure, standalone corporate costs, financing costs and tax</b>	<b>192</b>	<b>231</b>	<b>252</b>
Capital expenditure <sup>1</sup>	(90)	(90)	(85)
<b>Net operating cash flows after capital expenditure, before standalone corporate costs, financing costs and tax</b>	<b>102</b>	<b>141</b>	<b>167</b>
Pro forma estimated additional standalone corporate costs	(4)	(11)	(7)
<b>Net operating cash flows after capital expenditure and standalone corporate costs, before financing costs and tax</b>	<b>98</b>	<b>130</b>	<b>160</b>
Pro forma net financing costs paid <sup>2</sup>	(21)	(20)	(18)
Pro forma income tax paid <sup>3</sup>	(34)	(34)	(47)
<b>Net operating cash flows after capital expenditure, standalone corporate costs, financing costs and tax<sup>4</sup></b>	<b>43</b>	<b>76</b>	<b>95</b>

Notes to Figure 2.20:

- Capital expenditure includes capex on property, plant and equipment and intangibles.
- Assumes financing costs paid on \$550 million of debt drawn down at the commencement of each financial year at prevailing base interest rates plus margins and undrawn facility fees but excluding one-off establishment fees and costs. Notwithstanding the operating cash flows disclosed in Figure 2.20, it has been assumed that no debt repayments are made during the period under review and interest on cash balances is nil as interest earned is not likely to be material. Assumes each tranche of the Recall Syndicated Facility is drawn equally.
- Tax paid has been calculated on an entity basis and reflects pro forma adjustments for the financing structure of the acquisition of Recall Singapore and estimated additional standalone corporate costs.
- Net operating cash flows exclude payment of dividends, repayment/drawdown of debt, entity acquisitions and settlement of balances between Recall and Brambles on Demerger.

Set out in Figure 2.21 is the reconciliation of the Recall Pro Forma Historical Cash Flow Statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 to the reported cash flow statements.

## 2. OVERVIEW OF RECALL - CONTINUED

**Figure 2.21 - Reconciliation of Recall reported cash flow statements to Recall Pro Forma Historical Cash Flow Statements**

\$ millions	Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013
<b>Underlying EBITDA</b>			
EBITDA	197	223	190
Adjustment to reflect the acquisition of Recall Singapore (additional 51% holding)	10	10	9
Significant Items	-	14	16
<b>Total underlying EBITDA</b>	<b>207</b>	<b>247</b>	<b>215</b>
Change in working capital as reported	(24)	(12)	25
Adjustment to reflect the acquisition of Recall Singapore (100% of change in working capital)	-	(2)	1
<b>Total change in working capital</b>	<b>(24)</b>	<b>(14)</b>	<b>26</b>
<b>Proceeds from disposal<sup>1</sup></b>	<b>5</b>	<b>1</b>	<b>11</b>
Other (including provisions) as reported	4	(5)	(2)
Adjustment to reflect the acquisition of Recall Singapore (100% of other items adjusted for dividends received)	-	2	2
<b>Total other non-cash items</b>	<b>4</b>	<b>(3)</b>	<b>-</b>
<b>Net operating cash flows, before capital expenditure, standalone corporate costs, financing costs and tax</b>	<b>192</b>	<b>231</b>	<b>252</b>
Capital expenditure as reported <sup>2</sup>	(89)	(89)	(78)
Adjustment to reflect the acquisition of Recall Singapore (100% of capital expenditure)	(1)	(1)	(7)
<b>Total capital expenditure</b>	<b>(90)</b>	<b>(90)</b>	<b>(85)</b>
<b>Net operating cash flows, after capital expenditure, before standalone corporate costs, financing costs and tax</b>	<b>102</b>	<b>141</b>	<b>167</b>
Estimated additional standalone corporate costs	(4)	(11)	(7)
<b>Net operating cash flows, after capital expenditure and standalone corporate costs, before financing costs and tax</b>	<b>98</b>	<b>130</b>	<b>160</b>
Pro forma net financing costs paid <sup>3</sup>	(21)	(20)	(18)
Pro forma tax paid <sup>4</sup>	(34)	(34)	(47)
<b>Net operating cash flows after capital expenditure, standalone corporate costs, financing costs and tax<sup>5</sup></b>	<b>43</b>	<b>76</b>	<b>95</b>

## 2. OVERVIEW OF RECALL - CONTINUED

Notes to Figure 2.21:

1. No adjustments have been made to proceeds from disposal to reflect the acquisition of 100% of Recall Singapore.
2. Capital expenditure includes capex on property, plant and equipment and intangibles.
3. Assumes financing costs paid on \$550 million of debt drawn down at the commencement of each financial year at prevailing base interest rates plus margins and undrawn facility fees but excluding one-off establishment fees and costs. Notwithstanding the operating cash flows disclosed in Figure 2.20, it has been assumed that no debt repayments are made during the period under review and interest on cash balances is nil as interest earned is not likely to be material. Assumes each tranche of the Recall Syndicated Facility is drawn equally.
4. Tax paid has been calculated on an entity basis and reflects pro forma adjustments.
5. Net operating cash flows exclude payment of dividends, repayment/drawdown of debt, entity acquisitions and settlement of balances between Recall and Brambles on Demerger.

Figure 2.22 sets out an analysis of reported net operating cash flows.

**Figure 2.22 - Analysis of reported net operating cash flows**

\$ millions	Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013
<b>EBITDA</b>	<b>197</b>	<b>223</b>	<b>190</b>
Significant Items	-	14	16
<b>Underlying EBITDA</b>	<b>197</b>	<b>237</b>	<b>206</b>
Change in working capital as reported	(24)	(12)	25
Proceeds from disposal as reported	5	1	11
Other (including provisions) as reported	4	(5)	(2)
Capital expenditure as reported	(89)	(89)	(78)
<b>Net operating cash flows as reported</b>	<b>93</b>	<b>132</b>	<b>162</b>

### 2011 results

Reported cash flow from operations was \$93 million, down \$29 million vs. FY10, as capital expenditure increased to support increased storage capacity and investments in safety, security and IT systems.

### 2012 results

Reported cash flow from operations was \$132 million, up \$39 million, predominantly reflecting EBITDA growth.

### 2013 results

Reported cash flow from operations was \$162 million, up \$30 million, reflecting improvements in working capital and lower capital investment.



## 2. OVERVIEW OF RECALL - CONTINUED

### 2.16.5 Recall Pro Forma Historical Balance Sheet

Set in Figure 2.23 is a summary of the Recall Pro Forma Historical Balance Sheet as at 30 June 2013:

**Figure 2.23 - Recall Pro Forma Historical Balance Sheet**

\$ millions	Recall segment of Brambles	Restructuring adjustments <sup>1</sup>	External debt, and cash paid to Brambles <sup>2</sup>	Recall transaction costs <sup>3</sup>	Deferred taxes <sup>4</sup>	Pro forma Recall
<b>Current assets</b>						
Cash and cash equivalents	35	3	16	(10)	-	44
Trade and other receivables	152	8	-	-	-	160
Inventories	2	-	-	-	-	2
Other assets	16	1	5	-	-	22
<b>Total current assets</b>	<b>205</b>	<b>12</b>	<b>21</b>	<b>(10)</b>	<b>-</b>	<b>228</b>
<b>Non-current assets</b>						
Other receivables	4	-	-	-	-	4
Investments	19	(18)	-	-	-	1
Property, plant and equipment	372	29	-	-	-	401
Goodwill	506	102	-	-	-	608
Intangible assets	96	8	-	-	-	104
<b>Total non-current assets</b>	<b>997</b>	<b>121</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,118</b>
<b>Total assets</b>	<b>1,202</b>	<b>133</b>	<b>21</b>	<b>(10)</b>	<b>-</b>	<b>1,346</b>
<b>Current liabilities</b>						
Trade and other payables	(160)	(5)	-	-	-	(165)
Tax payable	(5)	(2)	-	-	(2)	(9)
Provisions	(16)	-	-	-	-	(16)
<b>Total current liabilities</b>	<b>(181)</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>(190)</b>
<b>Non-current liabilities</b>						
Borrowings	-	-	(550)	-	-	(550)
Provisions	(5)	-	-	-	-	(5)
Retirement benefit obligations	(1)	-	-	-	-	(1)
Deferred tax liabilities	(65)	(4)	-	-	4	(65)
Other liabilities	(22)	-	-	-	-	(22)
<b>Total non-current liabilities</b>	<b>(93)</b>	<b>(4)</b>	<b>(550)</b>	<b>-</b>	<b>4</b>	<b>(643)</b>
<b>Total liabilities</b>	<b>(274)</b>	<b>(11)</b>	<b>(550)</b>	<b>-</b>	<b>2</b>	<b>(833)</b>
<b>Intercompany balances with Brambles</b>	<b>(259)</b>	<b>(270)</b>	<b>529</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>669</b>	<b>(148)</b>	<b>-</b>	<b>(10)</b>	<b>2</b>	<b>513</b>
<b>Shareholders' equity<sup>5</sup></b>	<b>669</b>	<b>(148)</b>	<b>-</b>	<b>(10)</b>	<b>2</b>	<b>513</b>

## 2. OVERVIEW OF RECALL - CONTINUED

Notes to Figure 2.23:

1. Includes consideration paid for various internal restructuring transactions, a proposed dividend to Brambles and the acquisition of an additional 51% of Recall Singapore such that Recall owns 100% of this joint venture upon Demerger.
2. An adjustment of \$550 million has been made to non-current borrowings to reflect external debt anticipated to be drawn down by Recall at the time of the Demerger, with \$5 million capitalised funding costs, \$529 million applied to repayment of the liability to Brambles (after the Demerger), and the remainder of \$16 million retained by Recall as cash.
3. An adjustment to cash has been made to reflect Demerger transaction costs (IT separation costs and advisory costs) to be incurred by Recall. Approximately \$50 million of cash is expected to be held by Recall at Demerger with approximately \$6 million of the \$10 million Recall Demerger transaction costs expected to be incurred after the Demerger. Approximately \$26 million of one-off transaction costs are expected to be borne by Recall, of which \$5 million is capitalised finance costs, \$10 million is cash costs and \$11 million is equity settled share based payments to be granted to Recall management.
4. No adjustment to deferred tax liabilities has been made to reflect that on the Demerger, Recall will exit the Australian Brambles consolidated tax group. An adjustment has been made to reflect additional provision for unremitted profits from overseas entities and the tax effect of Demerger transaction costs to be incurred by Recall post Demerger.
5. Includes \$11 million of equity settled share based payments to be granted to Recall Management on the Demerger as disclosed in footnote 3 above. \$1 million has been expensed as at 30 June 2013. Equity settled share based payments are recorded net in shareholder equity.

### 2.16.6 Debt facilities and cash

Recall has historically been funded through a combination of internal cash flows generated by Recall and intercompany loans and equity from Brambles. After the Demerger, funding for Recall will be sourced from a combination of its own cash reserves, internal cash flows, a syndicated bank loan facility and transactional banking facilities.

#### Recall Syndicated Facility

As at the date of this Scheme Book, a group of Australian and international banks have signed a commitment letter committing to provide a \$800 million syndicated facility in favour of Recall Holdings and other members of the Recall Group ("Recall Syndicated Facility") (conditional on various other conditions being satisfied, including those summarised below as 'Conditions precedent to initial drawdown' and provided that financial close occurs on or before 30 April 2014). Recall will apply approximately \$529 million of the debt drawn on the Recall Syndicated Facility to repayment of its liability to Brambles (after the Demerger).

Pursuant to the commitment letter, the banks have agreed to enter into formal agreements to provide the Recall Syndicated Facility in an agreed form attached to the commitment letter.

The purpose of the Recall Syndicated Facility is for refinancing of the indebtedness of the Recall Group and for general corporate purposes of the Recall Group, including acquisitions.

The Recall Board considers that the Recall Syndicated Facility, combined with the cash flows expected to be generated by the Recall Group, will be sufficient to allow Recall to carry out its business and stated objectives immediately following the Demerger, and is appropriate having regard to the financial profile of Recall on a standalone basis following the Demerger.

The Recall Syndicated Facility contains market standard terms and conditions for a facility of this nature. Key terms of the facility are summarised below.

Facility type	US\$800 million multicurrency syndicated facility		
Borrowers	Recall Holdings Limited Recall Finance Limited Recall Americas Finance Inc. Recall Europe Finance plc The facility will enable certain wholly owned subsidiaries of Recall Holdings Limited to become additional borrowers and guarantors subject to certain conditions.		
Currency	USD and other optional currencies including AUD, euro, GBP, SGD and CAD		
Tranches	Tranche	Commitment	Maturity Date
	A	US\$400 million	3 year tranche
	B	US\$400 million	5 year tranche

## 2. OVERVIEW OF RECALL - CONTINUED

<b>Facility type</b>	<b>US\$800 million multicurrency syndicated facility</b>
<b>Interest rates</b>	With respect to a drawdown denominated in: <ul style="list-style-type: none"> <li>- AUD, the relevant BBSY rate;</li> <li>- euro, the relevant EURIBOR;</li> <li>- SGD, the relevant SIBOR;</li> <li>- CAD, the relevant CDOR; or</li> <li>- any other currency, the relevant LIBOR,</li> </ul> plus the margin, which has been agreed at current commercial rates, and certain other costs.
<b>Conditions precedent to initial drawdown</b>	The facility will be provided on a certain funds basis up to the earliest to occur of (a) 45 days following the Effective Date of the Scheme, (b) until close of business on the Demerger Date and (c) 30 April 2014. The conditions precedent to initial drawdown of the facility are customary for a facility of this nature. During the certain funds period the conditions precedent will be limited to verification certificates, authorised officers' certificates, legal opinions, executed transaction documents, the absence of certain events of default, certain of the representations being true, a structure chart of the Recall Group, 'know your customer' checks, evidence that the Scheme has been approved, payment of all fees, costs and expenses, and a copy of this Scheme Book.
<b>Security</b>	None
<b>Guarantee</b>	A guarantee and indemnity will be contained in a separate guarantee deed poll which will contain a mechanism for the addition and removal of guarantors. Recall Holdings will be required to ensure that it, each borrower and each of its material subsidiaries are guarantors and that the guarantor group represents 80% of the Recall Group's total assets and EBITDA (excluding certain subsidiaries).
<b>Events of default and mandatory prepayment</b>	The Recall Syndicated Facility will have standard events of default including, but not limited to, insolvency, payment default and enforcement against assets. The Recall Syndicated Facility will provide for mandatory prepayment following a change of control or if it becomes unlawful or impossible for a lender to maintain its participation as a result of a change in law. The facility will provide for acceleration 90 days after a change of control, subject to instructions from a requisite majority of the banks.
<b>Covenants</b>	The Recall Syndicated Facility will have covenants which are customary for a facility of this nature including, but not limited to, provision of information, a negative pledge, a restriction on non-guarantors incurring financial indebtedness, and requirements to maintain guarantor coverage (as described above), in each case, subject to any applicable exceptions. In addition, Recall Holdings must comply with financial covenants (an EBITDA to net financing costs ratio and a net debt to EBITDA ratio) for the financial year ending 30 June 2014 (on a pro forma basis) and each subsequent rolling 12 month period measured at the end of each subsequent financial half year and financial year end. Specifically, the ratio of EBITDA to net financing costs must not be less than 3.5:1 and ratio of net debt to EBITDA must be less than 3.5:1.

### Transactional and other facilities

The Recall Group also has existing external uncommitted financing facilities to support its liquidity needs. These facilities total approximately \$2 million and were undrawn as at 30 June 2013. In addition, a committed loan facility due September 2015 is available to Recall Taiwan in local currency for an amount equivalent to \$5 million.

These facilities are provided by external lenders and are expected to remain in place or be replaced with new facilities.

The Recall Group has existing standalone transactional facilities which are expected to remain in place after the Demerger. In some countries, Recall is party to Brambles Group transactional banking facilities. In these cases,

## 2. OVERVIEW OF RECALL - CONTINUED

the Recall Group will establish, as required, standalone transactional banking facilities in the relevant countries. Terms and conditions will be specific to each country as agreed from time to time.

Where these transactional and other facilities have been guaranteed by Brambles, or third party beneficiary consents are required to transfer these existing facilities from the Brambles Group to the Recall Group, these facilities will remain in place with the Brambles Group until they can be transferred to the Recall Group or new facilities established by the Recall Group. In the meantime, Recall will indemnify Brambles in relation to those facilities under the Demerger Principle as described in Section 5.6.1.

Figure 2.24 shows Recall's pro forma cash and cash equivalents at 30 June 2013.

**Figure 2.24 - Recall cash and cash equivalents**

<b>\$ millions</b>	<b>Pro forma as at 30 June 2013</b>
Cash at bank and in hand	20
Short term deposits	24
<b>Total</b>	<b>44</b>

### 2.16.7 Recall debt maturity profile

Figure 2.25 shows Recall's debt maturity profile.

**Figure 2.25 - Recall debt maturity profile (excludes operating lease commitments disclosed in Section 2.16.10)**

<b>\$ millions</b>	<b>Total facilities<sup>1</sup></b>	<b>Facilities used<sup>2</sup></b>	<b>Facilities available</b>
Less than one year	2	-	2
1-2 years	-	-	-
2-3 years	405	275	130
3-4 years	-	-	-
4-5 years	400	275	125
Over 5 years	-	-	-
<b>Total</b>	<b>807</b>	<b>550</b>	<b>257</b>

Notes to Figure 2.25:

1. Includes regional working capital and overdraft facilities. As noted in 2.16.6 various banks also provide the Recall Group with bank guarantee/standby letters of credit and intra-day transaction banking facilities which are not included above.
2. Assumes each tranche of the Recall Syndicated Facility is drawn equally.

### 2.16.8 Hedging

Recall does not trade derivatives for profit but only uses them for risk management purposes.

#### Interest rate risk management

Recall may hedge its interest rate exposures to deliver predictable interest expense by varying the mix of fixed and variable rate debt through the use of derivative financial instruments, which may include interest rate and cross currency swaps, forward rate agreements and interest rate options. Recall's interest rate risk management will, however, ultimately be a matter for the Recall Board and senior management to develop over time, and is subject to change or alteration as circumstances require.

#### Foreign exchange risk management

Recall's foreign exchange exposures generally arise in either:

- Transaction exposures affecting the value of transactions translated back to the functional currency of the subsidiary; or
- Translation exposures affecting the value of assets and liabilities of overseas subsidiaries when translated into US dollars.

Within Recall, transaction exposures may arise with external parties or, alternatively, by way of cross-border intercompany transactions. Given the nature of Recall's operations, these exposures with external parties are not expected to be significant. Recall may hedge its transaction exposures when an exposure arises through the use of financial derivatives instruments. It is expected that forward foreign exchange contracts will be primarily used for these purposes.

Recall intends to mitigate translation exposures by raising debt in currencies where there are matching assets.

## 2. OVERVIEW OF RECALL - CONTINUED

Recall's foreign exchange risk management will, however, ultimately be a matter for the Recall Board and senior management to develop over time, and is subject to change or alteration as circumstances require.

### 2.16.9 Contingencies at 30 June 2013

Recall entities have contingent unsecured liabilities in respect of guarantees given relating to performance under contracts entered into totalling \$35 million, of which \$28 million is currently guaranteed by Brambles Limited. Undrawn facilities under which additional bank guarantees may be drawn total \$7 million. At the Demerger Date, it is anticipated the banks providing the portion of bank guarantees guaranteed by Brambles Limited will release Brambles Limited upon receiving a Recall Holdings guarantee deed poll or other form of security, or the existing bank guarantees will otherwise be replaced with new facilities.

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 Recall operates or has operated. These extensive laws and regulations are continually evolving in response to technological advances, scientific developments and other factors. Recall 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, Recall 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.

As described in Section 2.12, in June 2012, a third party facility leased by Recall suffered significant structural damage resulting in the facility becoming non-operational for a period of time (the Landover facility incident). Consequently, Recall has incurred and will continue to incur costs associated with the incident and the relocation of operations to a new facility. Provision, net of insurance proceeds received, has been made in respect of Recall's obligations that are known to exist and can be reliably measured. The provision is Recall's current best estimate of the costs it will incur arising from this matter. There are, however, a number of aspects relating to this matter which have not been finalised and a number of parties will be involved in their resolution. At the date of this Scheme Book, it is not possible to determine when all of these aspects will be finalised. Further details on indemnities after the Demerger are provided in Section 5.7.2.

### 2.16.10 Operating lease commitments

Recall's operating lease commitments as at 30 June 2013 were as shown in Figure 2.26:

**Figure 2.26 - Operating lease commitments**

<b>\$ millions</b>	<b>Pro forma as at 30 June 2013</b>
No later than one year	113
Later than one year but not later than five years	310
Later than five years	164
<b>Total</b>	<b>587</b>

### 2.16.11 Trade and other receivables

Trade receivables are non-interest bearing. A provision for doubtful receivables is established when there is a level of uncertainty as to the full recoverability of the receivable, based on objective evidence. Figure 2.27 shows Recall's pro forma trade and other receivables at 30 June 2013:

**Figure 2.27 - Trade and other receivables**

<b>\$ millions</b>	<b>Pro forma as at 30 June 2013</b>
<b>Current</b>	
Trade receivables	131
Provision for doubtful receivables	(11)
Net trade receivables	120
Other debtors	10
Accrued and unbilled revenue	30
<b>Total</b>	<b>160</b>
<b>Non-current</b>	
Other receivables	4

## 2. OVERVIEW OF RECALL - CONTINUED

### 2.16.12 Property, plant and equipment

Recall's property, plant and equipment is depreciated on a straight line basis over their expected useful lives. Management reviews the appropriateness of useful economic lives of assets at least annually, but any changes to useful economic lives could affect prospective depreciation rates and asset carrying values. Figure 2.28 shows Recall's pro forma property, plant and equipment at 30 June 2013:

**Figure 2.28 - Property, plant and equipment**

<b>\$ millions</b>	<b>Pro forma as at 30 June 2013</b>
Plant and equipment	
At cost	568
Accumulated depreciation	(285)
<b>Total carrying value</b>	<b>283</b>
Land, buildings and improvements	
At cost	197
Accumulated depreciation	(79)
<b>Total carrying value</b>	<b>118</b>
<b>Total</b>	<b>401</b>

### 2.16.13 Goodwill and intangible assets

Recall's pro forma intangible assets, other than indefinite life intangible assets, are amortised on a straight line basis over their useful economic lives. At each reporting date, an assessment is made whether there is any indication that an intangible asset may be impaired. When an indicator of impairment exists, a formal estimate of the recoverable amount is made. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Figure 2.29 shows Recall's pro forma intangible assets at 30 June 2013:

**Figure 2.29 - Goodwill and intangible assets**

<b>\$ millions</b>	<b>Pro forma as at 30 June 2013</b>
Goodwill	608
Intangible assets	
Other <sup>1</sup>	77
Software	27
<b>Total</b>	<b>712</b>

Note to Figure 2.29:

1. Relates primarily to customer acquisition costs, acquired customer relationships, customer lists and agreements.

### 2.16.14 Shareholders' equity

At the time of the Demerger, Recall will have approximately one fifth of the number of shares on issue as the number of Brambles Shares on issue as at the Scheme Record Date (subject to rounding adjustments), with no options over shares (other than certain employee options referred to in the Scheme Book), preferred shares or other forms of external hybrid capital. The number of Brambles Shares on issue as at the Scheme Record Date is expected to be approximately 1,559 million ordinary shares and the number of Recall Shares is accordingly expected to be approximately 312 million.

### 2.16.15 Taxation

Recall businesses currently pay taxation as part of Brambles' group taxation arrangements. At the time of the Demerger, Recall will exit Brambles' Australian, US, Danish and German tax consolidated groups. As a standalone entity, the effective tax rate of Recall Holdings will vary from what it would have been if it remained part of Brambles.

The entities within Recall did not operate within the legal structure reflected in the historical information. Therefore the tax position is not necessarily representative of the position of Recall under separate legal ownership. The income tax charge attributable to Recall has been prepared based on the tax charge attributable to the individual entities that make up Recall, in the relevant tax jurisdictions, on a separate return basis.

Recall businesses operate in a number of countries with differing tax rates. For the 12 months to 30 June 2013, 40% of the Pro Forma Underlying Profit from Recall's operations was derived from Australia (standard corporate

## 2. OVERVIEW OF RECALL - CONTINUED

tax rate of 30%) and 25% from the US (standard corporate tax rate of 39.1%). The remainder of Recall's Underlying Profit was derived from other countries with various tax rates.

The effective tax rates for the periods under review were 30.6%, 34.7% and 36.1% in FY11, FY12 and FY13 respectively.

### 2.16.16 Other related party transactions

A few intercompany services agreements exist between Recall and Brambles in the ordinary course of their operations and the parties are working on plans to transition the relevant services post Demerger.

Dr Ian Blackburne and Mr Neil Chatfield were appointed directors of Recall Holdings on 24 September 2013. Between 2 July 2013 and 24 September 2013, Dr Blackburne, and between 22 July 2013 and 24 September 2013, Mr Chatfield, were engaged as consultants to Recall Holdings. Dr Blackburne's total remuneration up to 24 September 2013 amounted to A\$82,000. Mr Chatfield's total remuneration up to 24 September 2013 amounted to A\$29,000.

### 2.16.17 Material changes in financial position since most recent balance date

The most recent published financial statements of Recall are included in the Brambles annual report for the year ended 30 June 2013, which was released to ASX on 9 September 2013. To the knowledge of the Brambles Directors, as at the date of this Scheme Book there has not been a material change in the financial position of Recall since 30 June 2013, except as disclosed in this Scheme Book or announcements to ASX. Any material change in the financial position of Brambles after the date of this Scheme Book and prior to the Second Court Hearing will be disclosed in announcements to ASX.

Brambles has agreed with Certis to purchase Certis' 51% interest in Recall Singapore prior to the Demerger for a purchase price of SG\$112.2 million (approximately \$88 million), under a sale and purchase agreement executed on 13 September 2013. There are no conditions to the completion of the sale under the agreement, and closing is expected to occur on 31 October 2013. Upon acquisition Recall Singapore will be a wholly owned subsidiary of Brambles. After completion of the sale and before the Demerger Date, Recall will acquire Brambles' 100% interest in Recall Singapore as part of the Restructure, such that Recall Singapore will be wholly owned by Recall upon the Demerger. As such, references and Recall Pro Forma Historical Financial Information in this Scheme Book are presented assuming that Recall owns 100% of this joint venture unless otherwise noted.

Brambles will provide, free of charge, a copy of Brambles' 2013 annual report to any person who requests a copy before the Scheme is approved by the Court.

### 2.16.18 Credit rating

Recall is not expected to have a public credit rating immediately after the Demerger.





## 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER)

### 3.1 Business summary

Brambles is a supply chain logistics company specialising in the provision of Pooling Solutions and associated services, focusing on the outsourced management of reusable and returnable pallets, RPCs and containers. Brambles' businesses predominantly serve the consumer goods, dry grocery, fresh food, retail and general manufacturing industries. Brambles also has specialist businesses serving the automotive manufacturing, aerospace, catalyst and chemical sectors. Brambles is headquartered in Sydney, Australia, and operates in more than 50 countries employing approximately 13,500 people.

### 3.2 Business overview

#### 3.2.1 Summary of Brambles' Pooling Solutions business and business model

Brambles operates primarily through the CHEP and IFCO brands. Brambles manages approximately 450 million pallets, RPCs and containers through networks comprising more than 850 service centres, helping customers transport products safely, sustainably and efficiently throughout the supply chain. The services Brambles provides help manufacturers, producers, distributors and retailers reduce their supply chain costs by eliminating the need for them to purchase and manage their own pallets, RPCs and containers. In addition, Brambles' businesses provide supply chain optimisation and other transport and asset management services. The use of Brambles' pooling platforms and supply chain services helps customers reduce transport movements of empty pallets, RPCs and containers and costs within the supply chain.

Brambles has an extensive network of service centres in its key markets. Brambles outsources the operation of many of its service centres, the substantial majority of which are located in leased properties. These arrangements generally provide Brambles with the flexibility to adjust its service centre network in accordance with changing customer needs or to reduce transport costs.

Brambles operates pallet, RPC and/or container pools in more than 50 countries, including the developed economies of North America, Western Europe, Australia and New Zealand, which have established supply chain logistics infrastructure, as well as the emerging economies of Latin America, China, India, South East Asia, Central and Eastern Europe, the Middle East and South Africa, where supply chain logistics infrastructure continues to develop.

Brambles' services are based on a combination of:

- Consistent quality equipment that is durable, can be used repeatedly and reduces the risk of product damage;
- Extensive and flexible service centre infrastructure that enables Brambles pallets, RPCs and containers to be reliably available to customers where and when they need them;
- Sophisticated information systems designed to efficiently manage large pallet, RPC and container pools within the supply chain; and
- Innovative operating models designed to meet the needs of the supply chain.

Brambles' pooling model is based on operating pools of pallets, RPCs and containers that generate fees based on its customers' use of its equipment, with Brambles maintaining ownership of its pooled assets at all times. Under Brambles' pooling model, pallets, RPCs and containers are issued from a service centre to a manufacturer or producer of goods. The pallets, RPCs and containers are used by the manufacturer or producer to load products for transport through the supply chain. Loaded pallets, RPCs and containers are transported from the manufacturer or producer to retailers or distribution centres. Once emptied, pallets, RPCs and containers are returned to a service centre for inspection, repair (if required) and re-issue. In some pooling models, pallets, RPCs and containers may be exchanged throughout the supply chain multiple times before being returned to a service centre. Pricing models vary between the countries and regions in which Brambles operates, but are generally designed to align fees with the level of customer usage of Brambles' equipment.

Brambles competes with other companies that provide pooling services on a regional basis. However, the principal alternative to Brambles' pooling services is the use of non-proprietary equipment. In the pallet sector, the term "white wood" is used to distinguish generic pallets of varying designs and qualities produced by numerous manufacturers around the world from the proprietary, consistent quality, standardised, branded pallets offered by Brambles and a small number of regional pallet pooling competitors. Users of white wood pallets generally purchase the pallet outright from a manufacturer or a recycler, and then pass ownership of the pallet along with the goods they carry as they are transferred through the supply chain. Similar non-proprietary, non-pooled alternatives exist in the RPC and containers sector.

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

#### 3.2.2 Overview of operating segments

Brambles' Pooling Solutions business is divided into the following three operating segments:

##### Pallets



The primary service offering is the pooling of pallets under the CHEP brand. Wood pallets have been and remain the industry standard due to their relatively low cost of manufacture and the wide adoption by industry of standard pallet sizes. CHEP also offers plastic pallets in certain geographies and for certain niche applications. In North America, the business offers pallet management services under the IFCO and Paramount Pallet brands. The global LeanLogistics transport management software business is also included in the Pallets segment.

Brambles' Pallets segment serves customers in multiple supply chains, with an emphasis on the dry food, consumer goods and grocery sectors, across three regions: Americas; Europe, Middle East and Africa; and Asia-Pacific.

Well-known companies such as Coca-Cola, Henkel, Kellogg's, Kraft, Nestlé, Procter & Gamble, Svenska Cellulosa Aktiebolaget and Unilever are among Brambles' major customers in the Pallets segment. Although Brambles' customer contracts are generally terminable on short notice, and at times Brambles has lost customers, its customer base has exhibited relatively little turnover historically, and many of its major customers have used its services for more than 20 years.

##### Reusable Plastic Crates ("RPCs")



RPCs are durable, reusable and high quality crates that are shipped through the supply chain and displayed in a retail environment with minimum handling. RPCs are primarily used to transport fresh fruits and vegetables.

Brambles' RPCs segment mostly serves the fresh produce sector across Europe, North America and South America under the IFCO brand and in Australia, New Zealand and South Africa under the CHEP brand. Well-known companies such as Woolworths and ALDI in Australia, Walmart, Kroger and Safeway in the US and Waitrose and Carrefour in Europe are among the principal users of Brambles' equipment.

##### Containers



Brambles' Containers operations provide solutions for the manufacturing, automotive, aerospace, catalyst and chemical sectors worldwide predominantly under the CHEP brand. The Containers business is organised into four broad areas: CHEP Aerospace Solutions, which pools unit load devices used for the transportation of air cargo; CHEP Automotive & Industrial Solutions, which pools crates and containers used for the transportation of components in the automotive manufacturing and complex assembly supply chain; CHEP Pallecon Solutions, which pools palletised containers known as intermediate bulk containers for the transportation of bulk goods and raw materials into various food and non-food manufacturing supply chains; and CHEP Catalyst & Chemical Containers, which pools various types of container used for the transportation of spent catalysts in the refining industry.

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

Figure 3.1 sets out summary financial performance for Brambles' three Pooling Solutions segments.

**Figure 3.1 - Segment overview (Pooling Solutions)**

Profile (FY2013)	Pallets	RPCs	Containers
Sales revenue	\$3,944 million	\$813 million	\$326 million
Underlying Profit <sup>1</sup>	\$780 million	\$139 million	\$28 million
Underlying Profit margin	20%	17%	9%
Return on capital invested	20.4%	9.5%	8.3%
Employees	c. 11,800	c. 1,000	c. 800

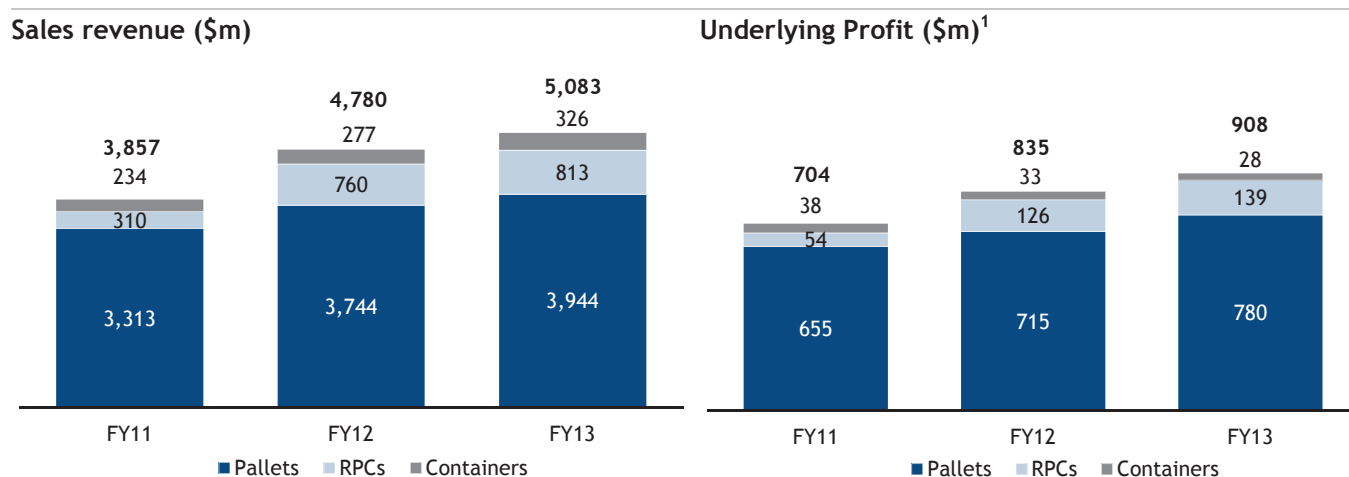
Note to Figure 3.1:

1. Underlying Profit per segment excludes head office expenses of \$43 million in FY11, \$39 million in FY12 and \$39 million in FY13.

#### 3.3 Recent operational and financial performance (Brambles pro forma after Demerger)

Over the past three years, Brambles' total sales revenue and Underlying Profit (including corporate costs) have grown at a compound average growth rate of 15% and 14% respectively. The Underlying Profit margin has remained fairly flat at around 18% over the period. Further discussion of financial performance of Brambles is explained in Section 3.9. Performance by segment is outlined in Figure 3.2 below.

**Figure 3.2 - Financial performance**



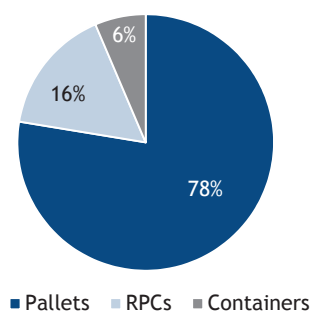
Note to Figure 3.2:

1. Total Underlying Profit includes head office expenses of \$43 million in FY11, \$39 million in FY12 and \$39 million in FY13.

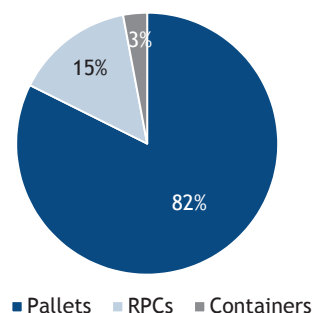
A breakdown of sales revenue and Underlying Profit by division is set out in Figure 3.3 below:

**Figure 3.3 - Divisional summary**

FY2013 Sales revenue by division



FY2013 Underlying Profit by division



#### 3.4 Dividend policy and franking credits

Brambles' future dividend policy will be determined by the Brambles Board at its discretion and may change over time.

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

Brambles currently has a progressive dividend policy of at least maintaining its level of dividends per share in Australian dollars, subject to Brambles' financial performance and cash requirements. For the year ended 30 June 2013, Brambles paid total dividends of 27.0 Australian cents per share, comprising an interim dividend of 13.5 Australian cents per share and a final dividend of 13.5 Australian cents per share.

Brambles will receive the benefit of Recall's earnings for most of the half year to 31 December 2013, and will accordingly pay a dividend for that period reflective of the earnings from Brambles' Pooling Solutions businesses as well as the Recall businesses. It is the current intention of the Brambles Board, subject to its financial performance, cash requirements and any unforeseen circumstances, to pay a dividend of 13.5 Australian cents per share for the half year to 31 December 2013. Following the Demerger, the Brambles Board intends to retain a progressive dividend policy in Australian dollars. The Brambles Board intends to keep the annual dividend at least at FY13 levels (that is, 27.0 Australian cents per share) and not rebase the dividend after the Demerger. The actual amount of any future dividends will be subject to Brambles financial performance and cash requirements during the relevant period and any unforeseen circumstances.

Brambles' future dividends are expected to be franked between 20% and 30% for the near term. The unfranked components of Brambles' dividends paid to non-Australian residents are expected to continue to be conduit foreign income and therefore not subject to Australian dividend withholding tax.

#### 3.5 Trading update and outlook

On 16 October 2013, Brambles lodged the following trading update for the quarter to the end of September 2013.

Brambles Limited today reported sales revenue from its Pooling Solutions operations of \$1,311.9 million for the quarter to the end of September 2013, up 7% on the prior corresponding period (up 8% in constant currency<sup>1</sup>). The sales revenue growth primarily reflected growth from new business wins and the contribution of Pallecon<sup>2</sup>, acquired in December 2012.

The Pooling Solutions operations (i.e. the Pallets, RPCs and Containers segments) exclude the Recall information management business, which Brambles plans to demerge.

Brambles Chief Executive Officer, Tom Gorman, said: "Our trading performance in Pooling Solutions during the first quarter of FY14 was broadly consistent with our expectations. Despite continued muted levels of underlying sales growth in the consumer staples sector, we are benefitting from the execution of our growth strategy.

Our sales growth in the quarter primarily reflected the rollover benefit of prior-year business wins in the Americas region of our Pallets business, continued growth in our global RPCs business from expansion with key retail partners, and growth in the Containers operations, including the contribution from Pallecon.

We remain on track to deliver our guidance, excluding Recall, for the 2014 financial year. We expect constant-currency sales revenue growth from all three Pooling Solutions segments and Underlying Profit, at 30 June 2013 foreign exchange rates, of between \$930 million and \$965 million."

All guidance is subject to unforeseen circumstances.

The table below provides a summary of Brambles' first-quarter sales revenue performance:

	Sales revenue (\$m)	Growth (actual FX)	Growth (constant FX)
Pallets - Americas	567.3	5%	7%
Pallets - EMEA	347.3	5%	3%
Pallets - Asia-Pacific	88.5	(7)%	3%
Total Pallets	1,003.1	4%	5%
RPCs	219.3	12%	11%
Containers	89.5	37%	39%
Total Pooling Solutions	1,311.9	7%	8%

(The Brambles trading update also noted that a trading update for Recall would be included in this Scheme Book. The Recall trading update is set out in Section 2.9.)

<sup>1</sup> Brambles calculates constant currency by translating results into US dollars at the exchange rates applicable during the prior corresponding period.

<sup>2</sup> Excluding the contribution of Pallecon, Brambles' sales revenue growth was 6% (up 7% at constant currency) and Containers sales revenue growth was 16% (up 17% at constant currency).

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

#### 3.6 Business strategy

Brambles' strategic focus is to create superior and sustainable value for its customers, shareholders and employees.

Brambles approaches its strategy under four key themes:

- **Diversification** - expanding into more customer segments, broadening the range of products and services and growing geographically. Ongoing focus areas include:
  - > Expansion of product and service offerings within Pallets;
  - > Ongoing assessment and entry if appropriate into emerging geographies;
  - > Continued expansion of RPCs by geography and product; and
  - > Continued targeted expansion of the Containers portfolio.
- **Cost leadership** - delivering a low cost business model that leverages Brambles' global scale to create a sustainable competitive advantage. Ongoing focus areas include:
  - > Analysis and assessment of asset management performance;
  - > Focus on cost performance to drive sustainable competitive advantage; and
  - > Increased capability in shared services delivery.
- **Go to market** - strengthening its brand position and enhancing the customer experience through continuously improving the quality of its products and services. Ongoing focus areas include:
  - > Continued focus on innovation and product strategy; and
  - > Leveraging of CHEP global scale, footprint, network and brand.
- **People and leadership** - attracting, developing and retaining the right individuals and teams that can enhance its culture and bring the required capability for sustainable success. Ongoing focus areas include:
  - > Continued emphasis on enhancing and developing talent throughout the group; and
  - > Nurturing "one business" culture.

Brambles has access to a broad range of opportunities to continue to invest in value-adding products and services for customers and expand its Pooling Solutions business at the same time as delivering attractive returns to shareholders.

Brambles has identified the factors that help define growth opportunities in which it can create value for existing or new customers at the same time as supporting its investment proposition for shareholders, as follows:

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

Since 2009, Brambles' Sustainability Committee has been responsible for the strategies and activities adopted by Brambles with regard to the environment, its employees, ethics and the community, consistent with the Brambles Group's shared values.

In 2010, Brambles launched its sustainability strategy and outlined its strategic objectives and initiatives to 2015. Brambles set a number of targets to measure efforts to improve continuously, demonstrate the inherent sustainability value in the business model for Brambles and its stakeholders and deliver more efficient, safer and environmentally sustainable supply chains. The strategy and targets are grouped into four areas of focus: customer, environment, people and community.

#### 3.7 Brambles Board of Directors and corporate governance

The Brambles Board will not change following the Demerger and will comprise:



##### **GRAHAM KRAEHE AO NON-EXECUTIVE CHAIRMAN**

*Chairman of Nominations Committee and member of Remuneration Committee*

Re-joined the Board in December 2005, was appointed Deputy Chairman in October 2007 and Chairman in February 2008. He is Chairman and a Non-executive Director of Bluescope Steel Limited and a Director of Djerriwarrh Investments Limited. Graham was a Non-executive Director of Brambles from December 2000 until March 2004, when he retired because of commitments in his past role as Chairman of National Australia Bank Limited. He has also been the Chief Executive Officer of Pacific BBA and Southcorp Limited, a member of the board of the Reserve Bank of Australia and a Non-executive Director of News Corporation. Graham has a

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

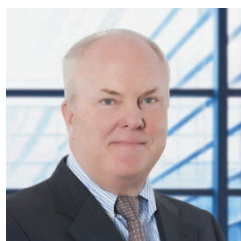
Bachelor of Economics degree from Adelaide University. He is an Officer of the Order of Australia. Age: 71.



#### **DOUG DUNCAN INDEPENDENT NON-EXECUTIVE DIRECTOR**

*Member of Audit Committee*

Joined Brambles as a Non-executive Director in January 2012. He is a Non-executive Director and member of the Audit Committee of JB Hunt Transport and Benchmark Electronics. Doug's career in the transport and logistics industry spans over 30 years. From 2001 until his retirement in 2010, he was President and Chief Executive Officer of FedEx Freight. Prior to that, he spent more than 20 years with the company that ultimately became Viking Freight, where he held senior executive roles including President & Chief Executive Officer from 1998 to 2001, when FedEx acquired Viking. Doug holds a Bachelor of Science degree in Business Administration from Christopher Newport University, Virginia. Age: 62.



#### **TONY FROGGATT INDEPENDENT NON-EXECUTIVE DIRECTOR**

*Member of Remuneration Committee and Nominations Committee*

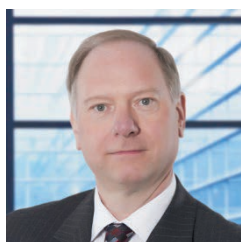
Joined Brambles as a Non-executive Director in June 2006. He is a Non-executive Director of Billabong International and Coca-Cola Amatil. Previously, Tony was a Non-executive Director of AXA Asia Pacific Holdings and was Chief Executive Officer of Scottish & Newcastle PLC from May 2003 to October 2007. He began his career with the Gillette Company and has held a wide range of sales, marketing and general management positions in many countries with major consumer goods companies including HJ Heinz, Diageo and Seagram. He holds a Bachelor of Law degree from Queen Mary College, London and a Master of Business Administration degree from Columbia Business School, New York. Age: 65.



#### **TOM GORMAN CHIEF EXECUTIVE OFFICER**

*Chairman of Executive Leadership Team*

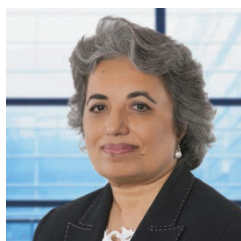
Joined Brambles as Group President, CHEP EMEA in March 2008 and became Chief Executive Officer in November 2009. Previously, Tom had a long career with the Ford Motor Company, and served as President, Ford Australia from March 2004 until January 2008. Before joining Ford, he worked for the Bank of Boston. Tom holds a Bachelor of Arts degree in Economics & International Relations from Tufts University, Massachusetts and a Master of Business Administration degree with distinction from Harvard Business School, Massachusetts. Age: 53.



#### **DAVID GOSNELL INDEPENDENT NON-EXECUTIVE DIRECTOR**

*Member of Audit Committee*

Re-joined Brambles as a Non-executive Director in December 2011. He is President of Global Supply & Procurement for Diageo plc, leading a global team of 9,000 people across manufacturing, logistics and technical operations as well as managing Diageo's multi-billion sterling procurement budget. David was a Non-executive Director of Brambles from June 2006 until March 2010, when he retired due to his other commitments at that time. Prior to joining Diageo, David spent 20 years at HJ Heinz, where he served on the UK board and held various European operational positions. He holds a Bachelor of Science degree in Electrical & Electronic Engineering from Middlesex University, England. Age: 56.



#### **TAHIRA HASSAN INDEPENDENT NON-EXECUTIVE DIRECTOR**

*Member of Remuneration Committee*

Joined Brambles as a Non-executive Director in December 2011. Tahira is based in Toronto, Canada and had a long 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 and 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: 60.

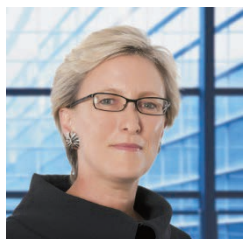
### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED



#### **STEPHEN JOHNS INDEPENDENT NON-EXECUTIVE DIRECTOR**

*Chairman of Audit Committee and member of Nominations Committee*

Joined Brambles as a Non-executive Director in August 2004. He is former Chairman and a Non-executive Director of Leighton Holdings Limited 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 has a Bachelor of Economics degree from the University of Sydney and is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors. Age: 66.



#### **CAROLYN KAY INDEPENDENT NON-EXECUTIVE DIRECTOR**

*Member of Audit Committee*

Joined Brambles as a Non-executive Director in June 2006. She is a Non-executive Director of Commonwealth Bank of Australia, John Swire & Sons Pty Ltd, Infrastructure NSW and The Sydney Institute and an External Board Member of Allens. Carolyn has more than 25 years' experience in the finance sector and worked as an executive in finance at Morgan Stanley in London and Melbourne, JP Morgan in New York and Melbourne and Linklaters & Paines in London. She holds Bachelor of Law and Arts degrees from the University of Melbourne and a Graduate Diploma in Management from the Australian Graduate School of Management. Carolyn is a Fellow of the Australian Institute of Company Directors, a member of Chief Executive Women and Women Corporate Directors and has a Centenary Medal for services to Australian society in business leadership. Age: 52.



#### **LUKE MAYHEW INDEPENDENT NON-EXECUTIVE DIRECTOR**

*Chairman of Remuneration Committee*

Joined Brambles as a Non-executive Director in August 2005. Luke is a Non-executive Director and Chairman of the Remuneration Committee of InterContinental Hotels Group. He was a Non-executive Director of WH Smith until August 2010, Chairman of Pets at Home Group Limited until March 2010 and Chairman of the British Retail Consortium between 2009 and 2011. Luke was a Director of John Lewis Partnership from 1992 to 2004. He previously held senior positions at Thomas Cook, British Airways and Shandwick. He has a Bachelor of Arts (Honours) degree from Oxford University and a Master of Economics degree from the University of London. He is a Trustee of BBC Children in Need. Age: 60.



#### **BRIAN SCHWARTZ AM INDEPENDENT NON-EXECUTIVE DIRECTOR**

*Member of Remuneration Committee*

Joined Brambles as a Non-executive Director in March 2009. He is Chairman and a Non-executive Director of Insurance Australia Group Limited and Deputy Chairman and a Non-executive Director of Westfield Group and Football Federation Australia. In March 2009, he retired as Chief Executive Officer of Investec Bank (Australia) Limited. Having joined Ernst & Young in 1979, Brian became a partner in 1985. From 1998 to 2004, he was Chief Executive Officer of Ernst & Young Australia and a member of the Ernst & Young Global Executive Board. Brian is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors. He is a Member of the Order of Australia. Age: 61.

#### **3.7.1 Corporate governance**

Brambles' policies, practices and structures after the Demerger will be the same as those governing Brambles as at the date of this Scheme Book. These can be found at [www.brambles.com/corporate-governance](http://www.brambles.com/corporate-governance).

Brambles' policies and corporate governance practices will continue to be reviewed annually and will continue to be developed and refined to meet the needs of Brambles (after the Demerger) and best practice.

#### **3.8 Employees, industrial relations and employee share incentive plans**

##### **3.8.1 Senior management**

The Brambles senior management team will not change following the Demerger, with the exception of Doug Pertz, the Recall Chief Executive Officer. Set out below are the biographies of the Brambles senior management team.

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED



#### **TOM GORMAN CHIEF EXECUTIVE OFFICER**

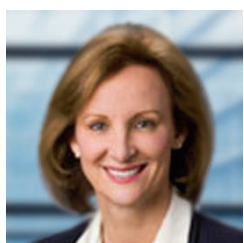
##### *Chairman of Executive Leadership Team*

Joined Brambles as Group President, CHEP EMEA in March 2008 and became Chief Executive Officer in November 2009. Previously, Tom had a long career with the Ford Motor Company, and served as President, Ford Australia from March 2004 until January 2008. Before joining Ford, he worked for the Bank of Boston. Tom holds a Bachelor of Arts degree in Economics & International Relations from Tufts University, Massachusetts and a Master of Business Administration degree with distinction from Harvard Business School, Massachusetts. Age: 53.



#### **ZLATKO TODORCEVSKI CHIEF FINANCIAL OFFICER**

Joined Brambles as Chief Financial Officer in October 2012. Previously, Zlatko was Chief Financial Officer of oil and gas exploration and production company Oil Search Limited. Prior to that, he had a long international career with BHP and BHP Billiton including as Chief Financial Officer, Energy. Zlatko is a Fellow of CPA Australia and Fellow of Chartered Secretaries Australia. He holds a Master of Business Administration degree and a Bachelor of Commerce degree from the University of Wollongong, Australia. Age: 45.



#### **JEAN HOLLEY CHIEF INFORMATION OFFICER**

Joined Brambles in September 2011 from telecommunications services company Tellabs, Inc, where she was Executive Vice President & Chief Information Officer. Previously, Jean held roles including Vice President & Chief Information Officer at building materials group USG Corporation and senior information technology and information systems roles at environmental services company Waste Management Inc. Jean is also a member of the Board of Directors for VASCO Data Security International, Inc. She has a Master of Science degree in Computer Science & Engineering from the Illinois Institute of Technology and a Bachelor of Science degree in Computer Science & Electrical Engineering from the Missouri University of Science & Technology. Age: 54.



#### **PETER MACKIE GROUP PRESIDENT, PALLETS**

Became Group President, Pallets in March 2013, having previously held the following Executive Leadership Team positions: Group President, Pallets Americas and Group President, CHEP Asia-Pacific. Previously, Peter held the positions of: Acting Group President, CHEP Europe, Middle East and Africa; President, CHEP Europe; Senior Vice President, Customer Service, CHEP Europe; Vice President, Strategy, CHEP Europe; and Managing Director, CHEP UK & Ireland. Before joining CHEP in 2001, Peter held senior roles with Boots and The BOC Group. Peter is a qualified chartered engineer and has a Master of Business Administration degree from London Business School. Age: 47.



#### **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, he was a member of the Executive Board at Computer 2000, a European IT distributor, and held various executive roles. Prior to that, he worked for nine years in management positions at Digital Equipment. He holds an MBA from the University of Bayreuth, Germany. Age: 56.



#### **JASON RABBINO GROUP PRESIDENT, CONTAINERS**

Joined Brambles in May 2012 from diversified industrial company Tyco International, where he was Senior Vice President of Enterprise Solutions. Previously, Jason held a number of senior executive roles in Tyco's ADT electronic security solutions business, managed services company Aramark Corporation and management consultancy McKinsey & Company. Before entering the corporate world, he was an officer and aviator in the United States Navy. He has a Master of Business Administration degree from the Wharton School of the University of Pennsylvania. Age: 44.



### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED



#### NICK SMITH GROUP SENIOR VICE PRESIDENT, HUMAN RESOURCES

Joined Brambles in November 2007. Previously, he was Group Human Resources Director for Inchcape, the international automotive retail group. Prior to this, Nick spent a number of years in the telecommunications industry, firstly with British Telecom and then with Cable & Wireless. During this period, Nick spent three years working for Cable & Wireless Optus in Australia, where he was Human Resources Director. He has also worked for KPMG and Macquarie Bank. Nick is a qualified management accountant and has a Bachelor of Science (Economics) degree in International Politics and a Master of Business Administration degree. Age: 52.

#### 3.8.2 Industrial relations

Brambles has approximately 13,500 employees in over 50 countries. They are employed under either individual contracts or other mechanisms, including industry awards or collective agreements. Brambles management estimates that approximately 20% of its workforce are employed under union based agreements. The Demerger will not affect the provisions of those awards or collective agreements.

#### 3.8.3 Brambles employee share plans

Brambles currently operates two employee equity schemes for the benefit of its employees ("Brambles Plans"). The two Brambles Plans are:

- **Brambles Performance Share Plan ("Brambles PSP")** - Under the Brambles PSP, Brambles grants conditional rights to receive Brambles Shares (ie performance rights) or the cash equivalent to its managers subject to certain performance conditions.
- **Brambles MyShare Plan ("Brambles MSP")** - Under the Brambles MSP, full-time and part-time employees of Brambles are offered the opportunity to acquire up to \$5,000 worth of Brambles Shares per year together with a corresponding conditional right to receive 1 Brambles Share for every Brambles Share acquired, for no consideration ("Matching Rights") on the date that is 2 years after the acquisition, subject to the employee:
  - > Remaining an employee of the Brambles Group (although the Brambles Board has a discretion to waive this condition); and
  - > Continuing to hold the Brambles Shares they acquired.

As part of the Demerger and in accordance with the rules of the respective plans, Brambles proposes to adjust the awards granted under the Brambles PSP and the Matching Rights granted under the Brambles MSP as follows:

- The performance conditions applicable to long-term incentive awards granted under the Brambles PSP (Brambles LTI awards) will be adjusted in the following manner. The Brambles LTI awards are subject to two sets of performance conditions:
  - > Half of the Brambles LTI awards are subject to the achievement of a three year sales revenue compound annual growth rate (Sales CAGR) target underpinned by a Brambles Value Added (BVA) target. A Sales CAGR/BVA matrix for each performance period is adopted. The matrix sets out the level of vesting of LTI awards depending on the amount of Sales CAGR and BVA achieved during the applicable performance period. Currently the targets for the FY12 to FY14 and FY13 to FY15 performance periods include Recall's sales revenue growth and contribution to BVA. The adjustments which are proposed to be made are to re-set the targets by excluding Recall's BVA for the FY14 and FY15 years. The BVA component of the matrices for those two periods will be adjusted by deducting Recall's planned BVA for each of the above performance periods. The impact on the targets of excluding Recall's planned sales growth on the targets is not considered material; therefore, the Sales CAGR of those matrices will not be adjusted.
  - > Half of the Brambles LTI awards are subject to a relative TSR condition. The TSR calculations to determine whether this performance condition is met will be adjusted to take into account the effect of the Demerger on the Brambles share price; and
- The ratio of the number of Brambles Shares to which each award granted under the Brambles PSP and the Matching Rights granted under the Brambles MSP will be adjusted from the current ratio of 1:1 to a new ratio calculated in accordance with the following formula, to reflect the diminution in value of Brambles Shares as a result of the Demerger:

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

$$R = (\text{VWAPB} + \text{VWAPR}) / \text{VWAPB}$$

Where:

R = the adjusted ratio of Brambles Share Awards to Brambles Shares

VWAPB = the VWAP of Brambles Shares traded on ASX over the five trading days starting from the date Recall Shares commence trading on ASX

VWAPR = the VWAP of Recall Shares traded on ASX over the five trading days starting from the date Recall Shares commence trading on ASX, divided by five

This adjustment will apply equally to any Matching Rights held by Brambles employees who will be Recall employees following the Demerger.

Following the Demerger, a number of Brambles employees will cease to be employees of Brambles and will instead be Recall employees. In accordance with the rules of the Brambles MSP, it is proposed that all of the Matching Rights held by such employees will vest on the date they cease to be employees of Brambles. Brambles will deliver to such employees the number of Brambles Shares to which each vested Matching Right relates (following the adjustment referred to above), on or shortly after the date they cease to be Brambles employees.

#### 3.9 Pro forma Brambles (after the Demerger) historical financial information

##### 3.9.1 Overview

This Section contains a summary of the pro forma historical financial information of Brambles (excluding Recall) ("Brambles (after the Demerger) Pro Forma Historical Financial Information"), which is comprised of the following:

- Brambles (after the Demerger) pro forma historical income statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 ("Brambles (after the Demerger) Pro Forma Historical Income Statements");
- Brambles (after the Demerger) pro forma historical cash flow statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 ("Brambles (after the Demerger) Pro Forma Historical Cash Flow Statements"); and
- Brambles (after the Demerger) pro forma historical balance sheet as at 30 June 2013 ("Brambles (after the Demerger) Pro Forma Historical Balance Sheet").

References to the Brambles (after the Demerger) Pro Forma Historical Financial Information are references to consolidated pro forma historical financial information in relation to the assets and operations comprising Brambles (excluding Recall).

The Brambles (after the Demerger) Pro Forma Historical Financial Information has been reviewed by the Investigating Accountant. The Investigating Accountant's Report is included in Section 7. The comments made in relation to the scope and limitations of the Investigating Accountant's Report should be noted.

This Section should be read in conjunction with the risks to which Brambles is subject and the risks associated with the Demerger, as set out in Sections 4.5 and 4.6 and Section 4.3 respectively.

##### 3.9.2 Basis of preparation

The basis of preparation applied in compiling the Brambles (after the Demerger) Pro Forma Historical Financial Information is set out below:

- Unless otherwise noted, the Brambles (after the Demerger) Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles described in Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board, which comply with the recognition and measurement principles of the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. The accounting policies used in preparation of the Brambles (after the Demerger) Pro Forma Historical Financial Information are consistent with those set out in the Brambles annual report for the year ended 30 June 2013;
- 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. 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;

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

- The Brambles (after the Demerger) Pro Forma Historical Financial Information is presented in an abbreviated form and does not contain all the disclosures required by Australian Accounting Standards in an annual financial report prepared in accordance with the *Corporations Act*; and
- The Brambles (after the Demerger) Pro Forma Historical Financial Information has been derived from Brambles' financial reports for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 along with Brambles' management information. Brambles' financial reports for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 have been audited by PricewaterhouseCoopers in accordance with Australian Auditing Standards. The audit opinions issued to Brambles in relation to those financial reports were unqualified.

Complete versions of Brambles' financial reports for these periods are available from Brambles' website, [www.brambles.com](http://www.brambles.com), or ASX's website, [www.asx.com.au](http://www.asx.com.au).

The Brambles (after the Demerger) Pro Forma Historical Cash Flow Statements are presented as net operating cash flows after capital expenditure, financing costs and tax for the years ended 30 June 2011, 30 June 2012 and 30 June 2013.

The Brambles (after the Demerger) Pro Forma Historical Financial Information presented in this Section illustrates the financial performance and net operating cash flows of Brambles as if the Demerger was effective from 1 July 2010 (i.e. after deducting Recall's historical financial performance and cash flows as it operated in the context of Brambles). Pro forma adjustments have been made in the preparation of the Brambles (after the Demerger) Pro Forma Historical Income Statements and the Brambles (after the Demerger) Pro Forma Historical Cash Flow Statements to reflect:

- The alignment of earnings and cash flows for the relevant periods to entities remaining with Brambles (after the Demerger);
- Corporate costs incurred by Brambles which will no longer be recharged to Recall;
- Adjustments to net financing costs to reflect differences between the borrowing rates of Brambles and Recall and funding for the acquisition of Recall Singapore; and
- Tax adjustments to reflect entities leaving Brambles tax consolidated groups (other than the Australian tax consolidated group) and the tax effect of the above pro forma adjustments.

Recall operated as part of Brambles during the periods for which financial information is presented and therefore the Brambles Pro Forma Historical Financial Information does not purport to represent the actual financial performance and net operating cash flows that would have occurred had Recall been a separate group during the periods presented, principally because:

- Recall did not operate independently of Brambles during the periods for which financial information is presented;
- Recall financial information includes allocations to Recall of certain corporate expenses incurred by Brambles that are attributable to Recall;
- Brambles (after the Demerger) Pro Forma Historical Financial Information may not reflect the strategies or operations that Brambles may have followed or undertaken had Recall operated as a separate group rather than as part of Brambles; and
- Brambles may have been exposed to different financial and business risks had Recall operated as a separate group rather than as part of Brambles.

The Brambles (after the Demerger) Pro Forma Historical Balance Sheet has been prepared on the basis that the Demerger was completed on 30 June 2013 and that assets and liabilities of Recall were transferred from Brambles at their historical book value on an aggregated basis. Pro forma adjustments have been made to reflect:

- The separation of assets and liabilities to entities remaining with Brambles (after the Demerger) and to Recall;
- Demerger transaction costs to be incurred by Brambles; and
- External financial indebtedness that Recall is expected to drawdown or have drawn down upon Demerger and the subsequent settlement by cash payment of an amount owing from Recall to Brambles.

The Brambles (after the Demerger) Pro Forma Historical Balance Sheet does not represent the actual financial position of Brambles at the time of the Demerger, but represents an indication of the Brambles Pro Forma Historical Balance Sheet as at 30 June 2013 in the circumstances set out in this Section.

#### 3.9.3 Brambles (after the Demerger) Pro Forma Historical Income Statements

The Brambles (after the Demerger) Pro Forma Historical Income Statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 are set out in Figure 3.4:

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

**Figure 3.4 - Brambles (after the Demerger) Pro Forma Historical Income Statements**

\$ millions	Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013
Sales revenue	3,857	4,780	5,083
EBITDA	1,084	1,267	1,373
Significant Items	48	57	30
<b>Underlying EBITDA</b>	<b>1,132</b>	<b>1,324</b>	<b>1,403</b>
Depreciation and amortisation	(428)	(489)	(495)
<b>Underlying Profit</b>	<b>704</b>	<b>835</b>	<b>908</b>
Net financing costs <sup>1</sup>	(113)	(139)	(101)
Income tax expenses <sup>2</sup>	(165)	(184)	(222)
<b>Net profit from continuing operations</b>	<b>426</b>	<b>512</b>	<b>585</b>
Profit from discontinued operations	4	1	1
<b>Net profit</b>	<b>430</b>	<b>513</b>	<b>586</b>

Notes to Figure 3.4:

1. Pro forma financing costs are as described in Figures 3.6, 3.7 and 3.8.
2. Pro forma tax costs are as described in Figures 3.6, 3.7 and 3.8.

Significant Items are items of income or expense which are, either individually or in aggregate, material to Brambles 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 set out below and are consistent with the disclosures made in the Brambles consolidated financial statements and are disclosed to assist users of the Brambles' consolidated financial statements to better understand Brambles' business results. Significant Items are shown in Figure 3.5.

**Figure 3.5 - Significant Items**

\$ millions	Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013
Acquisition related costs	(19)	(3)	(4)
Restructuring and integration costs	(29)	(39)	(22)
Recall transaction costs	-	(21)	(4)
Pension costs	-	(6)	-
Foreign exchange gain on capital repatriation	-	12	-
<b>Significant Items</b>	<b>(48)</b>	<b>(57)</b>	<b>(30)</b>

Acquisition related costs include professional fees and other transaction costs incurred in relation to the Pallecon acquisition in 2013, Driessen Services, Paramount Pallet acquisitions in 2012 and IFCO, Unitpool, CAPS and JMI business acquisitions in 2011.

Restructuring and integration costs include redundancies, plant closures, integration and other restructuring costs incurred in various countries during each year, net of reversal of prior year costs not incurred.

Recall transaction costs include professional fees of \$4 million incurred during 2013 in relation to the Recall demerger process. Costs of \$21 million, primarily professional fees, were incurred in 2012 in relation to the terminated Recall divestment process.

Pension costs in 2012 are due to a change to the CHEP South Africa retirement plan from a defined benefit plan to a defined contribution plan. As required by AASB 119: Employee Benefits, the actuarially-assessed value of a related enhancement in retirement benefits was treated as a past service costs and recognised in the income statement.

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

During 2012, capital returns were made by overseas subsidiaries. As required by AASB 121: The Effects of Changes in Foreign Exchange Rates, a portion of the accumulated foreign currency translation reserve held in relation to the overseas subsidiaries was recognised in the income statement, resulting in a \$12 million foreign exchange gain.

#### 3.9.3.1 Reconciliation of Brambles' historical income statement to Brambles (after the Demerger) Pro Forma Historical Income Statement

The reconciliation of the Brambles historical income statement to Brambles (after the Demerger) Pro Forma Historical Income Statement are set out in Figures 3.6, 3.7 and 3.8.

**Figure 3.6 - Reconciliation of Brambles' historical income statement to Brambles (after the Demerger) Pro Forma Historical Income Statement, for the year ended 30 June 2011<sup>1</sup>**

\$ millions	Reported Brambles	Less Recall	Additional Pro Forma Adjustments	Pro forma Brambles (after the Demerger) <sup>2</sup>
Sales revenue	4,672	815	-	3,857
EBITDA	1,289	197	(8) <sup>3</sup>	1,084
Significant Items	48	-	-	48
Underlying EBITDA	1,337	197	(8)	1,132
Depreciation and amortisation	(480)	(52)	-	(428)
Underlying Profit	857	145	(8)	704
Net financing costs	(128)	(21)	(6) <sup>4</sup>	(113)
Income tax expenses	(206)	(36) <sup>5</sup>	5 <sup>6</sup>	(165)
<b>Net profit from continuing operations</b>	<b>523</b>	<b>88</b>	<b>(9)</b>	<b>426</b>
Profit from discontinued operations	4	-	-	4
<b>Net profit</b>	<b>527</b>	<b>88</b>	<b>(9)</b>	<b>430</b>

Notes to Figure 3.6:

1. The "Less Recall" adjustment column reflects the historical reported results of Recall adjusted for pro forma net financing costs and income tax expenses. Other than net financing costs, it does not include a pro forma adjustment for the acquisition of Recall Singapore since this is not reflected in the "Reported Brambles" results column which is being adjusted. Net financing costs include the impact of the acquisition of Recall Singapore and this is reversed in the "Additional Pro Forma Adjustments" column. Refer to the reconciliation of the Recall Pro Forma Historical Income Statements to the reported income statements in Figure 2.17 for an analysis of the Recall reported numbers.
2. "Pro forma Brambles (after the Demerger)" is derived by deducting the "Less Recall" column and adding the "Additional Pro Forma Adjustments" column.
3. Corporate costs incurred by Brambles but not recharged to Recall in FY11.
4. An adjustment of \$6 million has been made to increase costs attributable to Brambles (after the Demerger) as the financing cost savings to Brambles (after the Demerger) are less than Recall's financing cost due to Brambles' lower cost of finance and the interest cost on the additional 51% acquisition of Recall Singapore.
5. Recall tax expense excluding pro forma adjustments.
6. An adjustment of \$5 million has been made to tax effect the preceding adjustments.

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

**Figure 3.7 - Reconciliation of Brambles' historical income statement to Brambles (after the Demerger) Pro Forma Historical Income Statement, for the year ended 30 June 2012<sup>1</sup>**

\$ millions	Reported Brambles	Less Recall	Additional Pro Forma Adjustments	Pro forma Brambles (after the Demerger) <sup>2</sup>
Sales revenue	5,625	845	-	4,780
EBITDA	1,491	223	(1) <sup>3</sup>	1,267
Significant Items	71	14	-	57
Underlying EBITDA	1,562	237	(1)	1,324
Depreciation and amortisation	(552)	(63)	-	(489)
Underlying Profit	1,010	174	(1)	835
Net financing costs	(152)	(20)	(7) <sup>4</sup>	(139)
Income tax expenses	(233)	(47) <sup>5</sup>	2 <sup>6</sup>	(184)
Net profit from continuing operations	625	107	(6)	512
Profit from discontinued operations	1	-	-	1
Net profit	626	107	(6)	513

Notes to Figure 3.7:

1. The "Less Recall" adjustment column reflects the historical reported results of Recall adjusted for pro forma net financing costs and income tax expenses. Other than net financing costs, it does not include a pro forma adjustment for the acquisition of Recall Singapore since this is not reflected in the "Reported Brambles" results column which is being adjusted. Net financing costs include the impact of the acquisition of Recall Singapore and this is reversed in the "Additional Pro Forma Adjustments" column. Refer to the reconciliation of the Recall Pro Forma Historical Income Statements to the reported income statements in Figure 2.17 for an analysis of the Recall reported numbers.
2. "Pro forma Brambles (after the Demerger)" is derived by deducting the "Less Recall" column and adding the "Additional Pro Forma Adjustments" column.
3. Corporate costs incurred by Brambles but not recharged to Recall in FY12.
4. An adjustment of \$7 million has been made to increase costs attributable to Brambles (after the Demerger) as the financing cost savings to Brambles (after the Demerger) are less than Recall's financing cost due to Brambles' lower cost of finance and the interest cost on the additional 51% acquisition of Recall Singapore.
5. Recall tax expense excluding pro forma adjustments.
6. An adjustment of \$2 million has been made to tax effect the preceding adjustments.

**Figure 3.8 - Reconciliation of Brambles historical income statement to Brambles (after the Demerger) Pro Forma Historical Income Statement for the year ended 30 June 2013<sup>1</sup>**

\$ millions	Reported Brambles	Less Recall	Additional Pro Forma Adjustments	Pro forma Brambles (after the Demerger) <sup>2</sup>
Sales revenue	5,890	807	-	5,083
EBITDA	1,568	190	(5) <sup>3</sup>	1,373
Significant Items	46	16	-	30
Underlying EBITDA	1,614	206	(5)	1,403
Depreciation and amortisation	(557)	(62)	-	(495)
Underlying Profit	1,057	144	(5)	908
Net financing costs	(111)	(18)	(8) <sup>4</sup>	(101)
Income tax expenses	(269)	(43) <sup>5</sup>	4 <sup>6</sup>	(222)
Net profit from continuing operations	677	83	(9)	585
Profit from discontinued operations	1	-	-	1
Net profit	678	83	(9)	586

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

Notes to Figure 3.8:

1. The "Less Recall" adjustment column reflects the historical reported results of Recall adjusted for pro forma net financing costs and income tax expenses. Other than net financing costs, it does not include a pro forma adjustment for the acquisition of Recall Singapore since this is not reflected in the "Reported Brambles" results column which is being adjusted. Net financing costs include the impact of the acquisition of Recall Singapore and this is reversed in the "Additional Pro Forma Adjustments" column. Refer to the reconciliation of the Recall Pro Forma Historical Income Statements to the reported income statements in Figure 2.17 for an analysis of the Recall reported numbers.
2. "Pro forma Brambles (after the Demerger)" is derived by deducting the "Less Recall" column and adding the "Additional Pro Forma Adjustments" column.
3. Corporate costs incurred by Brambles but not charged to Recall in FY13.
4. An adjustment of \$8 million has been made to increase costs attributable to Brambles (after the Demerger) as the financing cost savings to Brambles (after the Demerger) are less than Recall's financing cost due to Brambles' lower cost of finance and the interest cost on the additional 51% acquisition of Recall Singapore.
5. Recall tax expense excluding pro forma adjustments.
6. An adjustment of \$4 million has been made to tax effect the preceding adjustments.

#### 3.9.3.2 Management discussion and analysis on Brambles' (after the Demerger) pro forma historical performance

Commentary on Brambles' historical financial results and the results of its business segments is provided in the Brambles' annual financial report for the years ended 30 June 2011, 30 June 2012 and 30 June 2013. These reports are available at Brambles' website, [www.brambles.com](http://www.brambles.com), or ASX's website, [www.asx.com.au](http://www.asx.com.au).

#### 3.9.4 Brambles (after the Demerger) Pro Forma Historical Cash Flow Statements

The Brambles (after the Demerger) Pro Forma Historical Cash Flow Statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 are shown in Figure 3.9:

**Figure 3.9 - Brambles (after the Demerger) Pro Forma Historical Cash Flow Statements<sup>1</sup>**

\$ millions	Year ended 30 June 2011	Year ended 30 June 2012	Year ended 30 June 2013
<b>EBITDA</b>	<b>1,084</b>	<b>1,267</b>	<b>1,373</b>
Significant Items	48	57	30
<b>Underlying EBITDA</b>	<b>1,132</b>	<b>1,324</b>	<b>1,403</b>
Change in working capital	9	(96)	(50)
Proceeds from disposal	96	92	100
Other (including provisions)	109	52	103
<b>Operating cash flows, before capital expenditure, financing costs and tax</b>	<b>1,346</b>	<b>1,372</b>	<b>1,556</b>
Capital expenditure <sup>2</sup>	(722)	(914)	(864)
<b>Operating cash flows after capital expenditure, before financing costs and tax</b>	<b>624</b>	<b>458</b>	<b>692</b>
Financing costs <sup>3</sup>	(150)	(145)	(106)
Income tax paid <sup>4</sup>	(190)	(182)	(149)
<b>Operating cash flows after capital expenditure, financing costs and tax<sup>5</sup></b>	<b>284</b>	<b>131</b>	<b>437</b>

Notes to Figure 3.9:

1. Excludes discontinued operations.
2. Capital expenditure includes capex on property, plant and equipment and intangibles.
3. Pro forma financing costs are as described in Figures 3.10, 3.11 and 3.12.
4. Pro forma tax costs are as described in Figures 3.10, 3.11 and 3.12.
5. Net operating cash flows exclude payment of dividends, repayment/drawdown of debt, entity acquisitions and settlement of balances between Recall and Brambles on Demerger.

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

#### 3.9.4.1 Reconciliation of Brambles' historical cash flows to Brambles (after the Demerger) pro forma historical cash flows

Set out below is a reconciliation of Brambles historical cash flows to Brambles (after the Demerger) pro forma historical net operating cash flows.

Reconciliation of Brambles historical cash flow statements to Brambles (after the Demerger) Pro Forma Historical Cash Flow Statement are set out in Figures 3.10, 3.11 and 3.12.

**Figure 3.10 - Reconciliation of Brambles historical cash flow statement to Brambles (after the Demerger) Pro Forma Historical Cash Flow Statement for the year ended 30 June 2011<sup>1</sup>**

\$ millions	Reported Brambles	Less Recall	Additional Pro Forma Adjustments	Pro forma Brambles (after the Demerger) <sup>2</sup>
<b>EBITDA</b>	<b>1,289</b>	<b>197</b>	<b>(8)</b>	<b>1,084</b>
Significant Items	48	-	-	48
<b>Underlying EBITDA</b>	<b>1,337</b>	<b>197</b>	<b>(8)<sup>3</sup></b>	<b>1,132</b>
Change in working capital	(15)	(24)	-	9
Proceeds from disposals	101	5	-	96
Other non-cash items	113	4	-	109
<b>Net operating cash flows, before capital expenditure, financing costs and tax</b>	<b>1,536</b>	<b>182</b>	<b>(8)</b>	<b>1,346</b>
Capital expenditure <sup>4</sup>	(811)	(89)	-	(722)
<b>Net operating cash flows, after capital expenditure, before financing costs and tax</b>	<b>725</b>	<b>93</b>	<b>(8)</b>	<b>624</b>
Financing costs	(165)	(21)	(6) <sup>5</sup>	(150)
Income tax paid	(222)	(32) <sup>6</sup>	- <sup>7</sup>	(190)
<b>Net operating cash flows after capital expenditure, financing costs and tax</b>	<b>338</b>	<b>40</b>	<b>(14)</b>	<b>284</b>

Notes to Figure 3.10:

1. Excludes discontinued operations. The "Less Recall" adjustment column reflects the historical reported results of Recall adjusted for pro forma financing costs and income tax paid. Other than net financing costs, it does not include a pro forma adjustment for the acquisition of Recall Singapore since this is not reflected in the "Reported Brambles" results column which is being adjusted. Net financing costs include the impact of the acquisition of Recall Singapore and this is reversed in the "Additional Pro Forma Adjustments" column. Refer to the reconciliation of the Recall reported cash flow statements to Recall Pro Forma Historical Cash Flow Statements in Figure 2.21 for an analysis of the Recall reported numbers.
2. "Pro forma Brambles (after the Demerger)" is derived by deducting the "Less Recall" column and adding the "Additional Pro Forma Adjustments" column.
3. Corporate costs incurred by Brambles but not recharged to Recall in FY11.
4. Capital expenditure includes capex on property, plant and equipment and intangibles.
5. An adjustment of \$6 million has been made to increase costs attributable to Brambles (after the Demerger) as the financing cost savings to Brambles (after the Demerger) are less than Recall's financing cost due to Brambles' lower cost of finance and the interest cost on the additional 51% acquisition of Recall Singapore.
6. Recall tax paid excluding pro forma adjustments.
7. Assumes that cash tax benefit on preceding adjustments is received in FY12.



### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

**Figure 3.11 - Reconciliation of Brambles historical cash flow statement to Brambles (after the Demerger) Pro Forma Historical Cash Flow Statement for the year ended 30 June 2012<sup>1</sup>**

\$ millions	Reported Brambles	Less Recall	Additional Pro Forma Adjustments	Pro forma Brambles (after the Demerger) <sup>2</sup>
<b>EBITDA</b>	<b>1,491</b>	<b>223</b>	<b>(1)</b>	<b>1,267</b>
Significant Items	71	14	-	57
<b>Underlying EBITDA</b>	<b>1,562</b>	<b>237</b>	<b>(1)<sup>3</sup></b>	<b>1,324</b>
Change in working capital	(108)	(12)	-	(96)
Proceeds from disposals	93	1	-	92
Other (including provisions)	47	(5)	-	52
<b>Net operating cash flows, before capital expenditure, financing costs and tax</b>	<b>1,594</b>	<b>221</b>	<b>(1)</b>	<b>1,372</b>
Capital expenditure <sup>4</sup>	(1,003)	(89)	-	(914)
<b>Net operating cash flows after capital expenditure, before financing costs and tax</b>	<b>591</b>	<b>132</b>	<b>(1)</b>	<b>458</b>
Financing costs	(158)	(20)	(7) <sup>5</sup>	(145)
Income tax paid	(215)	(29) <sup>6</sup>	4 <sup>7</sup>	(182)
<b>Net operating cash flows after capital expenditure, financing costs and tax</b>	<b>218</b>	<b>83</b>	<b>(4)</b>	<b>131</b>

Notes to Figure 3.11:

1. Excludes discontinued operations. The "Less Recall" adjustment column reflects the historical reported results of Recall adjusted for pro forma financing costs and income tax paid. Other than net financing costs, it does not include a pro forma adjustment for the acquisition of Recall Singapore since this is not reflected in the "Reported Brambles" results column which is being adjusted. Net financing costs include the impact of the acquisition of Recall Singapore and this is reversed in the "Additional Pro Forma Adjustments" column. Refer to the reconciliation of the Recall reported cash flow statements to Recall Pro Forma Historical Cash Flow Statements in Figure 2.21 for an analysis of the Recall reported numbers.
2. "Pro forma Brambles (after the Demerger)" is derived by deducting the "Less Recall" column and adding the "Additional Pro Forma Adjustments" column.
3. Corporate costs incurred by Brambles but not recharged to Recall in FY12.
4. Capital expenditure includes capex on property, plant and equipment and intangibles.
5. An adjustment of \$7 million has been made to increase costs attributable to Brambles (after the Demerger) as the financing cost savings to Brambles (after the Demerger) are less than Recall's financing cost due to Brambles' lower cost of finance and the interest cost on the additional 51% acquisition of Recall Singapore.
6. Recall tax paid excluding pro forma adjustments.
7. Assumes that cash tax benefit of \$4 million on preceding adjustments from FY11 is received in FY12 and that cash tax benefit on FY12 preceding adjustments is received in FY13.

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

**Figure 3.12 - Reconciliation of Brambles historical cash flow statement to Brambles (after the Demerger) Pro Forma Historical Cash Flow Statement for the year ended 30 June 2013<sup>1</sup>**

\$ millions	Reported Brambles	Less Recall	Additional Pro Forma Adjustments	Pro forma Brambles (after the Demerger) <sup>2</sup>
<b>EBITDA</b>	<b>1,568</b>	<b>190</b>	<b>(5)</b>	<b>1,373</b>
Significant Items	46	16	-	30
<b>Underlying EBITDA</b>	<b>1,614</b>	<b>206</b>	<b>(5)<sup>3</sup></b>	<b>1,403</b>
Change in working capital	(25)	25	-	(50)
Proceeds from disposals	111	11	-	100
Other (including provisions)	101	(2)	-	103
<b>Net operating cash flows, before capital expenditure, financing costs and tax</b>	<b>1,801</b>	<b>240</b>	<b>(5)</b>	<b>1,556</b>
Capital expenditure <sup>4</sup>	(942)	(78)	-	(864)
<b>Net operating cash flows after capital expenditure, before financing costs and tax</b>	<b>859</b>	<b>162</b>	<b>(5)</b>	<b>692</b>
Financing costs	(116)	(18)	(8) <sup>5</sup>	(106)
Income tax paid	(191)	(40) <sup>6</sup>	2 <sup>7</sup>	(149)
<b>Pro forma cash flows after capital expenditure, financing costs and tax</b>	<b>552</b>	<b>104</b>	<b>(11)</b>	<b>437</b>

Notes to Figure 3.12:

1. Excludes discontinued operations. The "Less Recall" adjustment column reflects the historical reported results of Recall adjusted for pro forma financing costs and income tax paid. Other than net financing costs, it does not include a pro forma adjustment for the acquisition of Recall Singapore since this is not reflected in the "Reported Brambles" results column which is being adjusted. Net financing costs include the impact of the acquisition of Recall Singapore and this is reversed in the "Additional Pro Forma Adjustments" column. Refer to the reconciliation of the Recall reported cash flow statements to Recall Pro Forma Historical Cash Flow Statements in Figure 2.21 for an analysis of the Recall reported numbers.
2. "Pro forma Brambles (after the Demerger)" is derived by deducting the "Less Recall" column and adding the "Additional Pro Forma Adjustments" column.
3. Corporate costs incurred by Brambles but not recharged to Recall in FY13.
4. Capital expenditure includes capex on property, plant and equipment and Intangibles.
5. An adjustment of \$8 million has been made to increase costs attributable to Brambles (after the Demerger) as the financing cost savings to Brambles (after the Demerger) are less than Recall's financing cost due to Brambles' lower cost of finance and the interest cost on the additional 51% acquisition of Recall Singapore.
6. Recall tax paid excluding pro forma adjustments.
7. Assumes that cash tax benefit of \$2 million on preceding adjustments from FY12 is received in FY13 and that cash tax benefit on FY13 preceding adjustments is received in FY14.

#### 3.9.5 Brambles (after the Demerger) Pro Forma Historical Balance Sheet

Set out in Figure 3.13 is the Pro Forma Historical Balance Sheet for Brambles (after the Demerger) as at 30 June 2013.

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

Figure 3.13 - Brambles' Pro Forma Historical Balance Sheet

\$ millions	Brambles	Less Recall <sup>1</sup>	Restructure adjustments <sup>2</sup>	Reduction in debt and cash received from Recall <sup>3</sup>	Transaction costs <sup>4</sup>	Brambles (after the Demerger) pro forma
<b>Current assets</b>						
Cash and cash equivalents	129	35	(9)	-	(32)	53
Trade and other receivables	1,124	152	-	-	-	972
Inventories	56	2	-	-	-	54
Derivative financial instruments	11	-	-	-	-	11
Other assets	61	16	-	-	-	45
<b>Total current assets</b>	<b>1,381</b>	<b>205</b>	<b>(9)</b>	<b>-</b>	<b>(32)</b>	<b>1,135</b>
<b>Non-current assets</b>						
Other receivables	9	4	-	-	-	5
Investments	20	19	-	-	-	1
Property, plant and equipment	4,408	372	-	-	-	4,036
Goodwill	1,737	506	-	-	-	1,231
Intangible assets	336	96	-	-	-	240
Deferred tax assets	48	-	(2)	-	-	46
Derivative financial instruments	10	-	-	-	-	10
Other assets	3	-	-	-	-	3
<b>Total non-current assets</b>	<b>6,571</b>	<b>997</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>5,572</b>
<b>Total assets</b>	<b>7,952</b>	<b>1,202</b>	<b>(11)</b>	<b>-</b>	<b>(32)</b>	<b>6,707</b>
<b>Current liabilities</b>						
Trade and other payables	(1,253)	(160)	-	-	-	(1,093)
Borrowings	(157)	-	-	-	-	(157)
Derivative financial instruments	(10)	-	-	-	-	(10)
Tax payable	(63)	(5)	6	-	-	(52)
Provisions	(111)	(16)	-	-	-	(95)
<b>Total current liabilities</b>	<b>(1,594)</b>	<b>(181)</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>(1,407)</b>
<b>Non-current liabilities</b>						
Borrowings	(2,686)	-	(88)	529	-	(2,245)
Provisions	(26)	(5)	-	-	-	(21)
Retirement benefit obligations	(51)	(1)	9	-	-	(41)
Deferred tax liabilities	(545)	(65)	-	-	-	(480)
Other liabilities	(25)	(22)	-	-	-	(3)
<b>Total non-current liabilities</b>	<b>(3,333)</b>	<b>(93)</b>	<b>(79)</b>	<b>529</b>	<b>-</b>	<b>(2,790)</b>
<b>Total liabilities</b>	<b>(4,927)</b>	<b>(274)</b>	<b>(73)</b>	<b>529</b>	<b>-</b>	<b>(4,197)</b>
<b>Intercompany balances between Brambles and Recall</b>	<b>-</b>	<b>(259)</b>	<b>270</b>	<b>(529)</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>3,025</b>	<b>669</b>	<b>186</b>	<b>-</b>	<b>(32)</b>	<b>2,510</b>
<b>Shareholders' equity</b>	<b>3,025</b>	<b>669</b>	<b>186</b>	<b>-</b>	<b>(32)</b>	<b>2,510</b>

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

Notes to Figure 3.13:

1. The Recall balance sheet represents the segment assets and liabilities of Recall which have historically been recorded in the Brambles' consolidated financial statements.
2. Includes consideration paid for various internal restructuring transactions (including the acquisition of an additional 51% of Recall Singapore), a proposed dividend from Recall and an adjustment for Recall's proportion of the Brambles United Kingdom Pension Plan (defined benefit plan) deficit which will be extinguished pre-Demerger by Brambles, and associated tax costs. Includes tax payable on pro forma FY13 corporate cost and financing cost adjustments.
3. An adjustment of \$529 million has been made to non-current borrowings to reflect the repayment of Recall's liability to Brambles and pay down of Brambles external debt.
4. An adjustment to cash has been made to reflect Demerger transaction costs to be incurred by Brambles, of which \$21 million are expected to be incurred after the Demerger. \$4 million of transaction costs have been incurred at 30 June 2013. It has been assumed these costs are not tax deductible.

#### 3.9.6 One-off transaction costs

The total one-off transaction costs of the Demerger are estimated to be approximately \$62 million. Approximately \$22 million of one-off transaction costs is expected to be incurred prior to the Scheme Meeting. One-off transaction costs relate to a range of activities associated with the Demerger, including advisory fees, expenses associated with establishing Recall's debt facilities, restructuring costs associated with separating Recall and Brambles including associated information technology expenditures and management retention costs. These costs are summarised in Figure 3.14.

**Figure 3.14 - Breakdown of one-off transaction costs**

<b>\$ millions</b>	
Advisory fees	30
Financing costs	5
IT costs	6
Management retention costs	11
Other costs	3
Tax	7
<b>Total</b>	<b>62</b>

Of the one-off costs:

- Approximately \$36 million is expected to be borne by Brambles, of which approximately \$15 million is expected to be incurred prior to the Scheme Meeting; and
- Approximately \$26 million is expected to be borne by Recall of which \$5 million is capitalised finance costs, \$10 million is cash costs mainly relating to information technology separation and advisory costs resulting from the Demerger and \$11 million is equity settled share based payments to be granted to Recall management.

#### 3.9.7 Debt facilities and cash

Brambles debt funding is generally sourced from relationship banks and debt capital market investors on a medium to long term basis. The bank borrowing facilities are generally structured on a multi-currency revolving basis with expiry dates of the committed facilities ranging out to November 2017 and loan notes having maturities out to April 2020. The average term to maturity of the committed bank facilities and the loan notes is equivalent to 3.6 years. These facilities are unsecured and are guaranteed. Following the Demerger, Brambles expects to retain its outstanding loan notes and bank borrowing facilities. At the Demerger Date, Brambles intends to repay a portion of its bank borrowings from the repayment of Recall's liability to Brambles.

Following the reduction in debt at the Demerger Date, Brambles may review its overall level of borrowing facilities having consideration to the debt maturity profile and future funding requirements of the Pooling Solutions business. Brambles' debt facilities are summarised in Figure 3.15.

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

**Figure 3.15 - Brambles' debt facilities<sup>1</sup>**

\$ millions	Pro forma as at 30 June 2013
Total facilities:	
Committed borrowing facilities	2,188
Loan notes	1,765
Credit standby/uncommitted/overdraft arrangements	278
<b>Total</b>	<b>4,231</b>
Facilities utilised at reporting date:	
Committed borrowing facilities	528
Loan notes	1,765
Credit standby/uncommitted/overdraft arrangements	78
<b>Total</b>	<b>2,371</b>
Facilities available at reporting date:	
Committed borrowing facilities	1,660
Credit standby/uncommitted/overdraft arrangements	200
<b>Total</b>	<b>1,860</b>

Note to Figure 3.15:

1. Brambles' facilities have been reduced by \$7 million to reflect facilities advanced to Recall. Brambles' utilised facilities have been reduced by a net \$441 million to reflect (i) repayment by Recall of the expected \$529 million liability owing to Brambles at demerger, and (ii) increase in borrowings of \$88 million to fund the 51% additional acquisition of Recall Singapore.

Brambles' cash and cash equivalents are summarised in Figure 3.16.

**Figure 3.16 - Brambles' cash and cash equivalents**

\$ millions	Pro forma as at 30 June 2013
Cash at bank and in hand	47
Short term deposits	6
<b>Total</b>	<b>53</b>

#### 3.9.8 Brambles' debt maturity profile

Figure 3.17 sets out Brambles 30 June 2013 debt maturity profile adjusted for the Recall Singapore acquisition and the repayment of Recall's intercompany liability to Brambles.

**Figure 3.17 - Brambles' debt maturity profile**

\$ millions	Type	Total facilities	Facilities used <sup>1</sup>	Facilities available
Less than one year	Unsecured bank loans <sup>2</sup> /loan notes <sup>4</sup> /overdrafts/finance leases/other loans	332	134	198
1-2 years	Unsecured bank loans <sup>2</sup> /loan notes <sup>3,5</sup> /finance leases/other loans	868	490	378
2-3 years	Unsecured bank loans <sup>2</sup> /loan notes <sup>4</sup> /finance leases	945	335	610
3-4 years	Unsecured bank loans <sup>2</sup> /loan notes <sup>3</sup> /finance leases	585	236	349
4-5 years	Loan notes <sup>7</sup>	981	656	325
Over 5 years	Loan notes <sup>4,6</sup>	520	520	-
<b>Total</b>		<b>4,231</b>	<b>2,371</b>	<b>1,860</b>

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

Notes to Figure 3.17:

1. Facilities used represent the principal value of loan notes and borrowings drawn against the relevant facilities to reflect the correct amount of funding headroom. This amount is lower by \$31 million compared to loan notes and borrowings as shown in the balance sheet as the balance sheet is measured on the basis of amortised cost as determined under the effective interest method and includes accrued interest and fair value adjustments on certain hedging instruments.
2. Unsecured bank loans include the following: (i) revolving loans in various currencies priced off LIBOR and drawn under multi-currency global banking facilities with a range of maturities out to November 2017; and (ii) various regional banking facilities providing local currency funding to certain subsidiaries. Included in bank loans are borrowings of \$433 million which have been designated as a hedge of the net investment in Brambles' European subsidiaries and are being used to partially hedge Brambles' exposure to foreign exchange risks on these investments.
3. Notes issued in August 2004 in respect of \$425 million US private placement of which \$171 million was redeemed in August 2011. The terms of the outstanding notes are (i) Series B \$157 million 5.77% Guaranteed Senior Unsecured Notes due 4 August 2014 and (ii) Series C \$96 million 5.94% Guaranteed Senior Unsecured Notes due 4 August 2016.
4. Notes issued in May 2009 in respect of \$110 million US private placement. The terms of the note are (i) Series A \$35 million 7.29% Guaranteed Senior Unsecured Notes due 7 May 2014; (ii) Series B \$55 million 7.83% Guaranteed Senior Unsecured Notes due 7 May 2016; and (iii) Series C \$20 million 8.23% Guaranteed Senior Unsecured Notes due 7 May 2019.
5. Notes issued in March 2010 to qualified institutional buyers in accordance with Rule 144A and Regulation S of the *United States Securities Act*. The terms of the notes are (i) \$250 million 3.95% Guaranteed Senior Notes due 1 April 2015; and (ii) \$500 million 5.35% Guaranteed Senior Notes due 1 April 2020.
6. \$450 million of loan notes have been hedged with interest rate swaps for fair value risk. In accordance with AASB139, the carrying value of the notes have been adjusted to increase debt by \$17 million in relation to changes in fair value attributable to the hedged risk.
7. Notes issued in April 2011 in the European bond market in respect of €500 million of 4.625% Guaranteed Senior notes due 20 April 2018.

#### 3.9.9 Contingencies at 30 June 2013

Brambles subsidiaries have contingent unsecured liabilities in respect of guarantees given relating to performance under contracts entered into totalling \$65 million, of which \$49 million is also guaranteed by Brambles Limited. \$16 million is also guaranteed by Brambles Limited and certain of its subsidiaries under a deed of cross-guarantee.

A subsidiary of Brambles has guaranteed certain lease obligations of a Brambles subsidiary to third parties totalling \$2 million.

Subsidiaries of Brambles have provided guarantees to support lease facilities entered into by certain Recall entities. Recall will indemnify Brambles under the Demerger Deed, in respect of these contingent liabilities.

Brambles' activities have 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.

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.

Brambles has given vendor warranties in relation to businesses sold in prior years. Brambles has recognised the financial impact of such vendor warranties and adjustments on the basis of information currently available. A contingent liability exists for any amounts which may ultimately be borne by Brambles which are in excess of the amounts provided at 30 June 2013.

Details on indemnities after the Demerger are provided in Section 5.7.2.

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

#### 3.9.10 Operating lease commitments

Brambles' operating lease commitments as at 30 June 2013 are shown in Figure 3.18:

**Figure 3.18 - Operating lease commitments**

\$ millions	Brambles	Recall <sup>1</sup>	Pro forma Brambles (after the Demerger) as at 30 June 2013
No later than one year	232	110	122
Later than one year but not later than five years	601	304	297
Later than five years	280	161	119
<b>Total</b>	<b>1,113</b>	<b>575</b>	<b>538</b>

Note to Figure 3.18:

1. Excluding Recall Singapore.

#### 3.9.11 Trade and other receivables

Trade receivables are non-interest bearing and are generally on 30-90 day terms. A provision for doubtful receivables is established when there is a level of uncertainty as to the full recoverability of the receivable, based on objective evidence. A summary of debtors is shown in Figure 3.19.

**Figure 3.19 - Trade and other receivables**

\$ millions	Pro forma as at 30 June 2013
<b>Current</b>	
Trade receivables	776
Provision for doubtful receivables	(17)
Net trade receivables	759
Other debtors	115
Accrued and unbilled revenue	98
<b>Total</b>	<b>972</b>
<b>Non-current</b>	
Other receivables	5

#### 3.9.12 Property, plant and equipment

Brambles' property, plant and equipment is depreciated on a straight line basis or reducing balance basis over their expected useful lives. Management reviews the appropriateness of useful economic lives of assets at least annually, but any changes to useful economic lives could affect prospective depreciation rates and asset carrying values. A summary of property, plant and equipment is shown in Figure 3.20.

**Figure 3.20 - Property, plant and equipment**

\$ millions	Pro forma as at 30 June 2013
<b>Plant and equipment</b>	
At cost	6,606
Accumulated depreciation	(2,594)
<b>Total carrying value</b>	<b>4,012</b>
<b>Land, buildings and improvements</b>	
At cost	50
Accumulated depreciation	(26)
<b>Total carrying value</b>	<b>24</b>
<b>Total</b>	<b>4,036</b>

### 3. OVERVIEW OF BRAMBLES (AFTER THE DEMERGER) - CONTINUED

#### 3.9.13 Goodwill and intangible assets

Brambles' pro forma intangible assets, other than indefinite life intangible assets, are amortised on a straight line basis over their useful economic lives. At each reporting date, an assessment is made whether there is any indication that an intangible asset may be impaired. When an indicator of impairment exists, a formal estimate of the recoverable amount is made. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Figure 3.21 shows the goodwill and intangible assets as they relate to Brambles (after the Demerger).

**Figure 3.21 - Goodwill and Intangible assets**

\$ millions	Pro forma as at 30 June 2013
Goodwill	1,231
Intangible assets	
Other <sup>1</sup>	194
Software	46
<b>Total</b>	<b>1,471</b>

Notes to Figure 3.21:

1. Relates primarily to acquired customer relationships, customer lists and agreements.

#### 3.9.14 Demerger accounting

Accounting for demerger transactions is addressed in IFRIC 17 "Distributions of Non-cash Assets to Owners". This interpretation requires that any obligations for distributions made by a company to its shareholders should be recognised and measured under AASB 137 "Provisions, Contingent Liabilities and Contingent Assets" and that all liabilities for distributions payable should be measured in accordance with AASB 137 at the fair value of the assets to be distributed. The fair value of the assets to be distributed - the fair value of Recall in this case - will be determined by reference to the VWAP of Recall Shares as traded on ASX (whether on an ordinary or deferred settlement basis) over the first five trading days after the Effective Date.

As no guidance is provided in AASBs as to where a debit to equity should be recorded for the recognition of a distribution liability, the value of the Capital Reduction has been determined by reference to the tax allocation which is expected to be supported by an ATO ruling. Within Brambles' equity accounts, the fair value of Recall Shares will be allocated between the Capital Reduction and the Demerger Dividend. The Demerger Dividend will be the difference between the fair value of Recall Shares demerged by Brambles and the Capital Reduction.

On the Effective Date, Brambles will recognise a provision based on the estimated fair value of Recall Shares, which is expected to exceed Recall's book value of its net assets. This liability will be settled through the transfer of the Recall Shares under the Scheme. At that time, the difference between the book value of the net assets transferred and the fair value of Recall Shares will be recognised as income to Brambles and included in Brambles' FY14 income statement within discontinued operations. For illustrative purposes only, a range of fair values and the implied profit on demerger amounts are set out in Figure 3.22.

**Figure 3.22 - Profit on Demerger**

	Recall's VWAP over the first five days of trading				
	A\$3.00	A\$3.50	A\$4.00	A\$4.50	A\$5.00
Implied market value (US\$m)	854	997	1,139	1,281	1,424
Recall net assets (US\$m)	513	513	513	513	513
Profit on Demerger (US\$m)	341	484	626	768	911

Notes to Figure 3.22:

1. A\$ share price is converted to US\$ at an exchange rate of A\$/US\$ 0.9134 for the purpose of calculating the US\$ implied fair market value.

#### 3.9.15 Material changes in financial position since most recent balance date

The most recent published financial statements of Brambles are included in its annual report for the year ended 30 June 2013, which was released to ASX on 9 September 2013. To the knowledge of the Brambles Directors, as at the date of this Scheme Book there has not been a material change in the financial position of Brambles since 30 June 2013, except as disclosed in this Scheme Book. Any material change in the financial position of Brambles after the date of this Scheme Book and prior to the Second Court Hearing will be disclosed in announcements to ASX.

Brambles will provide, free of charge, a copy of Brambles' 2013 annual report to any person who requests a copy before the Scheme is approved by the Court.





## 4. ADVANTAGES, DISADVANTAGES AND KEY RISKS

The Brambles Directors are of the view that the advantages of the Demerger outweigh the disadvantages and risks. Each Brambles Director recommends that Brambles Shareholders vote in favour of each of the resolutions at the Scheme Meeting and the General Meeting.

Brambles Shareholders should carefully consider the following advantages, disadvantages and risks of the Demerger, as well as the potential risks associated with an investment in Recall set out in Section 4.4, the potential risks associated with an investment in Brambles (after the Demerger) set out in Section 4.5, the general investment risks in Section 4.6 and the concise version of the Independent Expert's Report contained in Section 8, in deciding whether or not to vote in favour of the resolutions required to implement the Demerger.

### 4.1 Advantages of the Demerger

#### 4.1.1 Allows Brambles (after the Demerger) and Recall to focus on their core businesses

The Demerger should enable the respective Brambles and Recall management teams to completely focus on their respective business plans and respond with greater flexibility to challenges and opportunities as they present themselves.

#### 4.1.2 Positions both Brambles (after the Demerger) and Recall to independently pursue their respective growth objectives

Brambles and Recall both have a range of growth opportunities which they will be able to focus on and pursue independently following the Demerger.

Recall has opportunities to grow its core businesses through customer acquisitions in the unvented segment, geographic expansion and bolt-on acquisitions, along with opportunities to further extend into workflow automation and other ancillary business segments.

Brambles has a range of opportunities to grow its Pooling Solutions businesses into its adjacent segments, products and geographies.

#### 4.1.3 Enables better allocation of Brambles' (after the Demerger) and Recall's capital resources, tailored to each company's needs

Following the Demerger, Brambles and Recall will be able to adopt independent capital structures and financial policies appropriate for their respective operational requirements and strategic objectives.

Details of the proposed capital structures of Recall and Brambles (after the Demerger) are set out in Sections 2 and 3. The capital structure and financial policies of Recall and Brambles (after the Demerger) will be at the discretion of their respective boards and are subject to change or alteration as circumstances require.

#### 4.1.4 Provides shareholders with a choice of investment in two independent ASX listed companies of scale

The operating characteristics and financial policies of Brambles (after the Demerger) and Recall differ and may appeal to different types of investors. Their combination within a single group does not provide choice for investors who seek an investment in one of the businesses, but not the other.

While Brambles (after the Demerger) will continue to hold the majority of the business currently conducted by Brambles, both Brambles (after the Demerger) and Recall will be companies of substantial size listed on ASX.

Once Recall Holdings is separately listed on ASX, existing and future investors will have greater investment choice and opportunities to manage their exposure to each business according to their investment objectives. Shareholders will be free to increase, decrease or hold their existing exposure to Brambles or Recall as they desire.

#### 4.1.5 More likely to enhance Brambles Shareholder value over the long term than currently available alternatives

The Brambles Directors are of the view that a Demerger is more likely to enhance value for Brambles Shareholders over the long term than maintaining the currently available alternatives. Before reaching this view the Brambles Directors considered a number of alternatives outlined in Section 1 under the question "What alternatives did the Brambles Board consider?"

Additionally, the Brambles Directors recognise that the growth opportunities in Pooling Solutions are sufficiently compelling to drive a single focus for Brambles.

## 4. ADVANTAGES, DISADVANTAGES AND KEY RISKS - CONTINUED

### 4.2 Disadvantages of the Demerger

#### 4.2.1 Brambles (after the Demerger) will be less diversified than Brambles prior to the Demerger

While Brambles (after the Demerger) will be exposed to equity and debt market fluctuations as well as broader market conditions as a less diversified company, it will remain a sizeable company with exposure to a range of geographies, customers and products. Additionally, shareholders can achieve diversification through their own investments and, in particular, by retaining shares in both Brambles (after the Demerger) and Recall.

Similarly, Brambles (after the Demerger) will be a less diversified business from a credit perspective. However after the Demerger announcement, Brambles' primary credit ratings agencies confirmed that their respective ratings are expected to remain unchanged as a result of the Demerger.

#### 4.2.2 As a standalone entity, Recall Holdings is expected to incur additional corporate costs and the cost and liquidity of future funding may not be as favourable as those for Brambles

Following the Demerger, Recall Holdings will be a standalone entity, listed on ASX, which will necessarily involve standalone corporate costs estimated to be approximately \$14 million per annum. For further information regarding additional operating costs, refer to Section 2.16.3.1.

While Recall will no longer benefit from Brambles' financial support, Recall has arranged \$800 million of debt facilities on competitive terms and has a strong cash flow profile and ability to service debt.

#### 4.2.3 Transaction and implementation costs of \$62 million are expected to be incurred, of which approximately \$22 million are expected to have been incurred prior to the Scheme Meeting

Total transaction and implementation costs in relation to the Demerger are estimated to be approximately \$62 million. Approximately \$22 million of these costs will have been paid prior to the Meetings when Brambles Shareholders will vote on the Demerger.

### 4.3 Key risks associated with the Demerger

#### 4.3.1 Advantages of the Demerger may not materialise

After the Demerger, Brambles and Recall may not be able to achieve some or all of the expected potential advantages of a demerger as outlined in Section 4.1. If Brambles and Recall fail to achieve some or all of the benefits, their respective businesses, financial condition and results of operations could be materially and adversely affected.

#### 4.3.2 Uncertainty about the combined market value of Brambles Shares and Recall Shares after the Demerger

The Brambles Directors are of the view that the Demerger will enhance value for Brambles Shareholders over time; however, it is not possible to predict the market value of Recall Shares and Brambles Shares after the Demerger. There can be no assurance that an active trading market will develop for Recall Shares after the Demerger, or that Recall Shares will trade on ASX at any particular price. Following the Demerger, some shareholders may adjust their holdings in Recall or Brambles. There is a risk that the combined market value of Recall and Brambles (after the Demerger) will be less than the market value of Brambles immediately before the Demerger, particularly while the shareholder base for each company evolves. Brambles Shareholders should also note that if the Demerger does not proceed, there is no assurance that Brambles Shares will continue to trade at prices in line with recent levels.

#### 4.3.3 Recall's pro forma financial statements do not necessarily reflect the results of an independent, public listed company

Recall does not have an operating history as an independent, public listed company. The pro forma financial statements included in Section 2 do not necessarily reflect the results of operations, cash flows and financial condition that Recall would have achieved as an independent, public listed company during the periods presented or those that it will achieve in the future, due to the following factors:

- Brambles has historically provided Recall with working capital requirements and capital for general corporate purposes, including acquisitions and capital expenditure, and managed and retained cash generated by the Recall business. After the Demerger, Brambles will not be providing Recall with funds to finance its working capital or other cash requirements. Without the opportunity to obtain capital from Brambles, Recall may need to obtain external funding and there is no guarantee that such funding will be available to Recall at all or on terms that are as favourable as those it could have obtained as part of Brambles;

## 4. ADVANTAGES, DISADVANTAGES AND KEY RISKS - CONTINUED

- The Recall business has been operated by Brambles as part of its broader corporate organisation and is supported by Brambles' corporate infrastructure including group accounting, treasury, taxation, superannuation, legal, insurance administration, investor relations and general human resources. Recall's pro forma financial statements reflect allocations of corporate expenses from Brambles for these and similar functions. These allocations may be more or less than the comparable expenses Recall would have incurred had it operated as an independent, public listed company; and
- Recall has benefited from Brambles' operating diversity, size and purchasing power and may lose these benefits as an independent company.

### 4.3.4 Potential for delays, unexpected costs or other issues in establishing Recall as a standalone legal entity

As part of the implementation of the Demerger, Recall is replacing corporate infrastructure and support services provided by Brambles with internal capability and third party contracts. Migration of data from an active directory shared by Brambles and Recall will also take place as part of that implementation and is expected to be completed within 12 months from Demerger. A Transitional Service Agreement with Brambles supporting Recall will be implemented at the time of the Demerger. Recall may also enter into contracts with third party providers following the Demerger. Details of the proposed Transitional Service Agreement are set out in Section 5.7.4. During Recall Holdings' transition to being a standalone entity, it may incur some one-off costs to implement these processes and it may take some time to ensure that all processes are operating fully and efficiently. There is a risk that the establishment of these capabilities may take longer than expected or may involve greater costs than anticipated. There is also a risk that the migration of data from the active directory may take longer than expected, may result in a loss or corruption of data or be more difficult to complete than currently anticipated. This could result in additional costs being incurred by Recall to complete the migration or to replace lost data.

### 4.3.5 Potential inability to obtain third party consents

#### Customer change of control consents

Certain customer contracts include clauses that enable the counterparty to terminate the contract on the occurrence of a change of control of a Recall entity which occurs without the consent of the customer. In some cases these clauses apply in the circumstances of the Demerger. Not all change in control clauses are triggered by the Restructure and Demerger, depending on the terms of each clause. Recall management has assessed the need to obtain consent from key customers and has begun the process of contacting the relevant customers.

#### Other change of control consents

Supplier contracts and leases held by Recall also contain change in control clauses which benefit the relevant supplier or landlord. Again, not all change in control clauses are triggered by the Restructure or Demerger as it depends on the terms of each clause.

#### Transitional arrangements

Under a Transitional Services Agreement, Brambles will provide certain information technology services to Recall directly for a transitional period following the Demerger. Those services may require the consent of or an agreement with a third party to enable Brambles to provide the services. If those are not forthcoming, alternative arrangements may need to be implemented to provide the relevant services to Recall (to the extent not practicable for Recall to procure its own replacement arrangements).

#### Parent company guarantees

Brambles Limited has given parent company guarantees for the benefit of Recall entities. Recall and Brambles are each obliged to use their best endeavours to procure releases of any guarantees given in connection with their respective businesses by the other from the relevant third party beneficiaries of those guarantees. Under the Demerger Deed, Recall and Brambles will cross indemnify each other for any claims or liabilities under these guarantees which relate to their respective businesses. Refer to Section 5.7.2 for a description of these (and other relevant) arrangements.

### 4.3.6 Risks associated with the Restructure

Some of the transactions underlying the Restructure will not be entered into or effected on the same terms as could have been obtained from third parties. In particular, it is likely that agreements for the transactions underlying the Restructure will not include terms which might be expected under a negotiated arm's length agreement, such as certain warranties and indemnities that may have been obtained from third parties. Further, some share transfer transactions that are to be implemented as part of the Restructure are to be undertaken at book value.

## 4. ADVANTAGES, DISADVANTAGES AND KEY RISKS - CONTINUED

Further, a regulator or government authority in any jurisdiction relevant to the Restructure may seek information or request submissions on, or oppose, one or more transactions which are to be undertaken or have been undertaken in connection with the Restructure. Adverse findings by any regulator or government authority could result in certain negative consequences, including, for example, fines, penalties or unwinding of aspects of the Restructure.

As part of the Restructure, Recall's US entities will be transferred under the ownership of Recall Holdings. Recall Holdings has sought a ruling from the US Internal Revenue Service ("IRS") that this transfer is not taxable in the US pursuant to the Internal Revenue Code of 1986 as amended. There is a risk the IRS will not issue this ruling and the transaction otherwise fails to qualify as tax-free, which would mean the transfer of Recall's US entities to Recall Holdings would be a taxable transaction in the US, potentially resulting in significant income tax expense to Brambles. Brambles US and Recall US have carry forward income tax losses which would be used in these circumstances (rather than otherwise being carried forward for use against any future taxable gains and profits) to offset any such taxable gain so that the cash tax payable on the transfer of Recall US would be reduced to an immaterial amount.

In addition, as part of the Restructure, Recall's Canadian businesses will be transferred to Recall Holdings. Recall Holdings has sought a ruling from the Canadian Revenue Authority ("CRA") that the transfer of Recall Canada to Recall Holdings is not subject to tax in Canada. There is a risk that the CRA may not issue this ruling in which case the transfer of Recall Canada to Recall Holdings would be taxable in Canada.

In certain circumstances, material changes to Recall's business after the Demerger could result in US or Canadian taxes being payable in relation to the Restructure, notwithstanding any prior rulings received. Accordingly, Recall has given Brambles certain undertakings and indemnities in the Demerger Deed in respect of any tax liabilities arising in those circumstances, as described at section 5.7.2 (o).

### 4.3.7 The Court may not approve the Scheme or its approval may be delayed

There is a risk that the Court may not approve the Scheme or that the approval of the Court is delayed. If the Scheme is not approved by the Court then unrecoverable transaction costs already paid are estimated to be approximately \$22 million.

### 4.3.8 The ATO or other tax authorities may conclude that demerger tax relief is not available

Brambles has applied for a class ruling from the ATO that demerger tax relief will be available for Australian resident Brambles Shareholders who hold their Brambles Shares on capital account. Where demerger tax relief is available and Australian resident Brambles Shareholders make the choice to apply this relief, they will disregard any capital gain or loss from the Demerger and the cost base in respect of their Brambles Shares will be allocated between their Brambles Shares and Recall Shares. Further, the transfer of Recall Shares to Brambles Shareholders under the Demerger will not be regarded as a dividend which is assessable to Brambles Shareholders.

However, if the ATO concludes that demerger tax relief is not available or seeks to apply the anti-avoidance rules applicable to demergers, then Australian resident Brambles Shareholders may have an assessable capital gain and the transfer of Recall Shares to Brambles Shareholders under the Demerger may be taxable as an unfranked dividend in the hands of Brambles Shareholders. Section 6 provides further information on the general income tax implications for Brambles Shareholders.

Brambles has also applied for a private binding ruling from the ATO seeking the ATO's confirmation that Brambles will be entitled to demerger tax relief in respect of the transfer of Recall Shares to Brambles Shareholders and accordingly will disregard any capital gain or capital loss on the transfer.

## 4.4 Risks associated with an investment in Recall

This Section outlines a number of risks that may adversely affect the future operating or financial performance or prospects of Recall, and investment returns or value of Recall Shares, after the Demerger.

### 4.4.1 Inability to maintain information security or inadequate contract management

Recall's information management solutions are underpinned by its customers' need for highly secure information transportation, storage and destruction of confidential information. This includes the storage and protection of customers' information from unauthorised access, use, disclosure, destruction, modification or disruption. The inability of Recall to offer its customers highly secure information management solutions may adversely impact Recall's reputation and cause reputational and financial loss to its customers. Any breaches of information security standards may impact Recall's ability to retain customers or win contracts with new customers which could have a material impact on Recall's operational and financial performance.

## 4. ADVANTAGES, DISADVANTAGES AND KEY RISKS - CONTINUED

In addition, any inadequate or undocumented customer contracts could give rise to a potential exposure to customer disputes and legal liability in the event of a service failure, such as loss of customer data.

### 4.4.2 Inability to comply with regulatory obligations (including increased governmental focus globally on data security and privacy)

Government regulations affect all aspects of Recall's operations. Those regulations impose obligations on Recall in respect of customer privacy, customer compliance programs, IT, security, transport, occupational health and safety, environmental protection, security over personal property and competition, among other things. Recall also has specific compliance obligations in respect of certain heavily regulated customers (e.g. financial institutions).

For example, fire safety regulations in various jurisdictions in which Recall operates require Recall to hold relevant permits. While Recall does not currently hold all of these permits, it has a formal process in place to obtain them. Recall has obtained confirmation from local authorities that failure to hold these permits does not prevent it from continuing its operations in any jurisdiction. Recall's insurers have also confirmed that existing insurance policies remain in full force and effect despite any such non-compliance with the fire safety regulations.

If Recall is unable to comply with its regulatory obligations, it could give rise to litigation, adversely affect licences held by Recall to operate its business and damage its reputation which could adversely affect its operational and financial performance. There may be delays in obtaining or renewing necessary permits or licences key to Recall's businesses. In addition, any material change or increase in regulatory obligations could also adversely affect the viability of Recall's current business model and strategies.

In particular, there has been increased governmental focus globally on data security and privacy. For example, in the United States, there has been an increase in state-based regulation regarding the transmission and safekeeping of personal information, in response to publicised incidents in which electronically stored information has been lost, illegally accessed or stolen. US states have adopted breach of data security statutes or regulations that require notification to customers if the security of their personal information is breached. Certain federal laws and regulations affecting financial institutions, health care providers and plans and others impose requirements regarding the privacy and security of information maintained by those institutions as well as notification to persons whose personal information is lost or accessed by an unauthorised third party. In addition, federal rules in the US are mandating the conversion of medical records into digital format. Some of these laws and regulations provide for civil fines in certain circumstances and require the adoption and maintenance of privacy and information security programs. Compliance with these requirements could increase Recall's operational costs while non-compliance may adversely affect Recall's business.

Continued governmental focus on data security may also lead to additional legislative action. For example, the European Commission has proposed a new regulation and directive that is anticipated to significantly alter the security and privacy obligations of entities that process data of citizens of members of the European Union.

Regulatory changes may require Recall to modify its operations to further improve data security and comply with those regulations. Recall may not be able to fully offset any increased costs by increasing the rates charged for the services it provides to its customers.

### 4.4.3 Competition and loss of major customers

Recall has a number of competitors across all the regions in which it operates. Actions by Recall's competitors (e.g. aggressive pricing strategies) or the entry of new competitors may disadvantage Recall's market position and result in a loss of market share, price reductions and/or underutilisation of Recall's facilities. Any of these occurrences could materially impact Recall's operational and financial performance.

Recall has some customers where their contribution to Recall's revenue is significant. There is a risk that these customers decide to reduce their business with Recall. Any loss or significant impact on Recall's customer relationships could have a material adverse impact on Recall's financial performance.

In addition, due to general economic conditions and other factors, some of Recall's customers have become more cost conscious and aware of their information management solutions expenditure. Some customers have implemented strategies designed to reduce costs associated with the retention of documents, including reducing the volumes of documents retained, higher destruction of documents and increased pricing pressure. A continuation or increase of these cost reduction strategies, or increased pricing pressure on Recall could have a material adverse impact on Recall's financial performance.

## **4. ADVANTAGES, DISADVANTAGES AND KEY RISKS - CONTINUED**

### **4.4.4 Failure to adapt business environment changes**

Recall's business models have been proven to be profitable. However, they may be impacted by changes in market conditions such as paper pricing and fuel costs. Rapid and sustained changes in these and other business conditions in the markets that Recall serves may support competitive service offerings and result in decreased demand for Recall's services, increases in its costs and reduced profitability.

If key services or technologies were to be rendered obsolete through market developments, for example changes in customer demand for different document storage solutions, Recall could require substantial capital expenditure to adjust its business models to meet those developments, and/or face potential impairment of the carrying value of its existing assets.

### **4.4.5 Reduction in physical paper records storage**

Recall currently derives the majority of its revenue from the storage of paper documents and storage related services. This storage requires significant physical space. The risk and acceleration within the market of physical paper to digital conversion for document retention and the adoption of electronic storage technologies may result in decreased customer demand for physical paper records storage and related services. A significant shift by customers to storage of data through non-paper-based technologies, whether currently existing or developed in the future, could adversely affect Recall's physical document storage, secure destruction and related businesses.

### **4.4.6 Disruptions to systems and technology impairing ability to provide services**

Recall relies extensively on information technology and communication systems to process transactions, manage its businesses and track resources. In particular, given the number of individual transactions that Recall is required to process, uninterrupted operation of computer systems is critical.

Recall has independent and physically separate primary and secondary computer systems, as well as offsite storage, advanced fire and smoke suppression systems, and a disaster recovery plan. However, Recall's computer systems, including back-up systems, are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, catastrophic events such as fires, tornadoes and hurricanes, and usage errors by its employees. If Recall's computer systems and back-up systems are damaged or cease to function properly, or suppliers cease to support its existing systems, Recall may have to make a significant investment to fix or replace them, and it may suffer interruptions in its operations in the interim. Any material interruption in Recall's computer systems or back-up systems may adversely affect its operational and financial performance. Interruption or failure of these systems could impair Recall's ability to provide its services effectively and materially damage its reputation and ability to attract and retain customers.

The risk of system disruption is increased when significant system changes are undertaken. If Recall fails to integrate its computer systems and processes, it may fail to realise the cost savings anticipated to be derived from these initiatives. There is also a risk that the actual cost of any system upgrade may be higher than the amount budgeted.

### **4.4.7 Inability to attract, develop and retain high performing individuals**

In order to manage and operate its business effectively, Recall must attract, develop and retain high performing individuals across the company. Recall's challenges in finding suitable executives include recruiting external candidates for executive positions, with the necessary experience and recruiting or transferring executives who are suitable for each of the various countries, cultures and business environments in which Recall's global businesses operate. The Recall Executive Leadership Team includes some members who have recently joined Recall. New executives and employees who are recruited externally do not have the institutional knowledge and experience with the Recall business available to previous or existing executives and employees.

Recall also faces the challenges of maintaining a reputation as an attractive place to work and to enable talented individuals to be developed and promoted within Recall. To do so, Recall must ensure it has a remuneration structure that meets market expectations, quality human resources and training systems and opportunities for advancement (including effective succession planning). If Recall fails to attract, develop and retain sufficient high performing individuals, it may not manage its business effectively and may not be able to meet its growth objectives.

### **4.4.8 Insufficient growth or inability to execute strategy**

Recall seeks to grow its business by expanding its services within existing geographies and industry segments, introducing its services into new industry segments, expanding geographically, targeting acquisitions, innovating

## 4. ADVANTAGES, DISADVANTAGES AND KEY RISKS - CONTINUED

to develop new products and service offerings and improving customer satisfaction. Growth is important to Recall's strategy. Recall may fail to effectively implement growth strategies or devote sufficient resources to new business initiatives or select and pursue sub-optimal corporate strategies, business models, financial structures or allocation of capital that could, in each case, inhibit the growth of Recall's business. This may have an impact on Recall's daily operations, profitability, demand for Recall's services, employee retention, asset carrying values and investor confidence in the business and its management.

Recall's participation in developing markets, and expansion into new geographies and segments, poses certain risks. For example, Recall may be unable to: effectively participate in these markets; successfully acquire and integrate businesses or technologies to complement its current service offerings; keep up with technological changes, evolving industry expectations and changing customer requirements; develop, hire or otherwise obtain the necessary technical expertise; accurately predict the size of the markets for any of its services; or compete effectively against other companies that possess alternative platforms, technologies or service offerings. For example, the digital data management solutions and new products offered by Recall may not gain or retain market acceptance, or business partners upon whom Recall depends for technical and management expertise, and the hardware and software products it needs to complement its services may not perform as expected.

If Recall succeeds in growing its business, that expansion may place increased demands on its management, operating systems, internal controls and financial and physical resources. If not managed effectively, these increased demands may adversely affect the quality of the services that Recall provides to existing customers. In addition, existing personnel, systems, procedures and controls may be inadequate to support future operations. Consequently, in order to manage growth effectively, Recall may be required to increase expenditures to increase its physical resources, expand, train and manage its employee base, improve management, financial and information systems and controls, or make other capital expenditure. Recall's operational and financial performance could be harmed if it encounters difficulties in effectively managing the budgeting, forecasting and other process control issues presented by future growth.

### 4.4.9 Inability to innovate or take advantage of technological advancements

To remain competitive, Recall needs to continue to develop products and services to meet the needs of its customers and others with whom it does business and to support opportunities for growth. Recall is subject to the risk of not being able to optimise innovations in its services, products, processes and commercial solutions. If Recall is not able to optimise innovations, that may adversely impact its ability to exploit growth opportunities which could have an impact on Recall's operational and financial performance.

In particular, technology continues to evolve rapidly, leading to alternative methods for information management and storage. Failure to protect and exploit Recall's technology and intellectual property, or to respond to and develop new products to take advantage of technological advancements, could adversely affect Recall's digital solutions business, revenue and asset values.

### 4.4.10 Inability to manage occupational health and safety obligations

Recall is subject to various operational risks, including industrial hazards, road traffic or transportation accidents or equipment failures, that could potentially result in injury or fatality to employees, contractors or members of the public. Recall has adopted a zero harm policy to manage the safety risks, but faces challenges of implementing that policy in locations where zero harm is not the local norm. There is also a risk of prosecution of Recall's directors and officers due to wilful or negligent breaches of safety regulations.

### 4.4.11 Impact of fires or other unexpected events

Recall is subject to the risk of fires at its facilities and other unexpected events, natural disasters such as hurricanes, tornadoes, floods, earthquakes and other acts of God and acts outside its direct control, war or terrorist activities, social unrest, unplanned power outages, supply disruptions, labour strikes and failure of equipment or systems. Each of these events could adversely affect Recall's operational and financial performance. These events could result in customer disruption, employee safety issues, physical damage to one or more key operating facilities, temporary closure of one or more key operating facilities, temporary disruption of information systems, reputational damage, financial impairment or litigation.

As at the date of this Scheme Book, Recall is a party to litigation arising from the Landover facility incident (refer to Section 2.12 for further details).

### 4.4.12 Risks associated with international operations

Recall currently conducts operations in a number of geographies and countries. The future operating results in the countries or regions in which Recall currently operates, or may in the future operate, could be negatively affected by a variety of factors beyond the control of Recall, including political instability, economic conditions,



## 4. ADVANTAGES, DISADVANTAGES AND KEY RISKS - CONTINUED

legal and regulatory constraints, trade policies, currency regulations, and risks associated with having facilities located in countries which have historically been subject to volatility in one or more of these areas. Additional risks inherent in Recall's global operations generally include, among others, the costs and difficulties of managing international operations, of obtaining and maintaining operating and fire permits for all of their facilities, adverse tax consequences arising from carrying on operations in a large number of countries and the conduct of cross-border transactions and greater difficulty in enforcing intellectual property rights in certain countries.

### 4.4.13 Fluctuations in commodity prices and raw material availability

Recall has operations that are directly or indirectly exposed to volatility in pricing of fuel, paper and other raw materials that have the potential to impact its operations and margins. Recall has implemented a range of initiatives to manage transport costs; however, significant increases in fuel prices may negatively impact Recall's results of operations. The failure to source other raw materials, at acceptable costs and as required, could significantly affect Recall's operations and adversely affect Recall's business. Recall's SDS line generates revenue from the sale of shredded paper to recyclers. As this business is all margin (as paper sold is a by-product of the secure paper shredding business), negative fluctuations on paper price have an impact directly on the profitability of Recall.

### 4.4.14 Negative publicity and failure to communicate effectively

Recall is subject to the risk that negative publicity, whether true or not, may affect stakeholder perceptions of Recall's past actions and future prospects.

After the Demerger, Recall Holdings will be listed on ASX. Recall will become subject to risks relating to market expectations for its business and financial and operating performance. If Recall does not communicate these expectations in an effective manner, this may give rise to a loss of investor confidence in its business and management.

### 4.4.15 Inability to service or refinance debt

A summary of Recall's banking and finance facilities is in Section 2.16.6.

Recall will be required to, from time to time, refinance its debt facilities. There is no certainty as to the availability of or the terms on which such facilities may be provided to Recall in the future. Recall's ability to refinance its debt on favourable terms as it becomes due or to repay the debt, to raise further financing on favourable terms for its businesses and to pursue growth opportunities and its borrowing costs will depend on market conditions and Recall's operating performance at the time. Recall may incur higher interest rates or additional fees associated with future debt refinancing. Additionally, ongoing requirements to meet debt covenants may impact on Recall's ability to refinance debt.

In particular, from 2007 to 2009, global financial markets experienced unprecedented disruption, including periods where various credit markets were significantly affected. If similar disruptions occur in the future or for any other reason Recall is unable to raise finance on acceptable terms to repay maturing indebtedness, it may need to reallocate capital from other uses, such as funding its growth, to meet its obligations or respond to market pressures, which could adversely affect the longer term prospects and financial performance of its business. If new financing is unavailable and Recall does not have sufficient cash flow to repay maturing indebtedness, it may default, which may result in cross-defaults under other indebtedness. Recall may become unable to service existing debt, or refinance existing debt or obtain new debt, on acceptable terms or at all, depending on future performance and cash flows which are affected by various factors, some of which are outside Recall's control, such as interest and exchange rates and general economic conditions.

### 4.4.16 Critical accounting estimates and judgements - impairment of goodwill

Recall's business units undertake an impairment review process annually to ensure that goodwill balances are not carried at amounts that are in excess of their recoverable amounts. The recoverable amount of the goodwill in continuing operations is determined based on value in use calculations undertaken at the cash generating unit level (i.e. the smallest identifiable groupings of cash generating assets). These calculations require the use of key judgemental assumptions including: cash flow forecasts; growth rates; terminal value; discount rates and the definition of cash generating units. As Recall develops its strategy post Demerger these assumptions/definitions may change.

### 4.4.17 Dividend policy may change over time

Recall's dividend policy will be determined by the Recall Board at its discretion after taking account of the availability of profits, operating results and financial performance of Recall, future capital requirements,

## 4. ADVANTAGES, DISADVANTAGES AND KEY RISKS - CONTINUED

covenants in relation to financial agreements, general business conditions and other factors considered relevant by the Recall Board. Recall's dividend policy may change over time. The Recall Board has confirmed that it intends to target an initial dividend pay-out ratio of at least 60% of Recall's consolidated net profit after tax (subject to the *Corporations Act*) as dividends to Recall Shareholders. However, there is no assurance that Recall will pay dividends at any particular level or with any particular regularity. Dividends are intended to be declared by Recall in Australian dollars and paid to Recall Shareholders in Australian dollars.

### 4.4.18 Dividends may be unfranked or not fully franked

No assurances can be given in relation to the level of franking associated with any dividend paid to Recall Shareholders. The level of franking is subject to the amount of tax paid in the future, the existing balance of franking credits and other factors considered relevant by the Recall Board. No assurances can be given to the portion of the unfranked component of Recall's dividend paid to non-Australian residents being classified as conduit foreign income and therefore not subject to Australian withholding tax.

### 4.4.19 Potential litigation may exceed current provisioning

As at the date of this Scheme Book, Recall is a party to litigation arising from the Landover facility incident (refer to Section 2.12 for further details) and other claims associated with the incident are possible. Recall is also involved in various litigation claims incidental to the ordinary course of its business. Recall is not currently party to any material legal proceedings, nor is it aware of any likely material legal proceedings.

There is a risk that the resolution of litigation and disputes may result in provisions for such litigation and disputes being exceeded. There is also the risk that Recall's reputation may suffer due to the profile of, and public scrutiny surrounding, any litigation and disputes regardless of their outcome.

### 4.4.20 Insurance policies may not cover certain losses

Recall carries various insurance policies to cover its properties and operational hazards, including industrial, road traffic or transportation accidents that could potentially result in injury or fatality to employees, contractors or the public with policy specifications and insured limits that Recall believes are customarily carried for similar properties and operating activities. However, potential losses of a catastrophic nature such as those arising from floods, earthquakes, terrorism or other similar catastrophic events, as well as certain operating liabilities, particularly with respect to Recall's data security, may be either uninsurable, or, in Recall's judgment, not insurable on a financially reasonable basis or may be subject to larger excesses. If an uninsured or uninsurable loss occurs, Recall could be subject to material liability or lose both its invested capital in and anticipated profits from the affected property or assets.

Following Demerger, Recall will independently have an insurance program in place as set out in Section 2.13.

## 4.5 Risks associated with an investment in Brambles (after the Demerger)

This Section outlines a number of risks that may adversely affect the future operating or financial performance or prospects of Brambles, and investment returns or value of Brambles Shares, after the Demerger.

### 4.5.1 Failure to set and/or meet quality standards for its operation and equipment

Brambles' Pooling Solutions customers require a high level of service reliability, quality and consistency. If customers and other users of Brambles' services perceive that Brambles' quality standards are inadequate or that Brambles does not meet its quality standards, they may reduce or cease to use Brambles' services and Brambles' reputation may suffer. This may impede its ability to win new business and retain existing business. There is also an increasing level of automation in manufacturer and distributor plants, which require high pallet quality specifications or new pallets which may result in increased costs.

If Brambles fails to maintain and develop its quality standards and loses its customers as a result or fails to optimise its operating and capital costs, its profitability or cash flow may suffer.

### 4.5.2 Pooling equipment loss and inadequate pooling equipment control processes

Central to Brambles' Pooling Solutions business model is its continuous ownership of its assets as they move throughout the supply chain. Brambles takes numerous steps to establish and enforce its ownership rights over its pooled assets, including establishing and maintaining control processes to help limit the number of pallets, RPCs or containers that cannot be accounted for at any given time. If these processes are not appropriate or not maintained, Brambles could experience asset write-downs and/or increased operating and capital expenditure as a result of increased asset purchases or may have to take further steps to protect its ownership rights over its assets. In addition, some of its assets flow through distribution points that may not be participants in its networks, which may lead to lack of acknowledgement of Brambles' ownership by those non-participants. If the

## 4. ADVANTAGES, DISADVANTAGES AND KEY RISKS - CONTINUED

volume of assets held by these distribution points increases, the costs incurred by Brambles to recover its assets could increase and Brambles' profitability or cash flow may suffer.

### 4.5.3 Insufficient growth or inability to execute growth strategy

Brambles seeks to grow its business by expanding its services within existing geographies and industry segments, introducing its services into new industry segments, expanding geographically, innovating to develop new products and service offerings and improving customer satisfaction. Growth is important to maintaining Brambles' position as a market leader. Brambles may fail to effectively implement growth strategies or devote sufficient resources to new business initiatives or select and pursue sub-optimal corporate strategies, business models, financial structures or allocation of capital that could, in each case, inhibit the growth of its business. Brambles' participation in developing markets, and expansion into new geographies and segments, poses certain risks. For example, Brambles may be unable to: effectively participate in these markets; successfully acquire and integrate businesses or technologies to complement its current service offerings; keep up with technological changes, evolving industry expectations and changing customer requirements; develop, hire or otherwise obtain the necessary technical expertise; accurately predict the size of the markets for any of these services; or compete effectively against other companies that possess alternative platforms, technologies or service offerings. In addition, the new products Brambles offers may not gain or retain market acceptance, or business partners upon whom Brambles depends for technical and management expertise, and the hardware and software products Brambles needs to complement its services may not perform as expected.

If Brambles succeeds in growing its businesses, that expansion may place increased demands on its management, operating systems, internal controls and financial and physical resources. If not managed effectively, these increased demands may adversely affect the quality of the services Brambles provides to existing customers. In addition, Brambles' personnel, systems, procedures and controls may be inadequate to support future operations. Consequently, in order to manage growth effectively, Brambles may be required to increase expenditure to increase its physical resources, expand, train and manage its employee base, improve management, financial and information systems and controls, or make other capital expenditure. Brambles' results of operations and financial condition could be adversely affected if Brambles encounters difficulties in effectively managing the budgeting, forecasting and other process control issues presented by future growth. In addition, Brambles' focus on growth could lead to a reduced focus on continuing to achieve and capture the full value of operational improvement opportunities. This could negatively impact Brambles' ability to control costs or benefit from productivity gains which, in turn, may affect Brambles' growth potential and operational efficiency.

### 4.5.4 Competition and loss of major customers

Brambles faces competition in all of the industry segments in which it operates. Many of the markets in which it operates are served by competitors and are subject to the threat of new entrants. If Brambles fails to offer competitive services and products, it could fail to achieve adequate growth and may potentially lose existing customers to other service providers. In particular, in some countries Brambles does business with distributors and retailers that have significant market shares in their respective markets. Brambles expects the trend toward concentration of market shares to continue. As a consequence of their market positions, those distributors and retailers have significant influence over the structure of their supply chains, including the use of pallets and containers by their suppliers. If a competitor of CHEP or IFCO were to service the requirements of any such distributor or retailer and their suppliers more competitively than Brambles and, as a result, Brambles were unable to maintain its relationship with such a distributor or retailer, Brambles' business in that region could be adversely affected. In addition, the nature and intensity of competition may change over time in particular regions due to the particular mix and concentration of distributors or retailers in an area, which may affect the range of options available to customers and the cost of alternatives to Brambles' services.

### 4.5.5 Potential litigation may exceed current provisioning

Brambles is involved in various litigation claims incidental to the ordinary course of its business. However, Brambles is not currently party to any material legal proceedings nor is it aware of any likely material legal proceedings.

There is a risk that the resolution of litigation and disputes may result in provisions for such litigation and disputes being exceeded. There is also the risk that Brambles' reputation may suffer due to the profile of, and public scrutiny surrounding, any such litigation and disputes regardless of their outcome.

## 4. ADVANTAGES, DISADVANTAGES AND KEY RISKS - CONTINUED

### 4.5.6 Dividend policy may change over time

The payment of dividends on Brambles Shares is dependent on a range of factors, including profitability of the group, the availability of cash, capital requirements of the business and obligations under debt instruments. Any future dividend levels will be determined by the Brambles Board having regard to Brambles' operating results and financial position at the relevant time. However, there is no guarantee that any dividend will be paid by Brambles, or if paid, that it will be paid at previous levels.

### 4.5.7 Inability to innovate

To remain competitive, Brambles needs to continue to develop products and services to meet the needs of its customers and others with whom it does business, and to support opportunities for growth. If Brambles is unable to innovate, unable to meet the specific product needs of its customers, or is unable to optimise any innovations it develops, Brambles' competitiveness and ability to capture growth opportunities may be impaired, which may adversely affect its financial condition, the value of its assets and the results of its operations.

### 4.5.8 Increased pooling equipment maintenance costs

Wood pallets and RPCs returned to CHEP and IFCO service centres are inspected, cleaned and, if necessary, repaired to the applicable pallet or RPC quality standard or sorted out and scrapped. If the number of pallets or RPCs requiring repair, or the extent and/or frequency of those repairs necessary to maintain the applicable pallet or RPC quality standard increases, Brambles' inspection and repair costs could increase, which in turn could result in Brambles' operating costs increasing and its profitability or cash flow may suffer.

### 4.5.9 Disruptions in systems and technology impairing ability to provide services

Brambles relies extensively on information technology and communications systems to process transactions, manage its business and track resources. In particular, given the number of individual transactions that Brambles is required to process, uninterrupted operation of computer systems is critical.

Brambles has independent and physically separate primary and secondary computer systems, as well as offsite storage and a disaster recovery plan. However, Brambles' computer systems, including back-up systems, are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, security breaches, catastrophic events such as fires, tornadoes and hurricanes, and usage errors by its employees. If Brambles' computer systems and back-up systems are damaged or cease to function properly, or suppliers cease to support its existing systems, Brambles may have to make a significant investment to fix or replace them, and it may suffer interruptions in its operations in the interim. Any material interruption in Brambles' computer systems or back-up systems may adversely affect its operational and financial performance. Interruption or failure of these systems could impair Brambles' ability to provide its services effectively and materially damage its reputation and ability to attract and retain customers.

The risk of system disruption is increased when significant system changes are undertaken. If Brambles fails to integrate its computer systems and processes, it may fail to realise the cost savings anticipated to be derived from these initiatives. There is also a risk that the actual cost of any system upgrade may be higher than the amount budgeted.

### 4.5.10 Failure to adapt to business environmental changes

Brambles' business models have been designed to be profitable under certain conditions in the markets and geographies in which Brambles operates. These conditions include the structure and maturity of supply chains, retailer behaviour, the state of technology, the availability and price of lumber and fuel. Rapid and sustained changes in these and other business conditions in the markets that Brambles serves may support competitive service offerings and result in decreased demand for Brambles' services, increases in its costs and reduced profitability. For example, in the 2010 financial year, Brambles incurred higher storage, handling and transportation costs in its pallet pooling business because more pallets were returned to its service centres as volumes decreased and customers reduced inventory levels. If key services or technologies were to be rendered obsolete through market developments, for example changes in customer demand for different specifications of pallet or container, Brambles could require substantial capital expenditure to adjust its business models to meet those developments, and/or face potential impairment of the carrying value of its existing assets.

### 4.5.11 New technologies in pallet or RPC design or components may reduce the competitiveness of wood pallets and RPCs

One of the key conditions for the success of Brambles' pooling businesses is the use of wood pallets and RPCs throughout the supply chains of major distributors, growers and retailers. If new technologies in pallet or RPC design, components or materials resulted in cost-effective alternatives becoming available that resulted in cost

## 4. ADVANTAGES, DISADVANTAGES AND KEY RISKS - CONTINUED

savings or efficiency benefits to customers or the supply chain, the competitive attractiveness of Brambles' services may be lower if it failed to match the benefits of those new technologies. In addition, if customers and potential customers changed the structure of their supply chains in response to the availability of alternative technologies, Brambles may not be able to compete effectively for the business of its customers with Brambles' wood pallet or RPC pooling services. Such developments may result in lower revenues and margins, reduce the value of Brambles' existing assets, or require Brambles to make substantial investments to compete effectively.

### 4.5.12 Inability to attract, develop and retain high performing individuals

In order to manage and operate its business effectively, Brambles must attract, develop and retain high performing individuals across the company. Brambles' challenges in finding suitable executives include recruiting external candidates for executive positions with the necessary experience and recruiting or transferring executives who are suitable for each of the various cultures and business environments in which Brambles' global businesses operate.

Brambles also faces the challenges of maintaining a reputation as an attractive place to work and to enable talented individuals to be developed and promoted within Brambles. To do so, Brambles must ensure it has a remuneration structure that meets market expectations, quality human resources and training systems and opportunities for advancement (including effective succession planning). If Brambles fails to attract, develop and retain sufficient high performing individuals, it may not manage its business effectively and may not be able to meet its growth objectives.

### 4.5.13 Increased government and customer focus on phyto-sanitary measures, food safety and fire safety

Governments and regulatory authorities in many of the countries in which Brambles operates have become increasingly focused on the spread of quarantine wood pests, food safety, fire safety and the possible impact of pallets and RPCs on those issues. Governmental and customer focus on these issues may lead to additional regulatory and legislative action which, in turn, could increase Brambles' costs of operations or adversely affect demand for its services.

With regard to phyto-sanitary measures to address the potential spread of quarantine wood pests, regulation and rule making governing the flow of wood packaging materials (including pallets) used in international trade could be extended to intra-European Union movements and to other cross-border movements of such wood packaging materials. This, in turn, could add costs to the supply chains of CHEP or its customers.

In particular, government and regulatory authorities in many of the countries in which Brambles operates are becoming increasingly focused on food safety throughout the supply chain. For example, the US government has enacted legislation to enhance food safety regulation in the United States which includes giving additional regulatory power to the US Food and Drug Administration. If market or regulatory forces restrict the materials required for the shipment of food or food stuffs or require that additional sanitary measures be taken, Brambles may also face additional operating costs to ensure that appropriate components for its pallets are available to service its customers' needs.

### 4.5.14 Ability to service or refinance debt

Following the Demerger, Brambles expects to have approximately \$2.4 billion of outstanding debt with a variety of maturities up to 2020. From 2007 to 2009, global financial markets experienced unprecedented disruption, including periods where various credit markets on which Brambles has relied in the past were significantly affected. If similar disruptions occur in the future or for any other reason Brambles is unable to raise finance on acceptable terms to repay maturing indebtedness, it may need to reallocate capital from other uses, such as funding its growth, to meet its obligations or respond to market pressures, which could adversely affect the longer term prospects and financial performance of its business. If new financing is unavailable and Brambles does not have sufficient cash flow to repay maturing indebtedness, it may default, which may result in cross-defaults under other indebtedness. Brambles may become unable to service existing debt, or refinance existing debt or obtain new debt, on acceptable terms or at all, depending on future performance and cash flows which are affected by various factors, some of which are outside Brambles' control, such as interest and exchange rates and general economic conditions. Additionally, ongoing requirements to meet debt covenants may impact on Brambles' ability to refinance debt.

### 4.5.15 Inability to comply with regulatory obligations

Government regulations affect all aspects of Brambles' operations. Those regulations impose obligations on Brambles in respect of transport, occupational health and safety, environmental protection, security over personal property and competition, among other things. If Brambles is unable to comply with its regulatory obligations, it could give rise to litigation, adversely affect licences held by Brambles to operate its business and

## 4. ADVANTAGES, DISADVANTAGES AND KEY RISKS - CONTINUED

damage its reputation which could adversely affect its operational and financial performance. There may be delays in obtaining or renewing necessary permits or licences key to Brambles' businesses. In addition, any material change or increase in regulatory obligations could also adversely affect the viability of Brambles' current business model and strategies.

### 4.5.16 Risks associated with international operations

Brambles currently conducts operations in a number of geographies and countries. The future operating results in the countries or regions in which Brambles currently, or may in the future, operate could be negatively affected by a variety of factors beyond the control of Brambles, including political instability, economic conditions, legal and regulatory constraints, trade policies, currency regulations, and risks associated with having facilities located in countries which have historically been subject to volatility in one or more of these areas. Additional risks inherent in Brambles' global operations generally include, among others, the costs and difficulties of managing international operations and of obtaining and maintaining operating and fire permits for all of their facilities, adverse tax consequences arising from carrying on operations in a large number of countries and the conduct of cross-border transactions and greater difficulty in enforcing intellectual property rights in certain countries.

### 4.5.17 Impact of unexpected events on business

Brambles is subject to the risks of unexpected events, natural disasters such as hurricanes, tornadoes, floods, fires, earthquakes and other acts of God and acts outside its direct control, war or terrorist activities, social unrest, unplanned power outages, supply disruptions and failure of equipment or systems. Each of these events could adversely affect Brambles' operational and financial performance. These events could result in customer disruption, employee safety issues, physical damage to one or more key operating facilities, temporary closure of one or more key operating facilities, temporary disruption of information systems, reputational damage, financial impairment or litigation.

### 4.5.18 Fluctuations in commodity prices and raw material availability

Brambles has operations that are directly or indirectly exposed to volatility in costs of fuel, lumber and other raw materials that have the potential to impact its operations and margins. Brambles has implemented a range of initiatives to manage transport costs; however, significant increases in fuel prices may negatively impact its results of operations. Brambles relies on the continued supply of raw materials essential to its operations, including lumber. While Brambles generally sources supplies of raw materials from a range of providers in each geographic region, in Australia Brambles is dependent on a single local supplier for its lumber and plastic resin needs. The failure to source sufficient lumber and other raw materials required for the production of pallets, at acceptable costs and as required, could significantly affect Brambles' operations and adversely affect Brambles' business.

### 4.5.19 Insurance policies may not cover certain losses

Brambles carries various insurance policies to cover its respective properties and operational hazards, including industrial, road traffic or transportation accidents that could potentially result in injury or fatality to employees, contractors or the public with policy specifications and insured limits that Brambles believes are customarily carried for similar properties and operating activities. However, potential losses of a catastrophic nature such as those arising from floods, earthquakes, terrorism or other similar catastrophic events, as well as certain operating liabilities, may be either uninsurable, or, in Brambles' judgment, not insurable on a financially reasonable basis or may be subject to larger excesses. If an uninsured or uninsurable loss occurs, Brambles could be subject to material liability or lose both its invested capital in and anticipated profits from the affected property or assets.

### 4.5.20 Negative publicity and failure to communicate effectively

Brambles is subject to the risk that negative publicity, whether true or not, may affect stakeholder perceptions of Brambles' past actions and future prospects.

After the Demerger, Brambles will continue to be listed on ASX. Brambles will continue to be subject to risks relating to market expectations relating to its business and financial and operating performance. If Brambles does not communicate these expectations in an effective manner, this may give rise to a loss of investor confidence in its business and management.

## 4. ADVANTAGES, DISADVANTAGES AND KEY RISKS - CONTINUED

### 4.5.21 Brambles could breach occupational health and safety regulations

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. There is also a risk of prosecution of Brambles' Directors and officers due to wilful or negligent breaches of safety regulations.

### 4.5.22 A range of factors may impact Brambles' credit rating

Brambles' internal financial policy is to maintain financial metrics consistent with its investment grade credit rating. Although Brambles' primary credit ratings agencies have confirmed that Brambles' credit ratings are expected to remain unchanged as a result of the Demerger, a range of circumstances both within and outside Brambles' control may affect Brambles' ability to maintain those credit ratings. If Brambles' credit rating is negatively impacted, it may impact the cost and availability of finance for Brambles.

## 4.6 General risk factors associated with an investment in either Recall or Brambles (after the Demerger)

This Section outlines a number of general risks that may adversely affect the future operating or financial performance or prospects of both Brambles (after the Demerger) and Recall, and investment returns or value of Brambles Shares and Recall Shares, after the Demerger.

### 4.6.1 Market risks and risks associated with investment in equity capital

There are general risks associated with any investment in an ASX listed company. The share prices for many listed companies have, in recent times, been subject to substantial fluctuations and may experience fluctuations in the future.

The trading price of Brambles Shares and Recall Shares may fluctuate depending on the financial condition and operating performance of Brambles and Recall respectively, as well as other external factors over which Brambles Directors and Recall directors have no control. These external factors include: general movements in Australian and international stock markets; investor sentiment; Australian and international economic conditions and outlook, changes in interest rates and the rate of inflation; changes in government regulation and policies; announcement of new technologies; and geo-political instability, including international hostilities and acts of terrorism. No assurances can be given that Brambles' share price or Recall Holdings' share price will not be adversely affected by these factors. None of Brambles, the Brambles Board, Recall, the Recall Board or any other person guarantees the market performance of Brambles Shares or Recall Shares.

### 4.6.2 Adverse global economic conditions

General economic conditions, globally or in one or more of the markets served by Brambles or Recall, may adversely affect the financial performance of Brambles or Recall. Recessionary or low economic growth conditions in their key markets and the ongoing disruption in global financial markets significantly impacted, and may continue to significantly impact, the business of key customers. The current economic uncertainty in the Euro zone could have significant impact on the wider trading environment Brambles or Recall are operating within. These factors may affect Brambles' and Recall's operational and financial performance both in the short and medium term.

Furthermore, Brambles and Recall are exposed to general counterparty credit risk if customers fail to make payments or perform their other obligations on time or at all. Reduced demand for Brambles' and Recall's services would likely result in reduced revenue and profitability.

In addition to the risks described above, poor economic conditions may force customers to cease using Brambles or Recall or to seek protection under bankruptcy laws, potentially affecting both future business and the ability of Brambles or Recall to collect accounts receivable and may give rise to an increase in the delay of debtor payments. There is no guarantee of Brambles and Recall being able to obtain damages sufficient to compensate them in full for losses arising as a result.

Brambles and Recall are exposed to outsourcing risk where their operations rely on third parties. Market conditions and/or changing business needs may require Brambles and Recall to reorganise their operations or outsource more activities, which could lead to risk of business disruption.

### 4.6.3 Exposure to rising interest rates

While Brambles and Recall will each take reasonable steps to protect themselves through the use of hedges, any rise in interest rates may nonetheless adversely impact Brambles' and Recall's interest payments on their floating rate instruments and adversely impact the performance of Brambles' and Recall's business.

## **4. ADVANTAGES, DISADVANTAGES AND KEY RISKS - CONTINUED**

### **4.6.4 Exposure to fluctuating foreign exchange rates**

Brambles and Recall are exposed to movements in exchange rates. Brambles and Recall have exposure to foreign earnings, expenses and borrowings - primarily transaction exposures affecting the value of transactions translated back to the functional currency of the subsidiary and translation exposures affecting the value of assets and liabilities of overseas subsidiaries when translated into US dollars. Exchange movements affecting these currencies may impact the profit and loss account or assets and liabilities of Brambles and Recall, to the extent foreign exchange rate risk is not hedged or not appropriately hedged.

### **4.6.5 Unfavourable changes in taxation laws**

Variation in the taxation laws of Australia and the other countries in which Brambles and Recall operate could materially affect Brambles' and Recall's respective financial performance. The interpretation of taxation law could also change, leading to a change in taxation treatment of investments or activities. Consistent with other companies of comparable size, financing complexity and diversity, Brambles and Recall will continue to be the subject of periodic information requests, investigations and audit activities by the ATO and tax authorities in other jurisdictions in which they operate.

### **4.6.6 Changes in accounting or financial standards**

Changes in accounting or financial reporting standards may adversely impact the reported financial performance of Brambles and Recall. In addition, Brambles and Recall may be impacted by accounting policies adopted after the Demerger which are different to the existing policies and by differences in interpretations of accounting standards.





## 5. DETAILS OF THE DEMERGER

### 5.1 Background

Recall is currently owned by Brambles.

As a result of the Demerger, Recall Holdings will become a standalone company listed on ASX (ASX: REC) and will own Brambles' information services business, Recall. It will operate entirely independently of Brambles (other than in respect of certain transitional arrangements outlined in Section 5.7.4) and will have its own board of directors and management.

After the Demerger, Brambles will continue to operate the pallet, RPC and container pooling services businesses. While the majority of the current Brambles business will remain with Brambles, each of Recall and Brambles will be of a substantial size and listed on ASX.

The steps associated with the implementation of the Demerger include:

- Prior to the Demerger Date, Brambles will undertake the Restructure (as described in Section 5.2.1);
- Brambles will restructure the current financing arrangements for Recall by Recall entering into the Recall Syndicated Facility;
- Brambles Shareholders will be asked to consider the Scheme Resolution at the Scheme Meeting;
- Brambles Shareholders will be asked to consider the Capital Reduction Resolution and the Executive Benefits Resolution at the General Meeting;
- The Brambles Board will pass the Demerger Dividend Resolution;
- If the Scheme Resolution and the Capital Reduction Resolution are passed by the requisite majorities of Brambles Shareholders, the Court approves the Scheme and all other conditions precedent to the Scheme are satisfied or waived:
  - > The Scheme will take effect;
  - > Brambles will undertake the Capital Reduction and the Demerger Dividend and apply the Distribution Entitlement in respect of each Scheme Participant in accordance with the terms of the Scheme;
  - > Eligible Shareholders (other than Small Shareholders who elect to participate in the Sale Facility) will receive one Recall Share for every five Brambles Shares which they hold as at the Scheme Record Date (rounded up to the nearest whole Recall Share);
  - > Selling Shareholders will receive the Sale Facility Proceeds of the sale of their Recall Shares in accordance with the Sale Facility process described in Section 5.4.3; and
  - > Recall Holdings will be established as an ASX listed company which is independent of Brambles.

### 5.2 The Demerger steps

#### 5.2.1 Restructure

##### 5.2.1.1 General

Brambles has initiated the Restructure, being an internal restructure to separate and align the relevant businesses, assets and liabilities of Brambles with the appropriate entity prior to the Demerger.

The Demerger Implementation Deed and the Demerger Deed provide for the Restructure to be completed so that:

- Recall is created as an identifiable and separate corporate group under Recall Holdings, capable of operating on a standalone basis; and
- All subsidiaries, assets and liabilities which do not relate directly to the Recall business will continue to be held by Brambles upon the Demerger.

Broadly, in accordance with the fundamental Demerger Principle described in Section 5.6.1, the Restructure contemplates the following:

- Certain subsidiaries, business, assets and liabilities relating to the Recall business will be aligned or transferred to entities that will be subsidiaries of Recall Holdings following the Demerger;
- Certain subsidiaries, business, assets and liabilities relating to the Brambles business which are held by subsidiaries of Recall Holdings will be aligned or transferred to entities that will be subsidiaries of Brambles (after the Demerger); and
- Various intercompany loans, receivables and payables will be repaid or forgiven (other than ordinary trading receivables and payables which will be settled on normal commercial terms)

## 5. DETAILS OF DEMERGER - CONTINUED

### 5.2.1.2 Sale of Recall Shares

No Recall Shares were sold in the three months immediately before the date on which this Scheme Book was lodged with ASIC.

### 5.2.1.3 Restructure of financing arrangements

As at 30 June 2013, Brambles' external debt funding arrangements after the Demerger comprised \$2,188 million of committed bank facilities, \$1,765 million of loan notes and \$278 million in credit standby, uncommitted and overdraft arrangements. The committed bank facilities and credit standby, uncommitted and overdraft arrangements are only partly drawn. Brambles expects to retain its outstanding loan notes and bank borrowing facilities after the Demerger and intends to repay a portion of its bank borrowings from the repayment of Recall's liability to Brambles.

The Demerger required an amendment to the Note Purchase Agreement and those amendments have been effected.

Debt funding for Recall is currently provided by Brambles. If the Demerger is implemented, these arrangements will be replaced by the Recall Syndicated Facility.

As at the date of this Scheme Book, a group of Australian and international banks has signed a commitment letter to provide the Recall Syndicated Facility in favour of Recall Holdings and other members of the Recall Group.

Additional information on Brambles' and Recall's financing arrangements after the Demerger are outlined in Sections 3.9.7 and 3.9.8, and Sections 2.16.6 and 2.16.7, respectively.

### 5.2.2 Scheme Meeting

On 23 October 2013 at the First Court Hearing, the Court ordered that a meeting of Brambles Shareholders be convened to consider and, if thought fit, approve the Scheme, with or without modification (the Scheme Meeting). The Scheme Meeting is scheduled to be held at the Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales at 9.00am (AEDT) on Tuesday, 3 December 2013.

The terms of the Scheme are contained in Annexure A and the Notice of Scheme Meeting is set out in Annexure C. The fact that the Court has ordered that the Scheme Meeting be convened is no indication that the Court has a view as to the merits of the Scheme or as to how Brambles Shareholders should vote. On these matters, Brambles Shareholders must reach their own decision.

Each Brambles Shareholder who is registered on the Brambles Share Register as the holder of a Brambles Share at 7.00pm (AEDT) on Sunday, 1 December 2013 is entitled to attend and vote at the Scheme Meeting. Voting at the Scheme Meeting will be by poll.

For the Demerger to proceed, the Scheme Resolution must be approved by a majority in number of Brambles Shareholders present and voting at the Scheme Meeting (whether in person or by proxy, by attorney or, in the case of a corporation, by corporate representative), and whose votes in favour of the Scheme Resolution are in aggregate at least 75% of the total number of all votes cast on the Scheme Resolution. If these thresholds are met, and all conditions precedent to the Scheme are satisfied or waived and the Court approves the Scheme, all Brambles Shareholders will be bound by the Scheme, including those who voted against the Scheme and those who did not cast a vote.

The conditions precedent to the Scheme include that the Capital Reduction Resolution is approved by Brambles Shareholders. This means that if the Capital Reduction Resolution is not passed, the Scheme will not become Effective and the Demerger will not proceed.

### 5.2.3 General Meeting

The Brambles Board has convened the General Meeting to consider and, if thought fit, approve the Capital Reduction Resolution and the Executive Benefits Resolution. Details of these resolutions are set out in the Notice of General Meeting in Annexure D.

The General Meeting is scheduled to be held at the Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales on Tuesday, 3 December 2013 at 9.30am (AEDT), or as soon after that time once the Scheme Meeting has concluded or been adjourned.

Each Brambles Shareholder who is registered on the Brambles Share Register at 7.00pm (AEDT) on Sunday, 1 December 2013 is entitled to attend the General Meeting and vote on the resolutions to be considered at that meeting. Voting at the General Meeting will be by poll.

## 5. DETAILS OF DEMERGER - CONTINUED

### 5.2.3.1 Capital Reduction Resolution

Brambles has proposed the Capital Reduction Resolution to permit Brambles to reduce its share capital on the Demerger Date. The proceeds of the Capital Reduction will not be paid in cash; rather, they will (together with the Demerger Dividend) be applied on behalf of the Scheme Participants as consideration for the transfer of Recall Shares under the Scheme.

The Capital Reduction is conditional on the Scheme becoming Effective. This means that Brambles will not undertake the Capital Reduction unless the Scheme becomes Effective.

The Capital Reduction Resolution must be approved by a simple majority of votes cast on the resolution in order to be passed.

The Brambles Directors are of the view that, taking into account all relevant matters, the Capital Reduction is fair and reasonable to Brambles Shareholders as a whole and will not materially prejudice the ability of Brambles to pay its creditors. The Independent Expert has also concluded that the Capital Reduction will not materially prejudice Brambles' ability to pay its creditors.

### 5.2.3.2 Executive Benefits Resolution

At the General Meeting, Brambles Shareholders are also being asked to approve certain benefits which may be given to Recall's Managing Director and Chief Executive Officer, Mr Doug Pertz, under Recall's employee incentive plans. The Scheme and Capital Reduction are not conditional on this approval.

The Executive Benefits Resolution must be approved by a simple majority of votes cast on the resolution in order to be passed.

### 5.2.4 Demerger Dividend

The Brambles Board will determine to pay the Demerger Dividend as a dividend to Scheme Participants. The Demerger Dividend will not be paid to Scheme Participants in cash; rather, it will be applied (together with the amount of the Capital Reduction) by Brambles on behalf of Scheme Participants as consideration for the transfer of Recall Shares under the Scheme.

The payment of the Demerger Dividend is conditional on the Scheme becoming Effective. This means that Brambles will not pay the Demerger Dividend unless the Scheme becomes Effective.

No Brambles Shareholder approval is required for the Demerger Dividend.

### 5.2.5 Conditions precedent to implementation of the Demerger

The Scheme will become binding on Brambles and Brambles Shareholders, and the Demerger will proceed, if all of the conditions precedent to the Scheme are satisfied or waived. The key conditions precedent are, in summary:

- **Brambles Directors' recommendation** - between the date of this Scheme Book and the Scheme Meeting, a majority of Brambles Directors recommend and do not change or withdraw their recommendation to Brambles Shareholders to vote in favour of the Scheme and the Capital Reduction Resolution;
- **Shareholder approval** - Brambles Shareholders approve each of the Demerger Resolutions by the requisite majorities;
- **Regulatory approvals** - Brambles obtains all regulatory approvals which are necessary or, in its reasonable opinion, desirable to implement the Demerger, these approvals are not revoked, and any conditions of these approvals are reasonably satisfactory to the Brambles Board;
- **ASX listing approval and quotation** - ASX approves the admission of Recall Holdings to the Official List of ASX and grants permission for official quotation of Recall Shares, subject to any conditions that ASX may reasonably require and may be acceptable to the Brambles Board;
- **Court approval** - the Court approves the Scheme and a copy of the Court order is lodged with ASIC; and
- **No restrictions** - no temporary restraining order, preliminary or permanent injunction or other order is issued by any court of competent jurisdiction and no other legal restraint or prohibition preventing the Demerger is in effect as at 8.00am at the Second Court Hearing.

Brambles may waive the "Regulatory approvals" and "No restrictions" conditions precedent referred to above at any time before 8.00am on the date of the Second Court Hearing. Brambles cannot waive the other conditions precedent. If all the conditions precedent are not satisfied or waived by 30 April 2014 (or such other date determined by Brambles), then the Scheme will lapse and be of no effect and the Demerger will not proceed.

## 5. DETAILS OF DEMERGER - CONTINUED

### 5.3 Entitlement to participate in the Demerger

#### 5.3.1 General

Brambles Shareholders as at the Scheme Record Date will be entitled to the Distribution Entitlement and will participate in the Scheme.

For the purposes of determining which Brambles Shareholders will be eligible to receive the Distribution Entitlement and participate in the Scheme, dealings in Brambles Shares will be recognised only if:

- In the case of dealings of the type to be effected using CHESS, the transferee is registered on the Brambles Share Register as the holder of the relevant Brambles Shares as at the Scheme Record Date; and
- In all other cases, registrable transfers or transmission applications in respect of those dealings are received by the Brambles Share Registry before the Scheme Record Date with sufficient time to allow for registration of the transferee on or before the Scheme Record Date (and the transferee remains registered on the Scheme Record Date).

For the purpose of determining who are Brambles Shareholders as at the Scheme Record Date and their respective entitlements, Brambles will not accept for registration or recognise any transfer or transmission application in respect of Brambles Shares received after the Scheme Record Date, or received prior to that time but not in registrable form.

The Distribution Entitlement will be applied towards the transfer of one Recall Share for every five Brambles Shares held by a Brambles Shareholder as at the Scheme Record Date. If, as a result of this calculation, the number of Recall Shares is not a whole number, the number will be rounded up to the nearest whole number of Recall Shares. If you are a Brambles Shareholder who as at the Scheme Record Date has more than one registered holding of Brambles Shares, you will have a separate Distribution Entitlement for each separate holding.

However, if Brambles is of the opinion that a Brambles Shareholder has been party to shareholding splitting or division in an attempt to obtain unfair advantage by reference to the rounding up provided for in the calculation of each Brambles Shareholder's entitlement to Recall Shares, Brambles reserves the right to round the entitlement of these holdings so as to provide only the number of Recall Shares that would have been received but for the splitting or division.

If you are a Brambles Shareholder as at the Scheme Record Date, the way in which you participate in the Scheme will depend on whether you are an Eligible Shareholder (other than a Small Shareholder who elects to participate in the Sale Facility) or a Selling Shareholder (being either an Ineligible Overseas Shareholder or a Small Shareholder who elects to participate in the Sale Facility).

#### 5.3.2 Eligible Shareholders

You are an Eligible Shareholder if you are a Brambles Shareholder whose registered address on the Brambles Share Register as at the Scheme Record Date is in:

- Australia or New Zealand; or
- Any other place where (and to the extent) Brambles determines (in its absolute discretion) that it is not prohibited and not unduly onerous or impractical to implement the Scheme and to transfer Recall Shares to a Scheme Participant in that place. As at the date of this Scheme Book, it is expected that this will include:
  - > Canada;
  - > France;
  - > Germany;
  - > Hong Kong;
  - > Ireland;
  - > Malaysia;
  - > Singapore;
  - > South Africa;
  - > Spain;
  - > United Kingdom; and
  - > United States.

If you are an Eligible Shareholder, you will be entitled to have Recall Shares transferred to you pursuant to the Scheme (and, if you are also a Small Shareholder, you may elect to participate in the Sale Facility). You will also continue to hold the same number of Brambles Shares that you held prior to the Demerger (unless you otherwise sell all or some of them or purchase any additional Brambles Shares).

## 5. DETAILS OF DEMERGER - CONTINUED

### 5.3.3 Ineligible Overseas Shareholders

You are an Ineligible Overseas Shareholder if you are not an Eligible Shareholder.

### 5.3.4 Holders of Brambles Shares provided pursuant to Brambles employee incentive schemes

Holders of Brambles Shares provided pursuant to an employee incentive scheme which Brambles operates will participate in the Demerger in the same manner as all other Brambles Shareholders (see Section 3.8.3 for more detail on the treatment of employee incentives).

### 5.4 Selling Shareholders and the Sale Facility

You are a Selling Shareholder if you are an Ineligible Overseas Shareholder or a Small Shareholder who elects to participate in the Sale Facility.

#### 5.4.1 Ineligible Overseas Shareholders

If you are an Ineligible Overseas Shareholder, you will be entitled to the Distribution Entitlement on the same basis as all Eligible Shareholders. However, Recall Shares will not be transferred to you. Instead, Recall Shares to which you would otherwise have been entitled will be transferred to the Sale Agent on your behalf and will be dealt with as described in Section 5.4.3.

You will continue to hold the same number of Brambles Shares that you held prior to the Demerger (unless you otherwise sell all or some of them or purchase any additional Brambles Shares).

#### 5.4.2 Small Shareholders

If you are an Eligible Shareholder who individually holds 2,500 Brambles Shares or less as at the Scheme Record Date, you are a Small Shareholder. As a Small Shareholder, you may elect to participate in the Sale Facility and sell all (but not some) of the Recall Shares to which you are entitled under the Scheme.

Small Shareholders who wish to participate in the Sale Facility should complete and return the Sale Facility Form using the enclosed reply paid pre-addressed envelope, or by fax on +61 (0) 2 9287 0309, so that it is received by the Brambles Share Registry by 7.00pm (AEDT) on Tuesday, 10 December 2013. Small Shareholders who do not elect to participate in the Sale Facility may keep, sell or otherwise deal with the Recall Shares transferred to them pursuant to the Scheme.

You will continue to hold the same number of Brambles Shares that you held prior to the Demerger (unless you otherwise sell all or some of them or purchase any additional Brambles Shares).

#### 5.4.3 Operation of the Sale Facility

Recall Shares that would otherwise have been transferred to Selling Shareholders will be transferred to the Sale Agent to be sold on their behalf under the Sale Facility.

Under the Sale Facility, the Sale Agent will, as soon as reasonably practicable (and in any event not more than 20 Business Days following the Demerger Date or, subject to obtaining any necessary ASIC exemptions or waivers, such longer period of time which Brambles and the Sale Agent determine) ("Sale Period"), sell for the benefit of each Selling Shareholder the Recall Shares in the ordinary course of trading on market.

The Sale Agent will sell those Recall Shares on market at such price and on such other terms as the Sale Agent determines in good faith, and at the risk of the Selling Shareholders.

As the market price of Recall Shares will be subject to change from time to time, the sale price of those Recall Shares and the proceeds of that sale cannot be guaranteed. Selling Shareholders will be able to obtain information on the market price of Recall Shares on ASX's website at [www.asx.com.au](http://www.asx.com.au).

The Sale Facility Proceeds will be remitted to each Selling Shareholder (free of any brokerage costs or stamp duty) by:

- Direct credit to the nominated bank account as noted on the Brambles Share Register on the Scheme Record Date; or
- Where an account has not been provided, the Sale Facility Proceeds will be remitted by dispatching by mail to the Selling Shareholder's address as shown on the Brambles Share Registry as at the Scheme Record Date by cheque.

Sale Facility Proceeds will be paid to Selling Shareholders (other than former Brambles CDI Holders) in Australian dollars. Former Brambles CDI Holders will have their Sale Facility Proceeds paid in British Pounds being converted at the exchange rate between British Pounds and Australian dollars at a date not more than 4 Business Days after the end of the Sale Period.

## 5. DETAILS OF DEMERGER - CONTINUED

The estimated date of dispatch of payment is currently expected to be around Friday, 24 January 2014. Selling Shareholders will not receive any interest on the Sale Facility Proceeds relating to their Recall Shares.

The amount of money received by each Selling Shareholder (being the Sale Facility Proceeds) will be calculated on an averaged basis so that all Selling Shareholders will receive the same price for each Recall Share sold on their behalf, subject to rounding down to the nearest whole Australian cent. Consequently, the amount received by Selling Shareholders for each Recall Share may be more or less than the actual price that is received by the Sale Agent for that particular Recall Share.

The payment of the Sale Facility Proceeds from the sale of Recall Shares will be in full satisfaction of the rights of Selling Shareholders under the Scheme. Full details of this process are contained in clause 4 of the Scheme (which is set out in Annexure A).

Under the Scheme, each Selling Shareholder appoints Brambles as its agent to receive on its behalf any financial services guide or other notices which may be issued by the Sale Agent to that Selling Shareholder.

### 5.5 Implementation of the Demerger

#### 5.5.1 Entitlement to and transfer of Recall Shares

If the Demerger is implemented, Brambles Shareholders on the Brambles Share Register as at the Scheme Record Date will be credited with their non-cash Distribution Entitlement.

Under the Scheme, you will not receive your Distribution Entitlement in cash. Brambles will, on the Demerger Date, apply these amounts on your behalf as consideration for the transfer to you (or to the Sale Agent on your behalf if you are a Selling Shareholder) of one Recall Share for every five Brambles Shares you held at the Scheme Record Date.

The obligation to transfer Recall Shares to Eligible Shareholders and to the Sale Agent (in respect of Selling Shareholders) will be discharged by Brambles as follows:

- Brambles will execute instruments of transfer for the relevant Recall Shares, both on its own behalf and (as applicable) on behalf of Eligible Shareholders pursuant to the Scheme;
- Brambles will procure that the Sale Agent executes the instruments of transfer relating to Recall Shares in respect of Selling Shareholders; and
- Brambles will then deliver all of those instruments to Recall Holdings for registration.

As required under the Scheme and Deed Poll, Recall Holdings will register the transfers by entering the names of the Eligible Shareholders and the Sale Agent (as applicable) in the Recall Share Register in respect of Recall Shares transferred to them.

It is expected that Eligible Shareholders (other than those who are Selling Shareholders) will have their names entered on the Recall Share Register by Wednesday, 18 December 2013.

Except for Eligible Shareholders' tax file numbers, any binding instruction or notification between an Eligible Shareholder and Brambles relating to Brambles Shares as at the Scheme Record Date (including any instructions relating to payment of dividends or to communications from Brambles) will, unless otherwise determined by Recall Holdings, be deemed to be a similarly binding instruction or notification to Recall Holdings in respect of relevant Recall Shares. Recall Shareholders may subsequently revoke or amend such instructions or notifications by written notice to Recall Holdings at its registered address or at the Recall Share Registry.

#### 5.5.2 Consequences of approving the Demerger

If Brambles Shareholders pass each of the Demerger Resolutions, the Court approves the Scheme and all other conditions precedent to the Scheme are satisfied or waived, then Brambles will lodge the Court order approving the Scheme with ASIC. As a consequence:

- (a) **the Scheme will become Effective on the Effective Date (expected to be Monday, 9 December 2013). At the close of trading on ASX on the Effective Date, Brambles Shares will cease trading cum-Distribution Entitlement;**
- (b) **on the Business Day following the Effective Date (expected to be Tuesday, 10 December 2013):**
  - (i) Recall Holdings will be admitted to the Official List of ASX and Recall Shares will commence trading on ASX on a deferred settlement basis; and
  - (ii) Brambles Shares will commence trading on ASX ex-Distribution Entitlement;

## 5. DETAILS OF DEMERGER - CONTINUED

- (c) after the Effective Date and before implementation of the Scheme on the Demerger Date, the Recall Share Reorganisation will be undertaken (being the consolidation or subdivision of the total number of Recall Shares on issue to ensure that each Scheme Participant or the Sale Agent (as applicable) receives one Recall Share for every five Brambles Shares held as at the Scheme Record Date (rounded up to the nearest whole Recall Share));
- (d) on the Demerger Date (expected to be Wednesday, 18 December 2013):
- (i) Brambles will undertake the Capital Reduction and the Demerger Dividend;
  - (ii) if you were a Brambles Shareholder at the Scheme Record Date, Brambles will apply your Distribution Entitlement as consideration for the transfer of Recall Shares under the Scheme either to you if you are an Eligible Shareholder (other than a Small Shareholder who elected to participate in the Sale Facility) or to the Sale Agent on your behalf if you are a Selling Shareholder (as applicable);
  - (iii) Recall Holdings will drawdown from Recall's new debt facility and apply sufficient proceeds of that drawdown to repay the outstanding balance of any amounts owed by a member of Recall to a member of Brambles (after the Demerger) by way of debt or other financial accommodation; and
  - (iv) as a result of implementation of the Scheme, Recall will cease to be part of Brambles.

Please refer to Sections 5.3.2 and 5.4 to determine whether you are an Eligible Shareholder or Selling Shareholder.

### 5.5.3 ASX listing of Recall Holdings

Recall Holdings will apply, within 7 days after the date of this Scheme Book, to ASX for admission to the Official List of ASX, and for official quotation of all Recall Shares on ASX.

If the Scheme becomes Effective, Recall Shares will trade under the code REC, and are expected to commence trading on ASX on a deferred settlement basis on Tuesday, 10 December 2013 and on a normal T+3 settlement basis on or about Monday, 23 December 2013.

If you are an Eligible Shareholder who will receive Recall Shares, it is your responsibility to determine your entitlement to Recall Shares before trading those shares, to avoid the risk of selling Recall Shares that you do not or will not own. If you sell Recall Shares without receiving confirmation of your entitlement, you do so at your own risk.

If you are an Eligible Shareholder who will receive Recall Shares, holding statements for Recall Shares are expected to be dispatched to you by Friday, 20 December 2013. A holding statement will be sent to you by pre-paid post to your address on the Brambles Share Register. If you are a joint shareholder, holding statements for Recall Shares will be sent to the address of the Eligible Shareholder whose name first appears on the Brambles Share Register.

Whether or not the Demerger proceeds, Brambles will continue to be listed on ASX and Brambles Shares will continue to be quoted on ASX under the BXB code.

## 5.6 Effect of the Demerger

### 5.6.1 Fundamental Demerger Principle

Under the Demerger Deed, the parties intend that following the Demerger, as a fundamental Demerger Principle:

- Recall will have the entire economic benefit (including the profits of the Recall Group on and from the Demerger Date) and risk of the Recall information management business as if it had owned and operated that business at all times, and none of the economic benefit or risk of Brambles (after the Demerger) businesses<sup>2</sup>; and
- Brambles will have the entire economic benefit (including the profits of the Brambles Group on and from the Demerger Date) and risk of the Brambles businesses (after the Demerger) as if it had owned and operated those businesses at all times, and none of the economic benefit or risk of the Recall business<sup>1</sup>.

<sup>1</sup> This also includes any company, business or asset disposed of, ceased or closed by Brambles prior to the Demerger Date that is more likely than not to have formed part of the Recall business than the Brambles business having regard to the nature of its activities and the treatment of its profits in the relevant management accounts.

<sup>2</sup> This also includes any company, business or asset disposed of, ceased or closed by Brambles prior to the Demerger Date that is more likely than not to have formed part of the Brambles business than the Recall business having regard to the nature of its activities and the treatment of its profits in the relevant management accounts.



## 5. DETAILS OF DEMERGER - CONTINUED

To give effect to this fundamental Demerger Principle, subject to the terms of the Transaction Documents, including certain matters set out in Section 5.7.2:

- Recall is entitled to the ownership and/or use of any assets within the Brambles Group (after the Demerger) that primarily relate to, or are required for the ownership or operation, of the Recall business, and Brambles (after the Demerger) is entitled to the ownership and/or use of any assets within the Recall Group that primarily relate to, or are required for the ownership or operation of, the Brambles business (after the Demerger); and
- Brambles must (subject to limited exceptions) indemnify Recall for any liabilities which Recall incurs relating to the Brambles businesses (after the Demerger), and Recall must (subject to limited exceptions) indemnify Brambles for any liabilities which Brambles incurs relating to the Recall business (after the Demerger).

Further details of the Demerger Deed (and other key agreements relating to the Demerger) are set out in Section 5.7.

### 5.6.2 Deed of cross guarantee

Certain wholly owned subsidiaries of Brambles (each of which will remain a member of the Brambles Group following the Demerger) and certain entities which will be members of the Recall Group following the Demerger are parties to a deed of cross guarantee (“Brambles Cross Guarantee”) in accordance with ASIC Class Order 98/1418.

Under the Brambles Cross Guarantee, each party guarantees the debts or claims of the other parties. A revocation deed was lodged with ASIC on 16 September 2013 to revoke the Brambles Cross Guarantee insofar as it applies to members of the Recall Group. That revocation deed will take effect six months after the date of lodgement provided that no party to the Brambles Cross Guarantee goes into certain forms of liquidation during that six month period. Accordingly, until that six month period expires, the Brambles Group (after the Demerger) will have potential exposure to the financial position of members of the Recall Group and vice versa (but only where a member of the relevant group goes into certain forms of liquidation and to the extent not indemnified under the Demerger Deed). The lenders under the Recall Syndicated Facility are waiving their rights against the members of the Brambles Group (after the Demerger) party to the Brambles Cross Guarantee. Brambles’ main external debt financing arrangements are not covered by the Brambles Cross Guarantee but some of its transactional financing arrangements are. Brambles intends to obtain waivers from the providers of certain of those transactional financing arrangements of their rights against the members of the Recall Group which are party to the Brambles Cross Guarantee.

### 5.6.3 Creditors

In the opinion of the Brambles Directors, the Demerger will not, if implemented, materially prejudice Brambles’ ability to pay its creditors.

The Independent Expert has concluded that the Capital Reduction will not materially prejudice Brambles’ ability to pay its creditors. Refer to Section 8 for a concise version of the Independent Expert’s Report.

## 5.7 Summaries of agreements relating to the Demerger

### 5.7.1 Demerger Implementation Deed

Brambles Limited and Recall Holdings have entered into the Demerger Implementation Deed which sets out the steps required to be taken by each of Brambles Limited and Recall Holdings to carry into effect the Restructure, Scheme, Capital Reduction, Demerger Dividend, ASX listing of Recall Holdings and other steps necessary to give effect to the Demerger on the Demerger Date.

The key terms of the Demerger Implementation Deed are as follows:

#### (a) Obligations of Brambles

Brambles agrees to take all steps reasonably required to give effect to the Demerger, including:

- Convening the Scheme Meeting in accordance with the Court order of the First Court Hearing and convening the General Meeting to be held on the same day as the Scheme Meeting;
- Preparing an application for the listing of Recall within 7 days after the date of the Scheme Book and a listing memorandum for use by Recall in connection with its application for listing;
- Until the Demerger Date, using its best endeavours to ensure the satisfaction of any ASX requirements in relation to the listing of Recall Holdings, that ASX approves the listing of Recall Holdings, and that trading in Recall Shares commences on ASX following the Effective Date;
- If the Capital Reduction is approved and the Scheme Resolution is passed, applying to the Court for approval of the Scheme, and (if the Scheme is approved) lodging the Court order with ASIC;

## 5. DETAILS OF DEMERGER - CONTINUED

- Ensuring that the relevant Restructure steps are completed by the Restructure Date; and
- If the Scheme becomes Effective:
  - > Completing the Recall Share Reorganisation and the Demerger Preparatory Steps;
  - > Resolving to effect the Capital Reduction and to pay the Demerger Dividend; and
  - > On the Demerger Date, undertaking the Capital Reduction and the Demerger Dividend, applying the Distribution Entitlement in respect of each Scheme Participant in accordance with the terms of the Scheme and doing everything necessary to effect the transfer of Recall Shares from Brambles to Scheme Participants (or the Sale Agent in respect of Selling Shareholders).

### (b) Obligations of Recall

Recall agrees to take all steps reasonably required to give effect to the Demerger, including:

- Executing the application for the listing of Recall within 7 days after the date of the Scheme Book and causing each member of the Recall Board to sign the listing memorandum and lodge it with ASX;
- Until the Demerger Date, using reasonable endeavours to ensure that the satisfaction of any ASX requirements in relation to the listing of Recall, that ASX approves the listing of Recall Holdings, and that trading in Recall Shares commences on ASX following the Effective Date;
- If the Capital Reduction is approved and the Scheme Resolution is passed, taking all actions reasonably required to enter into the Recall Syndicated Facility before the Second Court Date;
- Ensuring that the relevant Restructure steps are completed by the Restructure Date; and
- If the Scheme becomes Effective:
  - > Taking all actions reasonably required to assist Brambles to complete the Recall Share Reorganisation and the Demerger Preparatory Steps;
  - > On the Demerger Date, registering or causing to be registered the Scheme Participants as holders of Recall Shares (and the Sale Agent as the holder of Recall Shares in respect of Selling Shareholders); and
  - > Procuring drawdown under the Recall Syndicated Facility and applying sufficient proceeds of that drawdown to repay the outstanding balance of the Intercompany Debt.

### (c) Other provisions

The Demerger Implementation Deed also contains provisions in respect of:

- The intended net debt position of Recall upon the Demerger and the calculation of certain amounts which will determine the composition of that net debt profile;
- Following the Demerger Date:
  - > Obligations on Brambles and Recall to each procure that the Sale Agent sells the Recall Shares referable to Selling Shareholders and pays the proceeds of that sale in accordance with the terms of the Sale Facility; and
  - > Obligations on Recall to forward to Scheme Participants (or the Sale Agent in respect of Selling Shareholders) holding statements for Recall Shares to which they are entitled; and
- The rights of each of Recall and Brambles to terminate the Demerger Implementation Deed if the Scheme has not become Effective on or before the End Date.

#### 5.7.2 Demerger Deed

Brambles and Recall have entered into the Demerger Deed to facilitate the orderly separation of the Recall Group from Brambles and the transition and emergence of the Recall Group as an independently owned corporate group, in accordance with the fundamental Demerger Principle.

The key terms of the Demerger Deed are as follows:

##### (a) Demerger Principle

The underlying principle of the Demerger is that, following its implementation, the position as between the Recall Group and the Brambles Group will be as described in Section 5.6.1.

To give effect to this fundamental Demerger Principle, the Demerger Deed generally provides that, subject to the matters discussed in the relevant sections below and certain other limitations, if after the Demerger any assets exist within (or liabilities are incurred by) one group which properly relate to the business of the other group, the assets must be transferred or made available to the other group (or the relevant liability indemnified by the other group).

##### (b) Rights against the other party

Brambles and Recall each acknowledge that, once the Demerger is implemented, neither group will have any right to make a claim against the other, arising from or in respect of the Demerger or the other's business or former businesses, except as expressly provided for in the Demerger Deed, any other Transaction Document or in relation to the supply of goods or services under a supply arrangement between Brambles and Recall.

## 5. DETAILS OF DEMERGER - CONTINUED

### (c) Indemnities

Brambles and Recall each agree to indemnify, and must procure that their group members indemnify, the other, the other's group members and their representatives against any liability related to any claim brought by, the first party's group companies contrary to the principle set out at (b) above, except as otherwise provided for in the Demerger Deed, a Transaction Document or any other agreement entered into between a Brambles and Recall after the date of the Demerger Deed.

The Demerger Deed also contains specific indemnities with respect to certain matters (the material indemnities are referred to in the relevant sections below).

### (d) Liability in relation to the Scheme Book and ASX

Brambles and Recall each agree to indemnify the other, the other's group members and their representatives against liabilities arising from or in connection with any claim made against them arising from any failure of the Scheme Book, listing memorandum or marketing material distributed or published in connection with the Demerger to comply with any applicable legal requirement, except to the extent that the failure is or was the result of any conduct, act or omission of the other or any beneficiary of the other.

### (e) Demerger costs

Brambles and Recall each acknowledge that they are responsible for certain allocated costs in respect of the implementation of the Demerger, and indemnify the other, the other's group members and their representatives against such costs. Further details about the anticipated costs of the Demerger are set out at section 9.7 below.

### (f) Restructure of the Recall Group

Brambles and Recall each acknowledge that the purpose of the Restructure is to give effect to the Demerger Principle and to ensure that the assets and corporate entities required for Recall to own or operate the Recall business, and all liabilities in relation to the Recall business, are held by or transferred to the correct Recall Group member, and that all assets and corporate entities required for Brambles to own or operate the Brambles business (after the Demerger), and all liabilities in relation to the Brambles business, are held by or transferred to the correct Brambles Group member.

The Demerger Deed provides a mechanism for each of Brambles and Recall to have transferred to them, or to have the benefit of, assets identified following the Demerger as being required for their respective businesses for a period of 36 months after the Demerger.

Subject to certain limitations, each of Brambles and Recall indemnifies the other's group from any liability arising directly or indirectly in connection with the use or ownership of any asset which that party requires to be transferred or made available to it in accordance with this mechanism.

### (g) Contracts

Brambles and Recall each agree following the Demerger to execute all agreements and do all things reasonably required to give effect to the assignment, novation or separation of any contracts required to give effect to the Restructure so as to ensure that the relevant party obtains or retains the benefits and risks of any such contracts. Each party is obliged to use their reasonable endeavours to procure any consent required under any contract in connection with any assignment, novation, separation or change of control.

Subject to certain limitations, Brambles and Recall each agree to indemnify, and must procure that their group members indemnify, each other and each other's groups for any liabilities arising from a breach by the relevant party of its obligations in respect of contracts to be assigned, novated or separated.

### (h) Intellectual property

The Demerger Deed contains restrictions on each of Brambles and Recall using the names of the other after the Demerger, subject to certain exceptions, including a transitional run-off period during which Recall is entitled to continue using certain Brambles names for limited purposes. The Demerger Deed also provides for each party to acknowledge that it has no claims against, and releases the other from certain liabilities arising in respect of, the intellectual property used by or developed for application within the other's business.

### (i) Liabilities

Brambles and Recall each accept responsibility for any liabilities related to its business that remain with the other's group following implementation of the Demerger and indemnify, and must procure that each of their group members indemnifies, the other, the other's group members and their representatives against any liability arising or incurred in connection with any of these liabilities.

## 5. DETAILS OF DEMERGER - CONTINUED

### **(j) Litigation**

The Demerger Deed contains provisions governing the ongoing management of existing Brambles litigation matters, existing Recall litigation matters, and joint litigation matters, and the management of claims arising after the Demerger Date.

Brambles and Recall each indemnify, and must procure that their group members indemnify, the other and their group members against any liability incurred in connection with an existing litigation matter relating to it, any joint litigation matter, or any other claim brought against the other to the extent that the relevant liability relates to its business.

### **(k) Employees**

Brambles and Recall must each bear and be responsible for, and indemnify the other and their group members against, any liability incurred by the other arising out of the employment of any of its employees including all claims in respect of any transfer, redundancy, retrenchment or termination by that party, and for salary and wages and leave entitlements that are or become payable to any of its employees.

Mutual non-solicitation provisions apply to each of Brambles and Recall for a period of 12 months from the Demerger Date in respect of senior employees of the other group.

Subject to certain transitional arrangements, each of Brambles and Recall will maintain and be responsible for superannuation and other benefit arrangements in respect of their own employees from the Demerger.

The Demerger Deed also contains provisions to ensure that each of Brambles and Recall are generally liable and responsible for any workers compensation claims relating to their respective employees which arise before or after the Demerger. Brambles is currently a self-insurer for workers compensation claims in New South Wales, Victoria and Western Australia, including in respect of Recall employees, and will retain primary liability under the relevant legislation for any claims in respect of Recall employees which relate to the period prior to the Demerger. Accordingly, the Demerger Deed provides that Recall must assist with the management of any such claims and indemnify Brambles, its other group members and their representatives against certain liabilities arising therefrom.

### **(l) Insurance**

Brambles is responsible for maintaining general business insurance arrangements in respect of the Recall business for the period up to the Demerger Date, consistent with prior practice. Following the Demerger, Recall is responsible for procuring its own replacement insurance arrangements going forward. Brambles must provide such assistance as Recall may reasonably require to access any benefits to which any Recall Group member is entitled in respect of the policies of insurance maintained by Brambles which relate to the pre-Demerger period.

Brambles is also obliged to maintain Directors and officers insurance for the benefit of each Brambles Group and Recall Group member and their respective Directors up to the Demerger Date, and to ensure that run-off cover is maintained for not less than 7 years after the Demerger Date in respect of acts or omissions occurring prior to the Demerger (with Recall obliged to fund the costs of such run-off cover to the extent they relate to Recall).

### **(m) Banking and financing arrangements**

Each of Brambles and Recall must indemnify the other, the other's group members and their representatives against any liabilities in relation to any guarantees, indemnities and other forms of financial support given by the other in favour of a third party in relation to the first party's business and use their best endeavours to secure the release of any such guarantees, indemnities and other forms of financial support with effect from the Demerger Date or as soon as reasonably practicable thereafter.

The Demerger Deed also contains provisions under which Brambles and Recall and/or their respective group members give certain undertakings, releases and indemnities in connection with the revocation of certain Recall Group members from a Deed of Cross Guarantee to which certain members of both groups were previously a party.

### **(n) Access to records and assistance**

Each of Brambles and Recall are obliged to make available relevant business records which relate to the other's business following the Demerger, subject to certain restrictions, and must use reasonable endeavours to assist each other in relation to the preparation of their respective financial statements for the financial period during which the Demerger Date occurs and any uncompleted financial statements for any earlier financial periods.

## 5. DETAILS OF DEMERGER - CONTINUED

### (o) Tax

Brambles will generally be responsible for taxes payable (or tax benefits arising) in respect of pre and post Demerger periods relating to the Brambles business and any taxes arising from the Restructure and Recall will generally be responsible for taxes payable (or tax benefits arising) in respect of pre and post Demerger periods relating to the Recall business.

In respect of countries where Brambles Group companies and Recall Group companies are part of a tax consolidated group, Brambles and Recall must have regard to the following principles in determining to whose account a tax liability or benefit should relate:

- Australia: Recall Australia will be required to make a 'clear exit' payment to Brambles in respect of its Australian tax liabilities to the Demerger Date. Brambles will be liable for taxes payable pre-Demerger relating to both Brambles and Recall. Post Demerger Brambles and Recall will be responsible solely for taxes payable in respect of their own group of companies;
- US: Brambles US and Recall US will enter into a tax sharing deed to share tax attributes, including tax losses, as at the Demerger Date, as well as mechanisms to adjust the tax attributes in respect of adjustments to pre Demerger periods' taxable income. Specifically, the tax sharing deed will require that, after the Demerger, Brambles and Recall will generally be responsible for taxes payable in respect of their own group of companies. Additionally, the parties will compensate each other if any adjustment to pre-Demerger tax liabilities arise and impact on the tax attributes of the other party;
- Germany: Recall Germany is party to a profit and loss pooling agreement with Brambles Germany, which will be terminated prior to the Demerger, and will require Brambles Germany to compensate Recall Germany for its losses up to the termination of the profit and loss pooling agreement; and
- Denmark: Recall Denmark is the administration entity of a mandatory tax consolidation, which it will exit upon Demerger and a new Danish tax administration entity will be established.

In relation to the US and Canada, Recall has also agreed for a 2 year period not to undertake certain actions (including acquisitions or disposals) which may potentially trigger tax liabilities in connection with the Restructure, unless Brambles consents or otherwise receives a satisfactory opinion or ruling in respect of the tax consequences of the action or, in the case of the US, there is only a remote possibility of adverse consequences arising. Recall has also agreed to indemnify Brambles in respect of any such tax liabilities which do arise.

### (p) Indemnity for breach of any Transaction Document

Unless otherwise expressly provided in a Transaction Document or the Demerger Deed, and subject to the provisions of the Demerger Deed, Brambles and Recall each indemnify, and must procure that each of its group members indemnify, the other and their group members, against any liability arising from or incurred in connection with a breach by it or its group members of the Demerger Deed or another Transaction Document.

#### 5.7.3 Deed Poll

Recall has entered into the Deed Poll in favour of Brambles Shareholders as at the Scheme Record Date under which Recall has undertaken to take the steps to be performed by it under the Scheme, including applying for admission to the Official List of ASX and for official quotation of Recall Shares on ASX, and registering the transfer of Recall Shares to Scheme Participants or to the Sale Agent in respect of Selling Shareholders as contemplated by the Scheme. The Deed Poll is set out in full in Appendix B.

#### 5.7.4 Transitional Services Agreement

Brambles and Recall will enter into a Transitional Services Agreement to formalise the terms on which Brambles will provide, or procure the provision of, certain information technology services to Recall for a transitional period following the Demerger. The scope and level of the relevant services to be provided by Brambles are intended to reflect services being provided immediately prior to the Demerger, to provide Recall with transitional assistance while it undertakes a process to migrate those services or replicate its own services. The services are expected to include access to and use of certain IT systems (including access to an active directory currently shared by Brambles and Recall), network and telecommunication systems and associated support services and be provided by Brambles on a cost recovery basis for a specified term.



## 6. TAX IMPLICATIONS FOR SHAREHOLDERS

### 6.1 Introduction

This Section comments, in summary, on the general taxation position of Brambles Shareholders in relation to the Demerger. This Section does not purport to be a complete analysis of the potential tax consequences of the Demerger, and is intended as a general guide to the Australian, United Kingdom and United States tax implications only (on materiality grounds, the tax implications in other jurisdictions are not addressed). This does not constitute tax advice. It should not be a substitute for advice from an appropriate professional adviser having regard to your individual circumstances and all Brambles Shareholders are strongly advised to obtain their own professional advice on the tax implications based on their own specific circumstances.

### 6.2 Australia

The following contains a general summary of the Australian tax implications of the Demerger for Brambles Shareholders who hold their Brambles Shares on capital account. This summary does not apply to Brambles Shareholders who hold their Brambles Shares on revenue account (for example, Brambles Shareholders who hold their Brambles Shares as trading stock or revenue assets), or Brambles Shareholders who acquired their Brambles Shares in connection with an employee share plan.

This summary does not take into account the tax laws of countries other than Australia and has been prepared on the basis of Australian taxation law as at the date of this Scheme Book. This summary does not take into account or anticipate changes in law or judicial interpretation after that time.

In this summary, reference to “Australian resident Brambles Shareholders” are to Brambles Shareholders who are residents of Australia for Australian income tax purposes and references to “Brambles Shareholders who are not residents of Australia” are to Brambles Shareholders who are not residents of Australia for Australian income tax purposes.

#### 6.2.1 Demerger tax relief - class ruling

Brambles has applied to the Commissioner of Taxation for a class ruling confirming that Australian resident Brambles Shareholders who hold their Brambles Shares on capital account at the Scheme Record Date will be able to choose demerger tax relief in relation to the Demerger. Brambles considers that the Commissioner of Taxation should issue that class ruling. Brambles will post a copy of the class ruling, or a link to it, on the Brambles website as soon as it is issued, but that is not expected to occur until after the Demerger Date. The Commissioner of Taxation may or may not provide a draft class ruling to Brambles prior to either the Scheme Meeting or the Demerger Date, but no such draft class ruling would be binding on the Commissioner of Taxation, nor could it be relied upon by Brambles Shareholders.

The Distribution Entitlements will be made up of the Capital Reduction Entitlement and the Demerger Dividend Entitlement payable to Brambles Shareholders (Brambles Shareholders will be advised of the relative proportions of the capital return and the dividend components of the Distribution Entitlements at [www.brambles.com/investor-centre/Recall-demerger](http://www.brambles.com/investor-centre/Recall-demerger) after the Demerger Date). The Distribution Entitlements will be applied as consideration for the transfer of the Recall Shares to Eligible Shareholders, or in the case of Selling Shareholders to the Sale Agent on their behalf.

In broad terms, if demerger tax relief is available, Australian resident Brambles Shareholders can choose to disregard the CGT consequences of the CGT event, being a return of capital, that happens in respect of their Brambles Shares as a result of the Demerger. No formal election is required to be lodged in order to choose demerger tax relief. The choice will be evident from the way in which the Brambles Shareholders prepare their income tax returns.

In the class ruling application, Brambles has also sought confirmation that the Commissioner of Taxation will not treat any part of the Distribution Entitlements, or the Recall Shares, to be an assessable dividend for Australian taxation purposes.

If demerger tax relief is not available, then, while tax consequences may vary between shareholders, Australian resident Brambles Shareholders may have an assessable capital gain and may be liable for income tax on an unfranked dividend as a result of the Demerger.

These issues are considered in more detail below.

#### (a) Capital Reduction Entitlement

Brambles Shareholders will receive a Capital Reduction Entitlement in respect of the Brambles Shares they hold on the Scheme Record Date. The receipt of this Capital Reduction Entitlement will constitute a CGT event which may give rise to a capital gain for the Brambles Shareholders (it cannot give rise to a capital loss).

## 6. TAX IMPLICATIONS FOR SHAREHOLDERS - CONTINUED

If demerger tax relief is available, Brambles Shareholders may choose to disregard the CGT consequences of this CGT event (a “CGT roll-over”). In addition, no part of their Capital Reduction Entitlement should be treated as a dividend (see further below). Therefore, Brambles Shareholders who choose for the CGT roll-over to apply to them will not be required to include any part of their Capital Reduction Entitlement in their assessable income.

Brambles Shareholders who are not residents of Australia and who, in combination with their associates, have held less than 10% of the shares in Brambles and not used those shares in carrying on business in Australia are not subject to Australian CGT in respect of the capital return.

### **(b) Demerger Dividend Entitlement**

If demerger tax relief is available, Brambles Shareholders will be taken to have received a ‘demerger dividend’ equal to their Demerger Dividend Entitlement in respect of the Brambles Shares they hold at the Scheme Record Date.

Brambles will not make the election that is available under the demerger legislation for the ‘demerger dividend’ to be treated as assessable income for Brambles Shareholders. Therefore, if demerger tax relief is available, the ‘demerger dividend’ will not be assessable income or exempt income for Brambles Shareholders. This will be the case whether or not a Brambles Shareholder has chosen to make the CGT roll-over choice (see above). No franking credits will be attached to the ‘demerger dividend’.

Brambles Shareholders who are not residents of Australia will not be subject to Australian dividend withholding tax on their Distribution Entitlement if demerger tax relief is available.

### **(c) Apportionment of cost base**

If demerger tax relief is available, then, irrespective of whether a CGT roll-over is chosen by a Brambles Shareholder, the cost base and reduced cost base of each Brambles Share held by a Brambles Shareholder just before the Demerger will be reasonably apportioned between each Brambles Share and each Recall Share held after the Demerger. The apportionment is to be based on the relative market values of the Brambles Shares and the Recall Shares (or a reasonable approximation of those market values) just after the Demerger.

Brambles will provide Brambles Shareholders with information to assist them in determining the respective cost bases of their Brambles Shares and Recall Shares by posting it on the Brambles website at [www.brambles.com/investor-centre/Recall-demerger](http://www.brambles.com/investor-centre/Recall-demerger) after the Demerger Date.

The cost base and/or reduced cost base will be relevant for determining capital gains and/or capital losses arising from any future disposals of Brambles Shares and/or Recall Shares held by Brambles Shareholders.

### **(d) Deemed date of acquisition of Recall Shares**

If demerger tax relief is available and CGT roll-over relief is chosen by a Brambles Shareholder, the Brambles Shareholder will be taken to have acquired their Recall Shares on the same date as they acquired their Brambles Shares for the purposes of ascertaining whether the Brambles Shareholder is entitled to the benefit of a CGT discount in respect of a subsequent CGT event affecting the Recall Shares.

Brambles Shareholders who are individuals, trusts or complying superannuation entities may be entitled to reduce capital gains (after taking into account capital losses) by their respective CGT discount rates if they have held, or are deemed to have held, their Recall Shares for at least 12 months prior to the time of the relevant CGT event. Companies are not entitled to claim the CGT discount.

Brambles Shareholders should seek their own advice as to whether they are entitled to claim a CGT discount and, in particular, trustees should seek advice as to whether the benefit of any discount capital gain derived by a trust will be taken to flow through to beneficiaries of the trust.

### **(e) Effect of not choosing CGT roll-over**

If demerger tax relief is available, Brambles Shareholders who do not choose the CGT roll-over may derive capital gains if the amount of their Capital Reduction Entitlement exceeds their original cost bases for their Brambles Shares. Any such capital gains would be required to be included in assessable income. Certain Brambles Shareholders may be entitled to reduce any such capital gain (after taking into account any available capital losses) by the CGT discount (see above).

If the amount of their Capital Reduction Entitlement does not exceed a Brambles Shareholder’s original cost base for their Brambles Shares, no capital gain should arise for the Brambles Shareholder and their original cost base for their Brambles Shares, reduced by the amount of that Capital Reduction Entitlement, should be allocated between their Brambles Shares and their Recall Shares on the same basis as described above for those Brambles Shareholders who do choose CGT roll-over relief.



## 6. TAX IMPLICATIONS FOR SHAREHOLDERS - CONTINUED

### 6.2.2 Disposal of Brambles Shares by Brambles Shareholders after the Demerger

Brambles Shareholders who dispose of their Brambles Shares after the Demerger will have an assessable capital gain if the proceeds received on disposal exceed their cost base (the first element of the cost base is determined as set out above) for their Brambles Shares. Certain Brambles Shareholders may be entitled to reduce their capital gain (after taking into account any available capital losses) by the CGT discount (see above). Conversely, if the proceeds from the disposal of the Brambles Shares are less than the reduced cost base (the first element of which is determined as set out above), a capital loss will arise for the Brambles Shareholders. A capital loss can be offset against other capital gains but cannot otherwise be deducted from assessable income. Brambles Shareholders who are not residents of Australia and who, in combination with their associates, have held less than 10% of the shares in Brambles and not used those shares in carrying on business in Australia will not be subject to Australian CGT in respect of a disposal of those shares.

### 6.2.3 Disposal of Recall Shares by Brambles Shareholders after the Demerger

Brambles Shareholders who dispose of their Recall Shares after the Demerger will have an assessable capital gain if the proceeds received on disposal exceed their cost base (the first element of the cost base is determined as set out above) for their Recall Shares.

Certain Brambles Shareholders may be entitled to reduce their capital gain (after taking into account any available capital losses) by the CGT discount (see above). As described above, if demerger tax relief is available and a CGT roll-over is chosen by a Brambles Shareholder, the Brambles Shareholder's Recall Shares will be taken to have been acquired on the same date as their original Brambles Shares were acquired.

Conversely, if the proceeds from the disposal of the Recall Shares are less than the reduced cost base (the first element of which is determined as set out above), a capital loss will arise for the Brambles Shareholders. A capital loss can be offset against other capital gains but cannot otherwise be deducted from assessable income.

Recall Shareholders who are not residents of Australia for Australian income tax purposes and who, in combination with their associates, have held less than 10% of the shares in Recall and not used those shares in carrying on business in Australia will not be subject to Australian CGT in respect of a disposal of those shares.

### 6.2.4 Dividends received from Recall Holdings after the Demerger

The tax rules applying to dividends received from Recall Holdings are the same as the rules applying to dividends received from Brambles. Accordingly, Recall Shareholders will be taxed on any dividends they receive from Recall in the same way as they are taxed on any dividends they receive from Brambles, except that there is a risk that not all of Recall's unfranked dividends would constitute conduit foreign income, and to that extent shareholders who are not residents of Australia would be subject to Australian dividend withholding tax. That dividend withholding tax is imposed at the rate of 30% of the part of the dividend which is neither franked nor conduit foreign income, but that rate is reduced, generally to 15%, where the shareholder is entitled to the benefit of an applicable tax treaty between Australia and the shareholder's country of residence.

### 6.2.5 Implications if Australian demerger tax relief is not available

In the event that the Commissioner of Taxation rules that demerger tax relief is not available for the Demerger then, unless a Brambles Shareholder successfully challenges that view in a court, the following implications will apply for an Australian resident Brambles Shareholder:

- Except to the extent that the Commissioner of Taxation makes a determination that any part of the Capital Reduction Entitlement should be treated as an unfranked dividend (see below), if their Capital Reduction Entitlement exceeds a Brambles Shareholder's original CGT cost base for their Brambles Shares, the Brambles Shareholder will make a capital gain as a result of the capital return and the capital gain will be required to be included in calculating the Brambles Shareholder's assessable income. Certain Brambles Shareholders may be entitled to reduce their capital gain (after taking into account any available capital losses) by the CGT discount (see above).
- If the Capital Reduction Entitlement does not exceed a Brambles Shareholder's original CGT cost base for their Brambles Shares, the cost base and reduced cost base of the Brambles Shares will be reduced to the extent of their Capital Reduction Entitlement, except to the extent that the Commissioner of Taxation makes a determination that any part of the Capital Reduction Entitlement should be treated as an unfranked dividend (see below).
- For CGT purposes, Brambles Shareholders will be taken to have acquired their Recall Shares on the Demerger Date. Eligibility for the CGT discount will only be available after a Brambles Shareholder has held their Recall Shares for at least 12 months from the date that the Recall Shares are acquired.

## 6. TAX IMPLICATIONS FOR SHAREHOLDERS - CONTINUED

- Because the Demerger entails the amount of the Distribution Entitlements being automatically applied to acquire the Recall Shares on behalf of the Brambles Shareholders, the first element of the cost base or reduced cost base of the Recall Shares will be equal to the amount of the Distribution Entitlements.
- The amount of the Demerger Dividend Entitlement (to be advised by Brambles) will be assessable income of the Brambles Shareholder (and no franking credits will be available).
- The Commissioner of Taxation has the power to determine that all or part of the Capital Reduction Entitlement may be treated as an unfranked dividend for Australian taxation purposes. In that case, Brambles Shareholders would be required to include that part of the Capital Reduction Entitlement determined to be an unfranked dividend in their assessable income.

### 6.2.6 Stamp duty

Brambles Shareholders will pay no Australian stamp duty on the transfer of the Recall Shares to them under the Demerger.

### 6.2.7 Goods and Services Tax ("GST")

Brambles Shareholders will not be liable for (nor be required to pay) GST on the receipt of Recall Shares or any other distributions received in connection with the Demerger.

## 6.3 United Kingdom resident Brambles Shareholders

### 6.3.1 Scope

Below is a general guide to the UK tax implications of the Demerger for Brambles Shareholders who are residents of the UK for income tax purposes and do not hold Brambles Shares on trading account. Brambles Shareholders should seek advice based on their particular circumstances from an independent adviser.

The guide below does not apply to Brambles Shareholders who are non-resident of the UK for income tax purposes.

For the purposes of this guide, it is assumed that the shares have increased in value since the shareholder originally purchased them.

The comments below are based on the UK tax law as it applies as at the date of the Scheme Book. The comments do not take into account or anticipate changes in UK tax law or future judicial interpretations of law after this time, nor do they take into account tax legislation of any countries other than the UK.

### 6.3.2 Treatment of the Demerger for UK tax purposes

#### 6.3.2.1 UK tax general treatment of the Demerger

For Brambles Shareholders, the receipt of Recall Shares as a part of the Demerger of Recall will be treated as a distribution for UK tax purposes. The UK treatment for the recipients is dependent on whether the distribution is considered to be income or capital in nature.

The distinction between income and capital from a UK tax perspective is principally determined by reference to the local corporate law treatment under which the distribution is made. The legal method of the Demerger in Australia is by way of distribution of new Recall Shares to Brambles Shareholders by way of a reduction of capital, dividend and a scheme of arrangement. To the extent that the demerger distribution is debited to Brambles Limited's share capital account, it is expected to be characterised as capital whereas the amount of the demerger distribution debited to Brambles Limited's reserves account is expected to be characterised as income.

The UK tax treatment of an income distribution is that it will be taxed as an income receipt chargeable to UK income tax in the hands of UK tax resident individuals and corporate shareholders. Investment trust shareholders and exempt funds should not be subject to tax on the distribution.

The UK tax treatment of a capital distribution is that it will be taxed as a capital gains part disposal by the UK shareholder of its investment in Brambles with new shares in Recall being received as proceeds. Accordingly, it should be a taxable disposal for both UK tax resident individuals and corporate shareholders. Investment trust shareholders and exempt funds should not be subject to tax on the distribution.

#### 6.3.2.2 Impact on UK individuals

To the extent the demerger distribution is characterised as income in nature, it will be treated as an income receipt in the hands of an individual UK tax resident shareholder. The UK shareholder should be entitled to a tax credit equal to one-ninth of the value of the distribution. The value of the distribution plus the related tax

## 6. TAX IMPLICATIONS FOR SHAREHOLDERS - CONTINUED

credit will be part of the shareholder's total income for UK income tax purposes and taxed at the relevant rate based on their level of income.

In the case of a shareholder liable to income tax at the basic rate, the gross distribution will be subject to tax at 10% and after applying the tax credit the effective tax rate should be 0%.

In the case of a shareholder liable to income tax at the higher rate, the gross distribution will be subject to tax at 32.5% and after applying the tax credit the effective tax rate should be 25%.

In the case of a shareholder liable to income tax at the additional rate, the gross distribution will be subject to tax at 37.5% and after applying the tax credit the effective rate should be 30.6%.

To the extent that the demerger distribution is characterised as capital in nature, it will give rise to a capital gain for an individual UK resident shareholder. The capital gain is calculated by comparing the value of the proceeds with the base cost. The proceeds will be the fair market value of the Recall Shares received. The base cost relating to the part disposal is calculated by allocating the shareholder's base cost in their holding of Brambles Shares by reference to the value of the Recall Shares received as a proportion of the total value of the Recall Shares plus Brambles Shares immediately after the Demerger.

The capital gain (in excess of an individual's Annual Exemption (fiscal year 2013/14 £10,900)) will be taxed at 18%/28%.

For future capital gains purposes the UK individual shareholders should be treated as having tax basis in the new Recall Shares equal to the market value of the Recall Shares they received at the date of the Demerger.

### **6.3.2.3 Impact on UK corporate shareholders**

To the extent the demerger distribution is characterised as income in nature, it will be treated as an income receipt in the hands of a corporate UK tax resident shareholder and subject to corporation tax. However, UK tax resident corporate shareholders should not be subject to tax so long as the distribution falls within an exempt class and certain conditions are met. In general, a distribution to a UK shareholder who holds beneficially less than 10% of Brambles' issued share capital will fall within an exempt class. A distribution to a UK shareholder which is a "small company" for UK tax purposes should also be exempt. The exemptions from corporation tax should be available if it can be demonstrated that no tax deduction is allowed to a resident outside the UK in respect of the distribution and that the distribution is not made as part of a scheme to obtain a UK tax advantage.

A corporate shareholder for whom the distribution is exempt from UK corporation tax will not be entitled to claim repayment of any UK tax credit attaching to the distribution of the Recall Shares.

To the extent that the demerger distribution is characterised as capital in nature it will give rise to a chargeable gain for UK corporate shareholders. The chargeable gain is calculated by comparing the value of the proceeds with the base cost. The proceeds will be the fair market value of the Recall Shares received. The base cost relating to the part disposal is calculated by allocating the shareholder's base cost in their holding of Brambles Shares by reference to the value of the Recall Shares received as a proportion of the total value of the Recall Shares plus Brambles Shares immediately after the Demerger.

The chargeable gain will be taxed either at the main rate of corporation tax (currently 23%), the small companies rate of corporation tax (currently 20%) or at an intermediate rate though the operation of marginal relief (determined by the profits of the shareholders and the number of entities in the worldwide group).

The UK's Substantial Shareholding Exemption will only exempt chargeable gains (or allowable losses) on the part disposal if, among other conditions, the shareholder has owned more than 10% of the shares for a consecutive 12 month period in the 2 years prior to the part disposal.

For future chargeable gains purposes the UK corporate shareholders should be treated as having tax basis in the new Recall Shares equal to the market value of the Recall Shares they received at the date of the Demerger.

### **6.3.2.4 Impact on investment trust shareholders**

To the extent the demerger distribution is characterised as income in nature, investment trusts should be exempt from tax.

To the extent that the demerger distribution is characterised as capital in nature, investment trusts are specifically exempted from capital gains.

### **6.3.2.5 Impact on exempt trust shareholders**

Exempt funds, including UK registered pension funds, should not be subject to tax on either an income or capital distribution.

## 6. TAX IMPLICATIONS FOR SHAREHOLDERS - CONTINUED

### 6.4 United States Shareholders

United States Internal Revenue Service Circular 230 Disclosure: To ensure compliance with requirements imposed by the Internal Revenue Service ("IRS"), Brambles informs Brambles Shareholders that (i) any United States tax advice contained in this Scheme Book is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code of 1986; (ii) any such tax advice is written in connection with the promotion or marketing of the matters addressed; and (iii) Brambles Shareholders should seek advice based on their particular circumstances from an independent adviser.

#### 6.4.1 General

This Section describes certain material United States federal income tax consequences of the distribution of Recall Shares pursuant to the Demerger. The discussion does not purport to be a complete analysis of all the potential tax effects of the Demerger. It applies to Brambles Shareholders only who are United States holders and who hold their Brambles Shares as capital assets for tax purposes. This Section does not apply to Brambles Shareholders who are members of a special class of holders subject to special rules, including: a dealer in securities, a trader in securities that elects to use a mark-to-market method of accounting for securities holdings, a tax-exempt organisation, a life insurance company, a person liable for alternative minimum tax, a person that actually or constructively owns 10% or more of Brambles' voting stock, a person that holds Brambles Shares as part of a straddle or a hedging or conversion transaction, or a person whose functional currency is not the United States dollar. This discussion addresses only United States federal income taxation.

If a partnership holds the Brambles Shares, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. If a Brambles Shareholder is a partner in a partnership holding the Brambles Shares, they should consult their tax adviser with regards to the United States federal income tax treatment of the Demerger.

This Section is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

A Brambles Shareholder is a United States Shareholder if they are a beneficial owner of Brambles Shares and they are: a citizen or resident of the United States, a domestic corporation, an estate whose income is subject to United States federal income tax regardless of its source, or a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorised to control all substantial decisions of the trust.

#### 6.4.2 Receipt of Recall Shares pursuant to the Demerger

It is not clear whether the distribution of Recall Shares pursuant to the Demerger (the "Distribution") will be treated as a tax-free spin-off under Section 355 of the Code. If Brambles is required to report the Distribution to the IRS, Brambles intends to take the view that the Distribution will not qualify as a tax-free spin-off under Section 355 of the Code, and the remainder of the disclosure assumes that the Distribution will not so qualify.

The amount received in the Distribution by a United States holder for United States federal income tax purposes will be the fair market value of the Recall Shares received. The amount received in the Distribution, to the extent paid out of Brambles' current or accumulated earnings and profits (as determined for United States federal income tax purposes), is subject to United States federal income taxation as a taxable dividend, and any excess will be treated as a non-taxable return of capital to the extent of the United States holder's basis in its Brambles Shares and thereafter as capital gain. Brambles intends to treat the entire amount of the Distribution as a taxable dividend without calculating the portion that is paid out of Brambles' earnings and profits for United States federal income tax purposes.

If the Distribution does not qualify as a tax-free transaction, for United States federal income tax purposes, the United States holder will acquire an initial tax basis in their Recall Shares equal to the United States dollar fair market value of the stock received by them as of the distribution date. The holding period for Recall Shares will begin on the day after the distribution date.

Unless a United States holder is an exempt recipient, payments to that United States holder that are made pursuant to the Demerger within the United States or through certain United States related financial intermediaries may be subject to information reporting and United States federal back-up withholding tax if that United States holder fails to supply a correct taxpayer identification number or otherwise fails to comply with applicable United States information reporting or certification requirements. Any amount withheld from a payment to a United States holder under the back-up withholding rules is allowable as a credit against their United States federal income tax, provided that the required information is furnished to the IRS.

## 6. TAX IMPLICATIONS FOR SHAREHOLDERS - CONTINUED

The preceding discussion is intended only as a summary of certain United States federal income tax consequences and does not purport to be a complete analysis or discussion of all potential tax effects relevant thereto. Accordingly, United States holders are urged to consult their own tax advisers concerning the specific tax consequences to them, including tax return reporting requirements, the applicable tax laws and the effect of any proposed changes in the tax laws.



## 7. INVESTIGATING ACCOUNTANT'S REPORT



The Directors  
Brambles Limited  
Level 40, Gateway Building  
1 Macquarie Place  
Sydney NSW 2000

The Directors  
Recall Australia Holdings Pty Ltd  
Level 40, Gateway Building  
1 Macquarie Place  
Sydney NSW 2000

23 October 2013

Dear Directors

### **Subject: Investigating Accountant's Report on Historical Financial Information and Financial Services Guide**

We have prepared this report on certain historical financial information presented by Brambles Limited (**Brambles** or the **Company**) for Recall and Brambles (after the Demerger) for inclusion in the Scheme Booklet dated on or around 23 October 2013 relating to the structural separation to create separate entities for Recall and Brambles (after the Demerger) (the **Demerger**).

Expressions defined in the Scheme Booklet have the same meaning in this report.

The nature of this report is such that it should be given by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

### **Scope**

The Company has requested PricewaterhouseCoopers Securities Ltd to prepare this Investigating Accountant's Report (the **Report**) covering the following information:

- (a) Recall Pro Forma Historical Income Statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013, set out in Figure 2.16 of the Scheme Booklet which assumes completion of the proposed transactions and/or adjustments described in Sections 2.16.2 and 2.16.3 of the Scheme Booklet
- (b) Recall Pro Forma Historical Cash Flow Statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013, set out in Figure 2.20 of the Scheme Booklet which

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## 7. INVESTIGATING ACCOUNTANT'S REPORT - CONTINUED



assumes completion of the proposed transactions and/or adjustments described in Sections 2.16.2 and 2.16.4 of the Scheme Booklet

- (c) Recall Pro Forma Historical Balance Sheet as at 30 June 2013 set out in Figure 2.23 of the Scheme Booklet which assumes completion of the proposed transactions and/or adjustments described in Sections 2.16.2 and 2.16.5 of the Scheme Booklet

((a), (b) and (c) collectively the **Recall Pro Forma Historical Financial Information**)

- (d) Brambles (after the Demerger) Pro Forma Historical Income Statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013, set out in Figure 3.4 of the Scheme Booklet which assumes completion of the proposed transactions and/or adjustments described in Sections 3.9.2 and 3.9.3 of the Scheme Booklet
- (e) Brambles (after the Demerger) Pro Forma Historical Cash Flow Statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013, set out in Figure 3.9 of the Scheme Booklet which assumes completion of the proposed transactions and/or adjustments described in Sections 3.9.2 and 3.9.4 of the Scheme Booklet
- (f) Brambles (after the Demerger) Pro Forma Historical Balance Sheet as at 30 June 2013 set out in Figure 3.13 of the Scheme Booklet which assumes completion of the proposed transactions and/or adjustments described in Sections 3.9.2 and 3.9.5 of the Scheme Booklet

((d), (e) and (f) collectively the **Brambles (after the Demerger) Pro Forma Historical Financial Information**)

(the Recall Pro Forma Historical Financial Information, and the Brambles (after the Demerger) Pro Forma Historical Financial Information collectively form the **Historical Financial Information**).

This Report has been prepared for inclusion in the Scheme Booklet. We disclaim any assumption of responsibility for any reliance on this Report or on the Historical Financial Information to which this Report relates for any purposes other than the purpose for which it was prepared.



## 7. INVESTIGATING ACCOUNTANT'S REPORT - CONTINUED



### **Scope of review of Historical Financial Information**

The Historical Financial Information has been derived from the audited financial statements of the Company and management information. The financial statements were audited by PricewaterhouseCoopers who issued unqualified audit opinions on them. The Historical Financial Information incorporates such pro forma transactions and/or adjustments described in Sections 2.16.2 to 2.16.5 and 3.9.2 to 3.9.5 (**the Pro Forma Adjustments**) as the Directors considered necessary to present the Historical Financial Information on a basis consistent with the internal restructure described in Section 5.1 and the demerger elements described in Section 5.2.1. The Directors are responsible for the preparation of the Historical Financial Information, including the determination of the Pro Forma Adjustments.

We have conducted our review of the Historical Financial Information in accordance with Australian Auditing Standards applicable to review engagements. We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- an analytical review of the audited financial performance of the Company for the relevant historical periods;
- a review of work papers, accounting records and other documents;
- a review of the Pro Forma Adjustments and supporting work papers used to compile the Historical Financial Information;
- a comparison of consistency in application of the recognition and measurement principles under Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in the Brambles Annual Report for the year ended 30 June 2013; and
- enquiry of Directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Historical Financial Information.

### **Review statement on Historical Financial Information**

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the Recall Pro Forma Historical Financial Information and the Brambles (after the Demerger) Pro Forma Historical Financial Information has not been properly prepared on the basis of the Pro Forma Adjustments

## 7. INVESTIGATING ACCOUNTANT'S REPORT - CONTINUED



- the Pro Forma Adjustments do not form a reasonable basis for the Recall Pro Forma Historical Financial Information and the Brambles (after the Demerger) Historical Financial Information
- the Historical Financial Information as set out in Figures 2.16, 2.20, 2.23, 3.4, 3.9 and 3.13 of the Scheme Booklet, does not present fairly:
  - (a) the pro forma income statements of Recall and Brambles (after the Demerger) for the years ended 30 June 2011, 30 June 2012 and 30 June 2013, assuming completion of the Pro Forma Adjustments;
  - (b) the pro forma cash flow statements of Recall and Brambles (after the Demerger) for the years ended 30 June 2011, 30 June 2012 and 30 June 2013, assuming completion of the Pro Forma Adjustments; and
  - (c) the pro forma balance sheets of Recall and Brambles (after the Demerger) as at 31 December 2013, assuming completion of the Pro Forma Adjustments

in accordance with the recognition and measurement principles prescribed under Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in the Brambles Annual Report for the year ended 30 June 2013.

Under the terms of our engagement our work has been carried out under Australian Auditing Standards applicable to review engagements. Our work has not considered nor been conducted according to auditing standards and practices generally accepted in jurisdictions other than Australia (including the United States of America). Accordingly it is not appropriate to consider our work nor can it be relied upon as if it had been carried out in accordance with standards and practices other than those prevailing in Australia.

### **Subsequent events**

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary course of business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

### **Independence or disclosure of interest**

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of the Demerger other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

## 7. INVESTIGATING ACCOUNTANT'S REPORT - CONTINUED



### **Liability**

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this Report in the Scheme Booklet in the form and context in which it is included. The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this Report in the Scheme Booklet.

PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Scheme Booklet.

### **Financial Services Guide**

We have included our Financial Services Guide as Appendix A to our Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

A handwritten signature in black ink that reads 'Sean Gregory'.

Sean Gregory  
Authorised Representative of  
PricewaterhouseCoopers Securities Ltd

## 7. INVESTIGATING ACCOUNTANT'S REPORT - CONTINUED



### Appendix A – Financial Services Guide

#### PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 23 October 2013

#### 1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Brambles Limited ("**Brambles**") to provide a report in the form of an Investigating Accountant's Report in relation to the certain historical financial information presented by Brambles for Recall and New Brambles for inclusion in the Scheme Booklet dated 23 October 2013.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

#### 2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

#### 3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

#### 4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

#### 5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to approximately \$725,000.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

#### 6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. In relation to Recall, PricewaterhouseCoopers is the auditor.

#### 7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("**FOS**"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

#### 8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Mr Sean Gregory, Tower 2 Darling Park  
201 Sussex Street, Sydney NSW 2000



## 8. CONCISE INDEPENDENT EXPERT'S REPORT



### **KPMG Corporate Finance**

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The Directors  
Brambles Limited  
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1 Macquarie Place  
Sydney NSW 2000

23 October 2013

Dear Directors

### **PART ONE – CONCISE INDEPENDENT EXPERT'S REPORT**

#### **1 Introduction**

On 2 July 2013, Brambles Limited (Brambles or the Company) announced its intention to pursue a demerger of Recall, its information management solutions business, by listing a new holding company, Recall Holdings Limited (Recall Holdings), on the Australian Securities Exchange (ASX). Brambles will continue to be listed on the ASX (the Proposed Demerger).

If approved, the Proposed Demerger will be implemented by way of a Capital Reduction, Demerger Dividend and a scheme of arrangement (the Scheme) between Brambles and its shareholders (Brambles Shareholders). As part of the Scheme, Eligible Brambles Shareholders<sup>1</sup> will receive one new share in Recall Holdings for every five shares they hold in Brambles. All Brambles Shareholders will retain their existing Brambles shares. Brambles will not retain any shareholding in Recall following the Proposed Demerger.

The Proposed Demerger is subject to a number of conditions precedent, including approval by Brambles Shareholders at a meeting to be held on 3 December 2013 (Scheme Meeting), Court approval of the Scheme and approval from the ASX regarding the listing of Recall Holdings.

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<sup>1</sup> Eligible Shareholders are Brambles Shareholders at the Scheme Record Date whose registered address is in a jurisdiction in Australia and New Zealand and certain other jurisdictions as determined by Brambles (expected to include Canada, France, Germany, Hong Kong, Ireland, Malaysia, Singapore, South Africa, Spain, United Kingdom and the United States as per Section 5.3.2 of the Scheme Book). Ineligible Overseas Shareholders are Brambles Shareholders that are not Eligible Shareholders. Whilst Ineligible Overseas Shareholders will be entitled to the Distribution Entitlement on the same basis as all Eligible Shareholders, Recall shares will not be transferred to them. Instead, Recall shares to which Ineligible Overseas Shareholders would otherwise have been entitled will be transferred to the Sale Agent and will be dealt with as described in Section 5.4.3 of the Scheme Book.

## 8. CONCISE INDEPENDENT EXPERT'S REPORT - CONTINUED



*Brambles Limited  
Independent Expert Report  
23 October 2013*

In order to assist Brambles Shareholders in assessing the Proposed Demerger, the Directors of Brambles have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) prepare an Independent Expert's Report (IER) to opine on whether:

- the Proposed Demerger is in the best interests of Brambles Shareholders, and
- the Capital Reduction associated with the Proposed Demerger materially prejudices Brambles ability to pay its creditors.

This concise report contains a summary of KPMG Corporate Finance's opinion as to the merits or otherwise of the Proposed Demerger and is extracted from KPMG Corporate Finance's full report. In KPMG Corporate Finance's opinion, this concise report contains all the material information contained in the full report. The additional information incorporated in the full report includes:

- company profile of Brambles including detailed financial information, pooling solutions industry overview, detailed share price analysis and details of its capital structure
- company profile of Recall including detailed financial information and the document management solutions industry overview
- details on the impact of the Proposed Demerger
- qualifications, declarations and consents
- list of previous ASX announcements by Brambles
- list of sources of information
- market valuation parameters relating to potentially comparable companies of Brambles (after the Proposed Demerger) and Recall.

A copy of this concise report will be included in the Scheme Book to be sent to Brambles Shareholders prior to the Scheme Meeting. This concise report should be considered in conjunction with, and not independently of, the information set out in the Scheme Book. The full Independent Expert's Report from which this summary has been extracted is available on the Brambles website and will be mailed to Brambles Shareholders on request.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this concise report.

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### 2 Opinion

#### 2.1 The Proposed Demerger is in the best interests of Brambles Shareholders

##### 2.1.1 Summary

In our opinion, the Proposed Demerger **is in the best interests** of Brambles Shareholders on the basis that the potential benefits of the Proposed Demerger outweigh the potential disadvantages, costs and risks.

In assessing whether the Proposed Demerger is in the best interests of Brambles Shareholders, it is important to recognise that:

- the existing economic interests of Eligible Brambles Shareholders remain unchanged. Essentially, Brambles Shareholders will be issued shares in Recall in a fixed proportion to their existing holding in Brambles
- the businesses already operate largely independently with no material operational or other synergies existing between the businesses.

Due to the nature of the transaction, it is not possible to quantify specific benefits or disadvantages, and therefore our assessment is necessarily subjective in nature and is based on an evaluation of the benefits, disadvantages and other factors having regard to the strategic, financial and current circumstances of the business.

We consider the key benefits of the Proposed Demerger include:

- enhancing the opportunity and potential for Brambles (after the Demerger) and Recall to independently focus on, develop and execute their respective strategies to maximise returns to shareholders
- enabling management to focus on their respective businesses without potential for conflicting interests and capital allocation issues
- allowing management to manage their financial policies, operational risks and capital structure having regard to the different characteristics of each business
- enhancing the prospect of a change of control transaction, which may allow shareholders to realise full underlying value for the demerged entities
- improving disclosure in relation to the demerged entities, thereby increasing analyst coverage and investors' confidence in their ability to judge and value each entity, which will increase the likelihood that the demerged entities will be held by those investors that value the respective businesses most highly
- providing Brambles Shareholders the flexibility to actively manage the level of diversification inherent in their investment portfolio by amending their relative investment in Brambles (after the Demerger) and/or Recall.



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Further, the Proposed Demerger provides the demerged entities (and Brambles Shareholders) certainty of execution and clarity of direction, outcomes that were not achieved during Recall's withdrawn trade sale process in 2012. Whilst the Brambles Board considered various alternatives, including a trade sale or initial public offering, these would not provide the certainty of execution that arises from the Proposed Demerger and may have resulted in further disruptions to the operating businesses. Finally, the Brambles Board does not consider the cash potentially generated from such alternatives is currently required to support the existing operations of Brambles.

Whilst we consider these benefits compelling, we have identified several key disadvantages of the Proposed Demerger. These include:

- incremental corporate and ongoing costs to operate two separately listed entities and one-off transaction costs associated with the implementation of the Proposed Demerger
- loss of diversification at the consolidated entity level, which may expose shareholders to greater earnings volatility at the demerged entity level by being only exposed to the risks of the respective industries in which the demerged entities operate
- an increase in Recall's funding costs on a standalone basis due to the loss of the financial support and credit profile currently provided by the larger Brambles group
- potential reduction in trading liquidity (particularly with respect to Recall) as a result of the separately listed entities individually having lower market capitalisations and consequently, lower index weightings, than the current market capitalisation and index weighting of Brambles.

In relation to the costs, we consider these to be relatively minor in the context of the overall size of Brambles and Recall. In relation to the other matters and notwithstanding their subjective nature, we do not consider these disadvantages are likely to be substantial.

Our evaluation of the Proposed Demerger also considered:

- the potential for a market re-rating. We have reviewed various literature and examined the experiences of demergers in the Australian market, however, the lack of directly comparable listed companies makes it difficult to form any definitive view as to whether a market re-rating will occur. On this basis, we are of the opinion that any positive re-rating would be unlikely in the near term and would ultimately be driven by the performances of the businesses in the future, consistent with historic evidence
- that no material synergies would be lost as a result of the Proposed Demerger, which is not unexpected given the largely independent operations and customer base
- the transition risk of Recall operating as a standalone listed entity without the direct guidance of Brambles has been largely mitigated (though not eliminated) through securing transitional service arrangements with Brambles and third parties, as well as Recall already having recruited experienced senior personnel

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- if the proposed dividend policies set out in the Scheme Book are implemented following the Proposed Demerger, it is likely that shareholders will receive higher combined dividends from Brambles (after the Demerger) and Recall than they have from Brambles
- the tax risks at both a company level and shareholder level have been managed to the extent possible.

The principal matters that KPMG Corporate Finance has taken into consideration in forming its opinion that the Proposed Demerger is in the best interests of Brambles Shareholders are discussed in more detail in the following sections.

### 2.1.2 Background

Established in 1875 to service the transport and logistics industry, Brambles has grown to become one of the world's largest providers of supply chain logistics services, specialising in providing outsourced pallet, crate and container pooling solutions. Since its listing in 1954, Brambles grew into a diversified conglomerate, comprising different industrial services and logistics businesses, through acquisition and expansion into new industries and markets. Recall, a full-service provider of information management solutions, was established by Brambles in 1999 through the integration of several existing document management businesses. During the 2000s, Brambles conducted a series of divestments of non-core business units, including Cleanaway and Brambles Industrial Services, to refocus the group. Following these divestments, Brambles was comprised of its pooling solutions businesses and Recall. Aside from the centralised head office functions, Brambles and Recall have largely operated independently, with Brambles' and Recall's key management based in Australia and the United States (US) respectively.

Since 2008, Brambles has acquired several businesses in the pooling solutions industry, targeting opportunities such as container pooling, intermediate bulk containers, reusable plastic crates (RPCs) and other pallet management and pooling businesses. Brambles has an increasing presence in emerging markets (such as Eastern Europe, Central and South America, the Middle East and Asia) and has also achieved organic growth in its existing markets through winning new customers and contracts. The strategy of the pooling solutions business contrasts with Recall, which currently operates a relatively stable, strong cash flow business with a focus on growing organically through operating efficiencies, customer growth in the unvented segment, geographic expansion and further extension of the services it provides into workflow automation and other ancillary business segments. Whilst Recall also has opportunities to grow its business through bolt-on acquisitions, it has to compete for capital resources with Brambles' much larger pooling solutions business, for which the expected returns are higher than those available in the information management solutions business.

In 2011, Brambles conducted a formal trade sale process for Recall. However, the Board concluded the proposals received did not provide sufficient value to shareholders or deliver sufficient certainty of outcome and therefore the process was withdrawn in June 2012.

The recent acquisitions of IFCO and Pallecon have demonstrated Brambles' continued focus on the pooling solutions business. These acquisitions have resulted in Recall declining in weight relative to the pooling solutions business, leading to ongoing speculation of the carve out of Recall from Brambles due to the businesses' diverging strategies and competing priorities.

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### 2.1.3 Benefits

#### *Greater strategic focus*

Brambles is currently comprised of the pooling solutions business and the information management solutions business. These businesses have different characteristics and different growth prospects.

Whilst each business maintains its own management structure, operating within a single corporate structure means that strategies and operational decisions are rarely made in isolation of the group as a whole. Further, under Brambles' current structure, the time of the Board and senior management needs to be divided between each of the businesses and may not always be reflective of the size and earnings of the business.

Following the Proposed Demerger, each business will have a dedicated board and management team, which should enable a greater focus on their respective core businesses and growth objectives. The demerged entities can independently focus on developing and executing their strategies based on the dynamics of the industry in which they operate and the business' expected risk/return profile, whilst avoiding potential conflicts arising from competing strategies.

The Proposed Demerger into 'pure play' companies will allow a more transparent view of the companies' strategy, making it easier for investors to assess the strategy and the risks of each company. It also provides the Boards and management teams with a mandate to pursue their strategy more aggressively than would be possible if operating within a diversified conglomerate. This is supported by empirical evidence (refer to Appendix 1 of this report) that demergers of conglomerates operating in different industries have a greater potential to unlock value for shareholders in the long run.

#### *Enhanced financial flexibility*

The Proposed Demerger will allow Brambles and Recall to independently manage their funding requirements to best achieve their operational, financial and strategic goals without the potential for any internal conflict in relation to the allocation of capital.

As part of a consolidated group and prior to the Proposed Demerger, any capital investment would be assessed against the risk/return profile of the overall business. Given the different characteristics of each business, that could result in suboptimal operating outcomes.

In recent years, Brambles has pursued the acquisition of various pooling solutions businesses, due to the higher expected returns in this sector over those available in the information management solutions business. As such, potentially value enhancing growth strategies for Recall may not have been pursued.

This issue is likely to be encountered again in the future, further reducing Recall's contribution to Brambles, which accounted for approximately 14% of total Brambles revenue and underlying profit in

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FY13<sup>2</sup>. As Recall reduces in importance to the overall group, so too may its ability to attract an appropriate allocation of group capital.

Following the Proposed Demerger, each entity will adopt an appropriate gearing structure tailored to its earnings profile and strategic goals, without the influence or competing priorities of the other operating business.

To enable Recall to operate independently, Brambles has arranged a new multi-currency syndicated loan facility for Recall to access following the Proposed Demerger. Recall will also be able to raise additional capital, be it in equity or debt, to support its future strategic goals. This will allow it to execute its focussed strategy without restrictions.

### ***Increased shareholder flexibility***

On implementation of the Proposed Demerger, current shareholders of Brambles will, in total, have the same ownership interest in the demerged entities as they currently hold in Brambles (except ineligible overseas investors and small shareholders who choose to sell into the Sale Facility).

However, the risk profile, growth prospects and return characteristics of Brambles (after the Demerger) and Recall differ and may appeal to different types of investors. Therefore, shareholders will have the flexibility to adjust their holdings in Brambles and Recall to match their individual risk/return profile.

Further, the Proposed Demerger will create two standalone listed entities which can be better aligned with their specific industry or market dynamics. Combined with a greater level of transparency in the demerged entities, that will enable investors to better assess the strategy and risks of each entity, which will potentially attract new investors post the Proposed Demerger.

Finally, the Proposed Demerger will allow shareholders to retain a direct ownership interest in a business with strong brand awareness and market share, which would not have been possible under a trade sale process.

### ***Takeover potential***

Takeovers or similar transactions are typically seen to create value for shareholders as the bidder is often required to pay a premium to the current traded share price to gain control of the target. Higher premiums are often observed where synergies are expected to be achieved. Therefore, a company identified as a viable takeover target will often be more 'fully priced' than a company that is not.

Diversified businesses present a deterrent for a potential acquirer who may not have sufficient funding capacity to acquire the whole business nor sufficient interest or expertise to manage businesses outside of their core focus. As such, the creation of a more focused business through a demerger process often results in the creation of a potential takeover target as well.

This is evidenced in our analysis of Australian demergers set out in Appendix 1 of this report. Of the 20 demergers that have been analysed since 2000, five have resulted in at least one of the demerged entities

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<sup>2</sup> Underlying profit is a non-IFRS profit measure

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being subject to a takeover within two years of the demerger date. Each of these takeovers resulted in an outperformance relative to the All Ordinaries Index and an enhancement in shareholder value.

Following the Proposed Demerger, Recall, and to a lesser extent Brambles, would potentially be more attractive to potential bidders due to:

- the more focused nature of their businesses and the lower capital required to complete an acquisition
- the expected shareholding structure being widely held by institutional investors with no substantial impediments to corporate activity, such as a large voting bloc that may have existed in a limited IPO
- the flexibility offered for investors to establish a strategic investment without the immediate requirement to launch a full takeover of the company.

Whilst these factors all suggest an increase in takeover potential, the unsuccessful trade sale process for Recall provides evidence of the difficulty in achieving a takeover price that is considered to reflect the fair value for the business in the current market.

### ***Execution certainty***

Should the Proposed Demerger be successful, it will conclude the process begun by Brambles in 2011 to divest Recall and allow Brambles to focus on its pooling solutions businesses. Whilst it is possible that alternatives may have delivered a different value outcome to Brambles Shareholders, the Proposed Demerger provides, amongst other things, execution certainty which the alternatives may not.

### ***Better alignment of management incentives with performance***

The Proposed Demerger will allow the respective Boards of Brambles and Recall to introduce new employee incentive plans, which are more directly aligned to the financial and share price performance of the standalone businesses within management control.

Currently, the employee incentive plans of Brambles and Recall management are linked to the overall share performance of Brambles. Following the Proposed Demerger, the decisions made by Brambles and, in particular, Recall will be solely reflected in their respective share prices.

It is generally acknowledged that a tailored management incentive scheme that is aligned with business performance over the long run can maximise the benefit for shareholders.

### ***Corporate governance and disclosure***

Good governance practices provide investors with additional confidence and trust to invest in the company, thereby outperforming a company with weaker corporate governance practices, though these results vary from country to country<sup>3</sup>. The observed outperformance from increased disclosure and better

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<sup>3</sup> Gompers, A, Ishii, J.L. and Metrick, A. (2003) "Corporate Governance and Equity Prices" *Quarterly Journal of Economics*, 118, 107-55 and Bauer, Gunster and Otten (2004) "Empirical Evidence on Corporate Governance in Europe", *Journal of Asset Management*

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corporate governance practices is also consistent with the uplift in market value on demerged entities, where limited information was disclosed prior to the demerger (further details outlined in Appendix 1 of this report).

The Proposed Demerger will result in Recall receiving dedicated Board oversight, including through the creation of an independent Audit Committee and Remuneration Committee. These committees are consistent with best practice corporate governance and will provide for additional oversight and greater transparency in disclosures, including those relating to remuneration arrangements.

Disclosure requirements will also be enhanced for Recall given its separate listing on the ASX, which will provide greater transparency of Recall's operations and performance than currently occurs. Ultimately, improved disclosure may increase analyst coverage and investors' confidence in their ability to judge and value each company, which will increase the likelihood that the demerged entities will be held by those investors that value the respective businesses most highly.

### 2.1.4 Disadvantages

#### *Additional corporate and ongoing costs*

Upon completion of the Proposed Demerger, Recall will incur increased standalone costs comprising:

- corporate costs associated with maintaining its own Board of Directors and with certain services previously provided by Brambles, such as accounting, legal, tax, treasury, insurance and information technology
- listing costs associated with its separate listing on the ASX, including listing fees, shareholder communications, share registry, legal and regulatory compliance costs.

Management estimates these standalone corporate and listing costs will be approximately \$14 million per annum, of which \$9 million are incremental to the corporate costs that Brambles allocated to the Recall business in FY13.

The risk that the establishment of Recall's standalone capabilities is more costly and time consuming than currently anticipated is unlikely to be material given that the pooling solutions business and the Recall business already largely operate as independent businesses.

We have also considered whether there are any other non-corporate costs or revenue benefits that would either be incurred or lost as a consequence of the Proposed Demerger. However, given the largely independent nature of the businesses, including the lack of common customers, we do not believe these to be material.

Following the Proposed Demerger, Recall will also form a new tax consolidated group, with any tax losses included in the Brambles tax consolidation group remaining with Brambles and therefore not available to Recall. As a consequence, the effective tax rate of Recall Holdings as a standalone entity will vary from what it would have been if it remained part of Brambles.

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### ***Impact on funding costs***

Upon implementation of the Proposed Demerger, Recall will no longer benefit from the financial support and credit profile currently provided by the larger Brambles group. In establishing its own debt facilities, Recall has secured a committed syndicated debt facility totalling \$800 million, of which \$529 million will be used to repay Recall's current intercompany liability to Brambles<sup>4</sup>.

In combination with the operating cash flow expected to be generated by Recall, management considers the committed syndicated facility will be sufficient to operate Recall on a standalone basis and support the stated strategic objectives.

Recall is not expected to seek a public credit rating immediately after the Proposed Demerger. However, whilst the committed syndicated facility contains market standard terms and conditions for a facility of this nature, the funding costs of Recall are likely to increase on a standalone basis following the Proposed Demerger, relative to the funding costs incurred within the Brambles group.

Brambles (after the Demerger) will retain its existing debt facilities. However, its drawn debt will reduce in accordance with the proposed repayment of the intercompany liability by Recall. Given the relative size of the Recall business, the Proposed Demerger is unlikely to materially affect the borrowing capacity or credit profile of Brambles (after the Demerger). This is evidenced by the confirmation from Brambles' primary credit rating agencies that Brambles' current credit ratings are expected to remain unchanged as a result of the Proposed Demerger.

### ***Loss of diversification***

Following the Proposed Demerger, Brambles (after the Demerger) will no longer hold an interest in Recall and therefore will no longer benefit from the diversification of earnings inherent in Brambles' current corporate structure. Further, as standalone entities both Brambles (after the Demerger) and Recall will be smaller in size relative to the existing Brambles group.

As the pooling solutions business and the Recall business operate in separate and largely unrelated industries, each business is individually exposed to different risks and growth prospects. Whilst Recall is expected to provide a higher dividend yield, supported by relatively stable operating cash flows and moderate growth prospects, Brambles (after the Demerger) is expected to provide a higher capital growth potential, supported by higher return and growth expectations inherent in the pooling solutions business.

There is a general risk that the future financial performance or prospects of the businesses may be adversely affected by events beyond the control of management. Following the Proposed Demerger, the potential negative impact of a material adverse event on one of the businesses may no longer be reduced or offset by the performance of the other business. On the other hand, a strong performing business may no longer be penalised by an underperforming business.

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<sup>4</sup> Based on the pro forma historical balance sheet of Recall as set out in Section 2.16.5 of the Scheme Book.

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Whilst the Proposed Demerger will result in a loss of diversification at the entity level, Brambles Shareholders would still be able to replicate this diversification from an investment portfolio perspective through maintaining their ownership in both Brambles (after the Demerger) and Recall.

### ***Trading liquidity***

Brambles had a market capitalisation of A\$14.4 billion at 27 September 2013 and is currently included in all major S&P/ASX market indices. The Proposed Demerger will lead to both Brambles (after the Demerger) and Recall being separately listed entities on the ASX and individually having lower market capitalisations and consequently, lower index weightings, than the current market capitalisation and index weighting of Brambles. It is possible that this reduction in size and lower presence in the sharemarket indices may result in a lower level of institutional interest in each of the demerged entities. This may in turn reduce liquidity. However, both entities will be substantial in size and should continue to attract considerable investor interest.

The demerged entities are both expected to be included in the S&P/ASX 200 Index, the key benchmark index for institutional investors, which further mitigates the risk that a reduction in size and index weighting would have a material impact on liquidity. Accordingly, whilst there is a risk that the Proposed Demerger would result in lower trading liquidity, we consider it unlikely that this would materially affect investor interest in the demerged entities.

### ***One-off implementation costs***

Management have estimated total one-off transaction and implementation costs in relation to the Proposed Demerger to be approximately \$62 million on a pre-tax basis, of which approximately \$22 million will have been paid, or committed, prior to the Scheme Meeting.

One-off transaction costs associated with the Proposed Demerger primarily relate to expenses incurred in the establishment of Recall's debt facilities, restructuring costs associated with separating Recall and Brambles including associated information technology expenditures, equity settled share based payments to be granted to management of Recall, costs associated with the listing of Recall on the ASX and advisor fees.

Total one-off transaction costs as a percentage of the current market capitalisation of Brambles are not inconsistent with ratios observed for many precedent demergers.

## **2.1.5 Other Considerations**

### ***Market re-rating***

One of the prime drivers of a demerger is the potential for value enhancement. The creation of two separately listed entities typically results in a greater level of transparency and understanding of the operations of each business, which in turn increases the likelihood of a more efficient value assessment being made by the market.



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In assessing the potential of a market re-rating following the Proposed Demerger, we have considered:

- market evidence as to the performance of demergers based on empirical studies and our analysis of recent Australian demergers as set out in Appendix 1 of this report. It is evident, whilst not all demergers created shareholder value, the shares of the parent and demerged entity have typically outperformed the broader market over the medium term. However, due to the nature of the transactions and the uncertainty over what the performance of the parent entity would have been if the demerger had not been completed, it is difficult to argue conclusively that demergers create shareholder value. Rather, the success or otherwise of any demerger will always depend on the specific circumstances of each transaction
- the likely benefits and disadvantages of the Proposed Demerger as discussed above. It is noted that the relative share price performance in the short term may be impacted by the one-off cash transaction and incremental costs of the Proposed Demerger as they will be incurred immediately, while many of the benefits will take longer to materialise in improved earnings and cash flow, and in turn a market re-rating
- the level of disclosure and transparency provided by Brambles in relation to its businesses. Based on the size and transparency of the information management solutions businesses relative to the pooling solutions businesses, we consider it more likely that a re-rating will occur in Recall rather than Brambles. Whilst there may also be the prospect of a re-rating in Brambles, any re-rating is likely to be limited due to the size of Recall relative to Brambles
- the market valuation parameters of listed peers against which Brambles and Recall are likely to be rated following the Proposed Demerger. However, it is noted that Brambles is highly unusual in the sense that it is a leading global pooling solutions company with no directly comparable peers listed on any stock exchange. Similarly, there are only few listed information management solutions businesses listed around the world. Iron Mountain, whilst arguably the most comparable to Recall, is larger in size and offers a different risk/return profile as reflected by its recent application for conversion into a real-estate investment trust (REIT). Due to the lack of directly comparable listed peers, there is clearly a need for caution in attempting to derive reliable conclusions as to the likely quantum and timing of a market re-rating (if any) from market valuation parameters. It is noted though that the EBIT and EBITDA trading multiples of Iron Mountain are not too dissimilar to Brambles, which may suggest that the potential of a market re-rating in Recall is rather limited immediately after the Proposed Demerger is implemented
- the size of Recall relative to Brambles. Even if a re-rating were to occur in Recall, the impact on the hypothetical combined sharemarket value of the demerged entities may not be material given the size of Recall relative to Brambles
- the share price performance of Brambles since announcement of the Proposed Demerger. On the day of the announcement of the Proposed Demerger, Brambles' share price increased by 3.0% (from A\$9.08 to A\$9.35) versus the S&P/ASX All Ordinaries Index which increased by 2.6%. The demerger of Recall was broadly expected by the market subsequent to the unsuccessful trade sale efforts. This may explain the relatively low impact of the announcement on the Brambles share price that day, as well as the size of Recall relative to Brambles. More recently, Brambles' share price

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dropped to a low of A\$8.60 as a result of the negative market reaction to Brambles' full year results presentation, including its FY14 guidance, from where the stock recovered to a closing price of A\$9.21 on 27 September 2013. It is not possible to conclusively assess whether and to what extent the current share price of Brambles incorporates any anticipation of the benefits of the Proposed Demerger, which adds to the complexity of assessing the prospects of a potential market re-rating following the Proposed Demerger.

- the current shareholder structure of Brambles and the trading liquidity in Brambles shares. In the short term, there is likely to be an increase in share price volatility in both Brambles and Recall until portfolio weightings and share registers are stabilised and the market becomes familiar with the risk/return profile and performance of each entity on a standalone basis. In the long term, the demerged entities should be held by those investors that assign the highest value to the respective businesses, which will increase the likelihood of any market re-rating.

On balance, we consider it unlikely that any material market re-rating will occur shortly after the implementation of the Proposed Demerger. As with most demergers, there is a risk of a period of increased share price volatility and relative share price weakness in the short term. Whilst we are unable to quantify with any certainty the extent or timing of any re-rating, the balance of market evidence does favour demergers outperforming the market over a medium term investment horizon, say one to two years. Further, based on market evidence of increased takeover activity following a demerger, shareholders may benefit even in the short term from a premium to share price that is often paid for company control and may also be paid for potential synergies.

Ultimately, the traded price of Brambles and Recall, and the quantum of any re-rating, will be influenced by a range of factors, including:

- the extent of any increase in the transparency of each entity, which may increase analyst coverage and investors' confidence in their ability to judge and value each entity
- the ability of management to realise the benefits and mitigate the risks associated with the Proposed Demerger
- the extent to which the 'pure play' entities can attract and maintain a new investor base
- the operating performance of Brambles and Recall and market perceptions as to the earnings prospects of each entity
- the performance of the respective industries in which Brambles and Recall operate and the ability of each entity to effectively adapt to new opportunities and threats, such as the trend to digitalisation in the information management industry
- the market conditions of global equity markets
- economic conditions prevalent at the time.

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### ***Transition risk***

Transition risk associated with the Proposed Demerger relates primarily to the initial share trading in the demerged entities and Recall operating as a standalone business.

In respect of the initial share trading, it is possible that once the Proposed Demerger is implemented, Brambles Shareholders will adjust their portfolio holdings in both Brambles and Recall. Accordingly, until the shareholder bases of both companies are rebalanced, a risk exists that short term volatility in the share price of both Brambles and Recall may result in the combined value of Brambles (after the Demerger) and Recall being lower than the current market capitalisation of Brambles. Such short term volatility is not unusual after a demerger, as discussed in Appendix 1 of this report.

From an operating perspective, the proposed transformation of the Recall business into a standalone, separately listed entity with the associated organisational changes, involves some degree of risk. However, this risk is unlikely to be material given:

- the Recall business already operates largely independently
- transitional service agreements with Brambles and third parties will be implemented to assist Recall in establishing its standalone capabilities immediately following the Proposed Demerger and Recall has recruited the necessary additional personnel to be able to effectively operate on a standalone basis
- the proposed composition of the Recall Board has an appropriate combined level of independence, skills and experience for the company after listing
- the Recall senior management team has experience in the information management industry and has a proven track record of successfully managing and growing international businesses. Further, the proposed Recall Short Term Incentive arrangements and the Recall Performance Share Plan will assist Recall in attracting and retaining crucial management capabilities.

### ***Dividends and franking credits***

The future dividend policy of the demerged entities will be determined at the discretion of their respective Boards and will ultimately depend on the financial performance and cash requirements of each individual entity. Whilst the dividend policy is likely to change over time, it currently is the intention of:

- the Brambles Board to retain the annual dividend at least at the 2013 financial year level of 27.0 Australian cents per share and not rebase the dividend following the Proposed Demerger
- the Recall Board to initially target a dividend pay-out ratio of at least 60% of net profit after tax following the Proposed Demerger. Recall's first dividend is intended to be paid in September/October 2014 and be based on earnings for the six months to 30 June 2014.

In relation to the dividends' tax status, it is noted that:

- Brambles' future dividends are expected to be franked between 20% and 30% for the near term. The unfranked components of Brambles' dividends paid to non-Australian residents are expected to continue to be conduit foreign income and therefore not subject to Australian dividend withholding tax

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- Recall's future dividends are not expected to be franked until FY15, with the proportion of dividends to be franked then expected to be 20–40% for the foreseeable future. Recall will seek to ensure that the unfranked component of Recall's dividend paid to non-Australian residents is conduit foreign income and therefore not subject to Australian withholding tax. However, there is a risk that some or the entire unfranked component may be subject to withholding tax.

It follows that if the proposed dividend policies set out above are implemented following the Proposed Demerger, it is likely that shareholders will receive higher combined dividends from Brambles (after the Demerger) and Recall than they have from Brambles.

### ***Restructure risks and taxation implications***

There are a number of risks associated with the restructure as outlined in Section 4.3.6 to 4.3.8 of the Scheme Book, including that the demerger tax relief sought in both Australia and the US will not be available.

In both Australia and the US there are various changes to the corporate structure in order to implement the Proposed Demerger. This requires the transfer of various entities within the group. The effect of the demerger tax relief, if granted, will be such that in Australia any capital gain or loss on transfer will be disregarded and in the US the transfer will not be taxable.

With respect to Australia, Brambles has received a draft ruling from the Australian Taxation Office (ATO) indicating the demerger tax relief will be granted. In the US, should the demerger tax relief not be granted, Brambles will seek to utilise available carry forward income tax losses to reduce any cash tax payable to an immaterial amount.

### ***Taxation implications for current Brambles Shareholders***

General tax implications for Brambles Shareholders in Australia, UK and the US in respect of the Proposed Demerger are outlined in detail in Section 6 of the Scheme Book.

With respect to Australian resident shareholders, Brambles has sought a Class Ruling from the ATO confirming that demerger tax relief is available in relation to the Proposed Demerger. Whilst a final ATO ruling has not been received at the date of this report, a draft ruling has been received which indicates that this relief will be granted. The final ruling, once received, will be announced on the ASX and published on Brambles' website.

The tax and legal advice indicates that assuming relevant demerger tax relief is received (as expected), should they choose to apply the demerger tax relief, then no adverse tax consequences will result from the Proposed Demerger for Australian residents who hold their shares on capital account as:

- any capital gain made from a CGT event happening to their Brambles Shares as a result of the Capital Reduction will be disregarded
- the cost base of their Brambles Shares will be allocated between the Brambles Shares and Recall Shares in proportion to their respective market values just after the Proposed Demerger

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- they will be deemed to have acquired the relevant Recall Shares at the same time as they acquired their Brambles Shares for the purposes of determining eligibility for the CGT discount
- the amount that is taken to be a Demerger Dividend for tax purposes will not be assessable to them.

Although unlikely, if demerger tax relief is not available, then, while tax consequences may vary between shareholders, there may be an assessable capital gain for Australian resident shareholders, who may be liable for income tax on an unfranked dividend as a result of the Proposed Demerger.

We note that shareholders should consider their individual circumstances, review Section 6 of the Scheme Book for further information where it applies to their circumstances and should seek the advice of their own professional adviser.

### ***Ineligible Overseas Shareholders***

Whilst Ineligible Overseas Shareholders<sup>5</sup> will not be entitled to participate in the Proposed Demerger, it is noted that:

- Recall shares that would otherwise have been transferred to them under the Scheme will be sold on the ASX under the Sale Facility as soon as reasonably practicable
- their shares will be sold for market value, free of any brokerage costs or stamp duty, though tax may be payable on any profit on disposal in their country of residence
- if they wish to retain their exposure, they can acquire Recall shares through the ASX following the listing
- they represent approximately 0.3% of Brambles' listed capital.

### ***Alternatives to the Proposed Demerger***

Following a strategic review of the business, the Brambles Board concluded that the Proposed Demerger provides greater execution certainty and is more likely to enhance shareholder value over the long term than the alternatives available for Recall. The alternatives considered were:

- *the status quo*. The pooling solutions businesses and Recall have different strategies, risk/return profiles and growth prospects. Further, apart from sharing certain overhead functions, no material operational or other synergies can be realised between the businesses. If the status quo were maintained, the benefits of having a separate Board and management team focus on Recall and Brambles and allowing capital resources and financial policies to be tailored to each company's risk/return profile and growth opportunities may not be realised

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<sup>5</sup> Ineligible Overseas Shareholders are Brambles Shareholders, who as at the Scheme Record Date are not Eligible Shareholders.

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- *a trade sale.* It was evident from the withdrawn sale process for Recall in 2012 that a trade sale process bears significant execution risk, while being highly disruptive to the operating business and staff morale. Further, whilst the previous sale process for Recall attracted interest from a multitude of potential investors, the proposals received ultimately did not provide sufficient value for Brambles to proceed. As a result, instead of using the proceeds from a trade sale of Recall to reduce debt which was raised in 2011 to fund the IFCO acquisition, Brambles conducted a rights issue. There is no certainty if such a trade sale process was repeated whether an acceptable binding offer could be realised. Further, given the rights issue undertaken, Brambles does not require the cash proceeds from a trade sale, which would expose it to reinvestment risk or may lead to adverse tax consequences for shareholders if the excess capital were returned to shareholders
- *an initial public offering (IPO).* An IPO has similar issues to a trade sale, including considerable execution uncertainty and Brambles having no current need for the proceeds. It is likely that if an IPO were undertaken, it would result in a divestment of Recall at a discount to its fair value and dilution of the economic interests of Brambles Shareholders given current market conditions. There is also the risk that Brambles may be required to retain a minority shareholding in Recall for a period of time following an IPO.

### 2.1.6 Implications if the Proposed Demerger is not approved

In the event that the Proposed Demerger is not approved, Brambles will continue to operate in its current form and be listed on the ASX. As a consequence:

- Brambles Shareholders will continue to own shares in a diversified Brambles, but will not receive separate shares in Recall
- the advantages, disadvantages and risks of the Proposed Demerger, as summarised above, will not occur, other than with respect to the one-off transaction and implementation costs incurred prior to the Scheme Meeting of approximately \$22 million
- Brambles shares may not continue to trade at prices in line with recent levels. It is not possible to conclusively assess whether and to what extent the current share price of Brambles incorporates any anticipation of the benefits of the Proposed Demerger. However to the extent it does, there would be a risk that the share price may fall if the Proposed Demerger is not approved
- restructuring alternatives to the Proposed Demerger available for Recall are unlikely to be actively pursued by the Brambles Board in the short to medium term in order to avoid further disruptions to the operating business of Recall.

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### 2.2 **The Capital Reduction will not materially prejudice the creditors of Brambles**

In our opinion, the Capital Reduction **will not** materially prejudice the creditors of Brambles.

In forming our opinion, we have considered the ability of the demerged entities to meet their creditor obligations in the context of the following:

- the Capital Reduction and Demerger Dividend
- the separation into two separate entities
- the change in key financial ratios of the demerged entities
- the Brambles Cross Guarantee.

#### ***Capital Reduction and Demerger Dividend***

The implementation of the Proposed Demerger will result in a non-cash Capital Reduction and a non-cash Demerger Dividend which will be applied together by Brambles on behalf of Brambles Shareholders as consideration for the shares issued in Recall. Brambles estimates the Capital Reduction will reduce the capitalisation of Brambles in the order of \$500 million to \$800 million<sup>6</sup> and thus has the potential to materially prejudice Brambles' ability to pay its existing creditors. The Demerger Dividend will be the difference between the fair value of Recall shares demerged by Brambles and the Capital Reduction.

In order to assess the impact on Brambles' ability to pay its creditors, we considered key indicators of the financial performance and financial position of the demerged entities as set out in the table below.

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<sup>6</sup> The actual amount of the Capital Reduction will depend upon the trading price of Brambles and Recall shares post the Proposed Demerger, but based on the illustrative Recall trading range set out in Figure 3.22 of the Scheme Book, the Capital Reduction amount would be in the order of \$500 million to \$800 million.

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**Table 1: Key financials**

\$m	Brambles Actual	Brambles (after the Demerger) Pro forma	Recall Pro forma
<b>Financial performance for FY13</b>			
Sales revenue	5,890	5,083	840
Underlying EBITDA	1,614	1,403	206
Underlying profit (EBIT)	1,057	908	142
<b>Financial position at 30 June 2013</b>			
Total assets	7,952	6,709	1,346
Net borrowings	2,714	2,349	500
Net assets	3,025	2,503	513
<b>Debt facilities at 30 June 2013</b>			
Total facilities	4,238	4,231	807
Facilities used	2,812	2,371	550
Facilities available	1,426	1,860	257

Source: *Brambles.*

Note 1: *The pro forma financials of Brambles (after the Demerger) and Recall include Recall Singapore at 100%, whilst the reported actuals for Brambles in FY13 reflected Recall Singapore at 49%. This arguably limits the comparability of the respective figures pre and post the Proposed Demerger. However, given the relative size of Recall Singapore, we consider this is not material in the context of the conclusions we derive from the data outlined in this table.*

Note 2: *Net borrowings = total borrowings less cash and cash equivalents. Recall's pro forma net borrowings is calculated based on approximately \$550 million drawn debt and approximately \$50 million cash (before paying \$6 million post demerger transaction costs) at 30 June 2013 foreign exchange rates.*

As outlined in the table above, Brambles (after the Demerger) and Recall individually generate strong revenues and are profitable, with a positive net assets position to support their existing operations as standalone entities after the Proposed Demerger.

Further, both Brambles (after the Demerger) and Recall will have a material amount of undrawn facilities available after the Proposed Demerger.

### ***Separation of entities***

The implementation of the Proposed Demerger will result in Brambles being split into two separate entities, with the existing creditors of each Brambles business continuing to remain as creditors of their respective demerged entities. Except for one-off transaction and additional ongoing standalone costs, the business operations of each entity are not expected to materially change.

Whilst this is the case, the Recall business, which contributed only 14% of total Brambles revenue and underlying profit in FY13, will be a much smaller entity on a standalone basis. As with all smaller entities, Recall will potentially become more exposed to changes in the internal and external factors that influence its operations. This could arguably prejudice its creditors. However, Recall's risk profile is considered to be low, with its market position in the information solutions industry providing relatively stable operating cash flows, with approximately 68% of cash flows from recurring sources.

As a separate entity, Recall will also have to meet its considerable operating lease commitments of \$587 million as at 30 June 2013 (of which \$113 million is no later than one year). It is also noted that, the pro



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forma financial performance and operating cash flows already include the expenses associated with these obligations.

Whilst Recall has not been rated by a credit rating agency prior to the Proposed Demerger, the commitment of a syndicated loan facility for Recall suggests independent financiers expect Recall to be able to meet its financial obligations. This will also provide a track record for Recall's future debt refinancing or raisings.

### **Key financial ratios**

As both demerged entities will be required to meet their own obligations and risks, in our assessment as to whether the Capital Reduction will materially prejudice the creditors of Brambles, we have considered the key financial ratios of the demerged entities based upon the pro forma financials of the demerged entities.

#### *Brambles*

The pro forma key financial ratios of Brambles (after the Demerger) for FY13 are set out below.

**Table 2: Brambles (after the demerger) – Key pro forma financial ratios for FY13**

FY13	Brambles Actual	Brambles (after the Demerger) Pro forma
Gearing (%)	47.3%	48.4%
Net debt/EBITDA (x)	1.7x	1.7x
Interest coverage ratio (x)	14.5x	13.9x
Current ratio (x)	0.9x	0.8x

Source: Brambles.

Note 1: Gearing ratio = net borrowings / (net borrowings + net assets) and reflect book values. Net borrowings represent gross debt less cash.

Note 2: Interest coverage ratio = Underlying EBITDA / (finance costs – finance revenue).

Note 3: Current ratio = current assets/ current liabilities.

Note 4: The pro forma financials of Brambles (after the Demerger) and Recall include Recall Singapore at 100%, whilst the reported actuals for Brambles in FY13 reflected Recall Singapore at 49%. This arguably limits the comparability of the respective figures pre and post the Proposed Demerger. However, given the relative size of Recall Singapore, we consider this is not material in the context of the conclusions we derive from the data outlined in this table.

In relation to the table above, it is noted:

- the pro forma gearing ratio of Brambles (after the Demerger) and net debt to EBITDA ratio are similar to the existing Brambles ratios
- the pro forma interest coverage ratio of 13.9 times remains substantially above the debt covenant of 3.5 times and similar to the interest coverage ratio of 14.5 times prior to the Proposed Demerger
- whilst the current ratio for Brambles (after the Demerger) is expected to be slightly below the consolidated entity current ratio, we consider the pro forma operating cash flow of \$437 million after capital expenditure, interest payments and tax to be sufficient to meet its working capital obligations. This operating cash flow also includes payments for its operating lease commitments, which accounted for approximately \$538 million at 30 June 2013 (of which \$122 million is no later than one year). Further, it is noted that Brambles (after the Demerger) will have \$1,860 million of undrawn debt facilities available after the Proposed Demerger.

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We also note Brambles' primary credit rating agencies confirmed that their respective credit ratings for Brambles are expected to remain unchanged as a result of the Proposed Demerger.

### *Recall*

The pro forma key financial ratios of Recall for FY13 are set out in the table below.

**Table 3: Recall – Key pro forma financial ratios for FY13**

	Brambles Actual	Recall Pro forma
Gearing (%)	47.3%	49.7%
Net debt/EBITDA (x)	1.7x	2.4x
Interest coverage ratio (x)	14.5x	11.4x
Current ratio (x)	0.9x	1.2x

Source: Brambles.

Note 1: Gearing ratio = net borrowings / (net borrowings + net assets) and reflect book values. Net borrowings represent gross debt less cash.

Note 2: The Net debt/EBITDA ratio is calculated based on approximately \$500 million of expected net debt at the time of the Proposed Demerger (comprising approximately \$550 million drawn debt and approximately \$50 million cash (before paying \$6 million post demerger transaction costs) at 30 June 2013 foreign exchange rates).

Note 3: Interest coverage ratio = Underlying EBITDA / (finance costs – finance revenue).

Note 4: Current ratio = current assets/ current liabilities.

Note 5: The pro forma financials of Brambles (after the Demerger) and Recall include Recall Singapore at 100%, whilst the reported actuals for Brambles in FY13 reflected Recall Singapore at 49%. This arguably limits the comparability of the respective figures pre and post the Proposed Demerger. However, given the relative size of Recall Singapore, we consider this is not material in the context of the conclusions we derive from the data outlined in this table.

In relation to the table above, it is noted:

- the pro forma gearing ratio of Recall of 49.7% is similar to the existing Brambles ratio of 47.3%
- Recall has sufficient headroom in terms of its:
  - pro forma interest coverage ratio of 11.4 times, which will be substantially above the debt covenant of 3.5 times
  - pro forma net debt to EBITDA ratio of 2.4 times, which will be below the debt covenant of 3.5 times
- whilst the current ratio for Recall is expected to be higher than the consolidated entity current ratio, we also consider the pro forma operating cash flow of \$95 million after capital expenditure, interest payments and tax to be sufficient to meet its working capital obligations. This operating cash flow also includes payments for Recall's operating lease commitments. Further, it is noted that Recall will have \$257 million of undrawn debt facilities available after the Proposed Demerger.

### ***Brambles Cross Guarantee***

Certain wholly owned subsidiaries of Brambles (each of which will remain a member of the Brambles Group following the Proposed Demerger) and certain entities which will be members of the Recall Group following the Proposed Demerger are currently parties to a deed of cross guarantee (Brambles Cross Guarantee) in accordance with ASIC Class Order 98/1418. Under the Brambles Cross Guarantee, each party guarantees the debts or claims of the other parties. Whilst an application was lodged with ASIC on 16 September 2013 to revoke the Brambles Cross Guarantee insofar as it applies to members of the Recall

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Group, the creditors to these businesses will be supported as if part of the consolidated group, until it takes effect six months after the date of lodgement provided that no party to the Brambles Cross Guarantee goes into certain forms of liquidation during that period.

We note the lenders under the Recall Syndicated Facility are waiving their rights against the members of the Brambles Group (after the Demerger). Brambles' main external debt financing arrangements are not covered by the Brambles Cross Guarantee but some of its transactional financing arrangements are. Brambles intends to obtain waivers from the providers of certain of those transactional financing arrangements of their rights against the members of the Recall Group which are party to the Brambles Cross Guarantee.

The guarantee effectively insulates the creditors of either Brambles (after the demerger) or Recall should the operating businesses be impacted by an industry or company specific shock over the six month period.

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### 3 Other matters

In forming our opinion, we have considered the interests of Brambles Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Brambles Shareholders. It is not practical or possible to assess the implications of the Proposed Demerger on individual Brambles Shareholders as their financial circumstances are not known. The decision of Brambles Shareholders as to whether or not to approve the Proposed Demerger is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Brambles Shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual Brambles Shareholders, including residents of foreign jurisdictions, seek their own independent professional advice.

Our report has been prepared in accordance with the relevant provisions of the Corporations Act (the Act) and other applicable Australian regulatory requirements, and has been prepared solely for the purpose of assisting Brambles Shareholders in considering the Proposed Demerger. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

All currency amounts in this report are denominated in US dollars unless otherwise stated.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Scheme Book to be sent to Brambles Shareholders in relation to the Proposed Demerger, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Scheme Book.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully

Ian Jedlin  
Authorised Representative

Sean Collins  
Authorised Representative

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### **Appendix 1 – Background on demergers**

A 'pure' demerger is a form of restructure in which existing shareholders retain 100% ownership of a newly separated entity (the 'demerged entity') that was formerly part of the larger consolidated entity (the 'parent entity'). Typically, a pure demerger involves a transfer of shares in a wholly owned subsidiary from the parent entity to the parent entity's shareholders on a pro rata basis, where the underlying economic interest of the shareholders remains the same.

There are a number of variants to a 'pure' demerger, which generally result in some alteration to the ownership structure of the demerged entity. These include:

- *a majority demerger*, similar to a pure demerger, however the parent entity either retains a minority interest in the demerged entity or sells the minority interest via an initial public offering (IPO) or private sale process
- *an equity carve out*, where the parent entity or its shareholders retain an interest in a newly formed entity with the balance of the equity sold through an IPO process to newly introduced shareholders
- *a divestiture or spin off*, where 100% of the demerged entity is sold through an IPO or other sale process.

Although the rationale behind the various forms of demergers is similar, as the Proposed Demerger is a 'pure' demerger, we have focused our analysis on demergers where there is no change in the total underlying economic interest of the shareholders.

### **Rationale**

The rationale for a multi-divisional firm, or 'conglomerate', is that it has an internal capital market where managers, who are assumed to be better informed than external investors, can efficiently allocate resources across a diversified portfolio of assets. In addition to the more efficient use of resources, internal diversification may lower a company's overall risk, allowing a better return on the capital employed in the business.

Conglomerates emerged when the capital markets were not as deep or broad as they are today. As capital markets have evolved and investors have become more 'sophisticated', there has been conjecture that investors are able to replicate the benefits provided by a conglomerate through a series of 'pure play' investments. There is also the risk that competing priorities and strategies of the individual divisions within the conglomerate may result in resources not being as efficiently allocated across the organisation as intended. Therefore, unless there are significant synergies available to a conglomerate by holding a diversified portfolio of assets, capital markets are unlikely to reward corporate diversification and in some cases, may in fact penalise it.

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### ***Benefits of demergers***

Having considered the findings of various studies<sup>7</sup>, we conclude that one or more of the following benefits will likely drive the extent to which a demerger is successful in creating value.

**Table 4: Benefits of a demerger**

<b>Benefit</b>	<b>Driver</b>
Investment transparency	Opportunity to improve corporate governance and disclosure in relation to the demerged entity, which may increase analyst coverage and investors' confidence in their ability to judge and value each company
Shareholder flexibility	Opportunity to attract new investors in demerged entities which are more focussed and aligned with a specific industry or market segment, placing the power of diversification in the hands of the investor
Management focus and accountability	Opportunity for separate boards and senior management teams to purely focus on their respective businesses and strategic objectives. Further, separately listed entities enable management incentives to be more closely aligned with the financial and share price performance within management control
Strategic focus	Opportunity for demerged entities to pursue growth initiatives independently and to better align their strategy with their specific risk/return profile and growth prospects
Financial flexibility	Opportunity for demerged entities to independently manage their capital requirements in accordance with their strategic objectives, which may resolve existing capital allocation conflicts and may also provide greater flexibility in funding future growth initiatives, including strategic acquisitions
Market re-rating	Opportunity to remove 'conglomerate discount' via a market re-rating of the demerging entities' share prices more in line with their peers. Also may reflect greater transparency of the demerged entities' operations
Takeover potential	A demerged or parent entity may have a more industry specific focus and thus may be more attractive to potential buyers. As a result, shareholders may benefit from a premium to share price that is often paid for company control and may also be paid for potential synergies

<sup>7</sup> See for example: 'Breaking up is good to do' The McKinsey Quarterly, 1 January 1999, 'Doing the spin-out' The McKinsey Quarterly, 1 January 2000, 'The performance effects of European demergers' Thomas Kirchmaier, London School of Economics and Political Science, May 2003 and 'Q-Series: Spin-offs and demergers' UBS Investment Research, 14 April 2005.

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### *Disadvantages of demergers*

Having considered the findings of various studies<sup>8</sup>, we conclude that one or more of the following disadvantages or risks may cause a demerger to be unsuccessful in creating value.

**Table 5: Disadvantages of a demerger**

<b>Disadvantage/Risk</b>	<b>Driver</b>
Increased corporate and funding costs	The transformation of the demerged entity into a separately listed entity may impose transition risks and increased costs associated with the duplication of corporate functions, its separate listing and own capital structure
Transaction costs	Demerger will incur one-off transaction costs, including advisory fees, restructuring costs to separate the demerging businesses and costs associated with establishing new debt facilities
Reduced trading liquidity	Demerger will result in demerging entities being separately listed and individually having lower market capitalisations and consequently lower index weightings than the consolidated entity, which in turn may affect trading liquidity and investor interest
Loss of synergies	Whether through the loss of cross selling opportunities or staff, or a higher risk rating as a smaller company, the demerged entities may lose some of the benefits of operating as a larger group
Loss of diversification	A non-diversified company may be more exposed to adverse market conditions, as well as industry specific risks
Exposure of immature businesses	Risk that immature and unsustainable businesses may be exposed to the market, which lack the necessary commerciality or flexibility to survive outside a parent company's structure

### **Market evidence**

It is important to note the potential results of a demerger will not occur instantaneously. Consequently, changes in shareholder value need to be measured over time to determine how effective a demerger has been in creating shareholder value.

There have been a number of empirical studies carried out with regard to the effectiveness of demergers in creating shareholder value. The studies tend to look at the impact of a demerger on share price at the announcement date and for a period of time post the completion of the demerger. However, the majority of these empirical studies focus on both the European and US markets and took place more than 10 years ago.

Therefore, to supplement these empirical studies, we have undertaken our own analysis of the demergers implemented in Australia since 2000.

<sup>8</sup> Ibid.

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### **Empirical studies**

While empirical studies found that a majority of demergers created shareholder value, there was no conclusive evidence as to what characteristics created a successful demerger and thus no way of concluding whether a particular demerger will be effective in creating shareholder value.

Furthermore, it should be noted that no definitive conclusions as to the benefit of demergers can be made, largely because it is impossible to reliably assess what would have happened to the company's share price had the demerger not occurred. Some of the conclusions and evidence derived from empirical studies are summarised below:

- the announcement effect of a demerger had a positive effect on share price in the majority of cases<sup>9</sup>
- the majority of companies outperformed the market since the demerger<sup>10</sup>. However, it is important to note:
  - not all demergers created shareholder value
  - the value created by the demerger was not evenly split between the demerged entity and the parent entity, with the demerged entity often outperforming the parent entity. In particular, one broker report<sup>11</sup> found that the demerged entity typically underperformed the market for a period of six months following the demerger and eventually outperformed the market after 12 months. The parent entity's performance typically mirrored the market over the same 12 months period
  - other factors, such as company size, may have also affected the outcome, with smaller demergers often outperforming larger demergers.
- both the demerged entity and the parent entity experienced an unusually high incidence of takeover activity in the first three years following the demerger<sup>12</sup>. Positive abnormal returns were achieved where companies got involved in takeover activity. The findings suggest that demergers may provide a trigger to facilitate the future transfer of control to a bidder in a cost effective manner, which ultimately enhances shareholder value
- positive abnormal returns achieved by demergers were directly related to the degree of information asymmetry that existed in the combined entity<sup>13</sup>. The findings suggest that value is enhanced when capital markets were better informed about the risk/return profile and growth prospects of the demerged entity following the demerger. This is consistent with the hypothesis that companies that

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<sup>9</sup> See for example: 'Breaking up is good to do' The McKinsey Quarterly, 1 January 1999, 'Doing the spin-out' The McKinsey Quarterly, 1 January 2000, 'The performance effects of European demergers' Thomas Kirchmaier, London School of Economics and Political Science, May 2003 and 'Q-Series: Spin-offs and demergers' UBS Investment Research, 14 April 2005.

<sup>10</sup> Ibid.

<sup>11</sup> Macquarie Equities Research, "Australian Quant Action Demergers: Breaking up is hard to do", 14 June 2013.

<sup>12</sup> Patrick J. Cusatis, James A. Miles and J. Randall Woolridge, "Restructuring through spinoffs, the stock market evidence", Journal of Financial Economics, Volume 33 No. 3, June 1993.

<sup>13</sup> Sudha Krishnaswami and Venkat Subramaniam, "Information asymmetry, valuation, and the corporate spin-off decision", Journal of Financial Economics, Volume 53, No. 1, July 1999.



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engage in demergers have higher levels of information asymmetry compared to other entities of a similar size operating in their respective industry. Further, both the parent entity and demerged entity are generally able to raise more capital as a result of the reduction in information asymmetry following the demerger

- where the main rationale for the demerger was to increase focus, significantly higher long-run abnormal returns were achieved as compared to other demergers<sup>14</sup>. This was particularly evident where the parent entity and the demerged entity operated in different industries<sup>15</sup>. A focus driven demerger reduces the diversity of assets under management and thereby increases the efficiency of management.

### **Analysis of recent demergers in Australia**

In order to supplement the empirical studies which primarily focus on the European and US markets, we have also undertaken our own analysis of recent demergers in Australia. Specifically, we have identified 20 demergers implemented by ASX listed companies since 2000 (as detailed in Appendix 2), for which we have analysed:

- the rationale of the demerger as outlined in the respective scheme book
- the relative share price performance during the demerger process, including the effect of the announcement and the initial market re-rating on the first day of trading as demerged entities
- the relative share price performance post implementation of the demerger for periods of three months, one year and two years after the date the demerged entity was listed on the stock exchange.

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<sup>14</sup> Hemang Desai and Prem C Jain, "Firm performance and focus: long-run stock market performance following spinoffs", *Journal of Financial Economics*, Volume 54, No. 1, October 1999.

<sup>15</sup> Lane Daley, Vikas Mehrotra and Ranjini Sivakumar, "Corporate focus and value creation, evidence from spinoffs", *Journal of Financial Economics*, Volume 45, 1997.

## 8. CONCISE INDEPENDENT EXPERT'S REPORT - CONTINUED

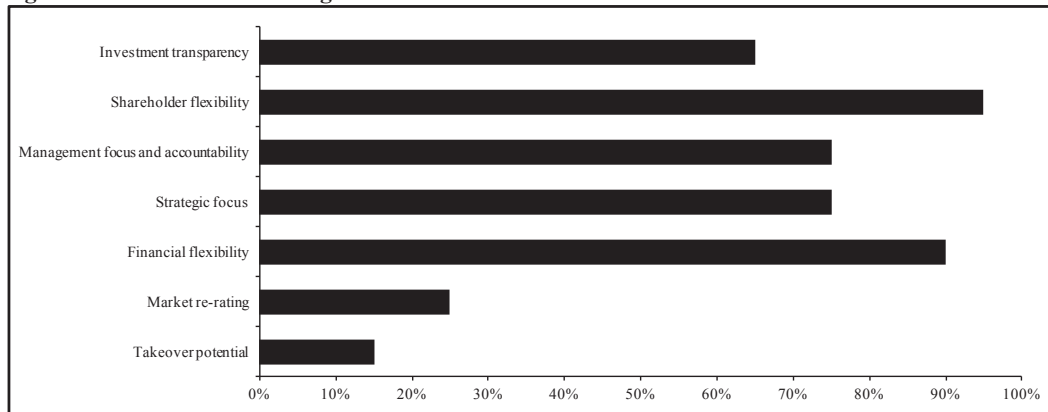


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### Rationale

The figure below summarises the rationale of the demergers based upon the benefits referred to in the respective scheme books we have analysed.

**Figure 1: Rationale for demerger**



Source: Scheme books of respective demergers, KPMG Corporate Finance Analysis.

Note: The figure illustrates the number of scheme books, in percentage terms, which referred to the respective benefit as part of their rationale for the proposed demerger.

Whilst each demerger had a specific rationale for being implemented, most of them referred in some form to splitting the company into more focused operational entities and increasing the flexibility for both management and shareholders in order to enhance shareholder value.

Conversely, the benefit of a potential market re-rating over the short term was only referred to in 25% of the demergers. This evidence suggests that there is significant uncertainty in the market and among researchers as to whether conglomerates create or destroy value. A survey of recent literature concluded that corporate diversification alone does not drive the discount or premium. Rather, the effect on value differs from firm to firm and is dependent upon certain industry settings, economic conditions and governance structures<sup>16</sup>.

### Relative share price performance during demerger process

The figure below summarises the relative share price performance, in percentage terms, from announcement to implementation of the demerger, in comparison to the performance of the All Ordinaries Index over the same time period.

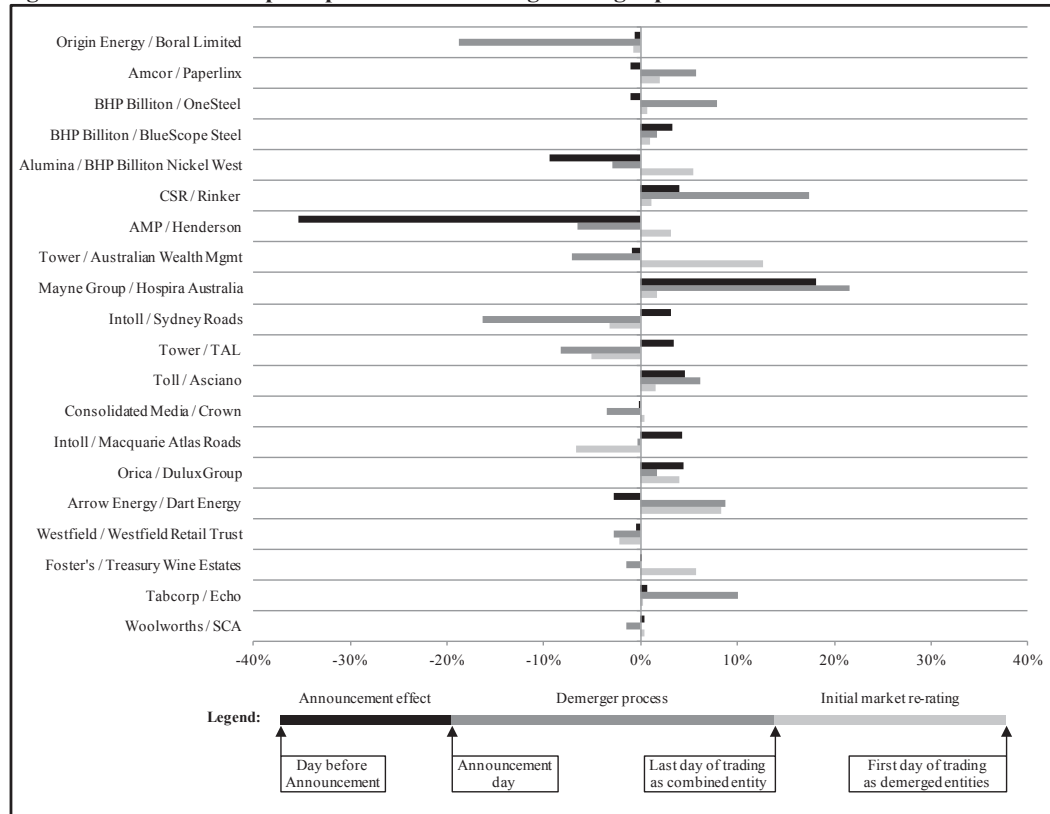
<sup>16</sup> Stefan Erdorf, Thomas Hartmann-Wendels, Nicolas Heinrichs and Michael Matz, "Corporate diversification and firm value: a survey of recent literature", 4 April 2013.

## 8. CONCISE INDEPENDENT EXPERT'S REPORT - CONTINUED



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**Figure 2: Relative share price performance during demerger process**



Source: S&P Capital IQ, KPMG Corporate Finance Analysis.

With respect to the figure above, it is noted:

- the above analysis indicates that there has been mixed results as to the performance of the parent entity upon announcement until completion of the demerger, with evidence of both outperformance and underperformance to the broader market
- on the day of the announcement, 11 out of the 20 demergers outperformed the All Ordinaries Index, whereby outperformances were generally more material than underperformances. However, it is noted that in the following cases the initial reaction of the market to the demerger announcement was diluted by other concurrent announcements:
  - the demerger of Bluescope Steel by BHP was announced on the same day as the proposed merger of BHP and Billiton
  - as part of the demerger of Henderson, AMP also announced that in order to fund the demerger it would undertake a capital raising at a significant discount to its share price at the time. In addition, on the same day AMP also announced that it intended to write down certain assets by approximately A\$2.5 billion, prompting a potential credit rating downgrade

## 8. CONCISE INDEPENDENT EXPERT'S REPORT - CONTINUED



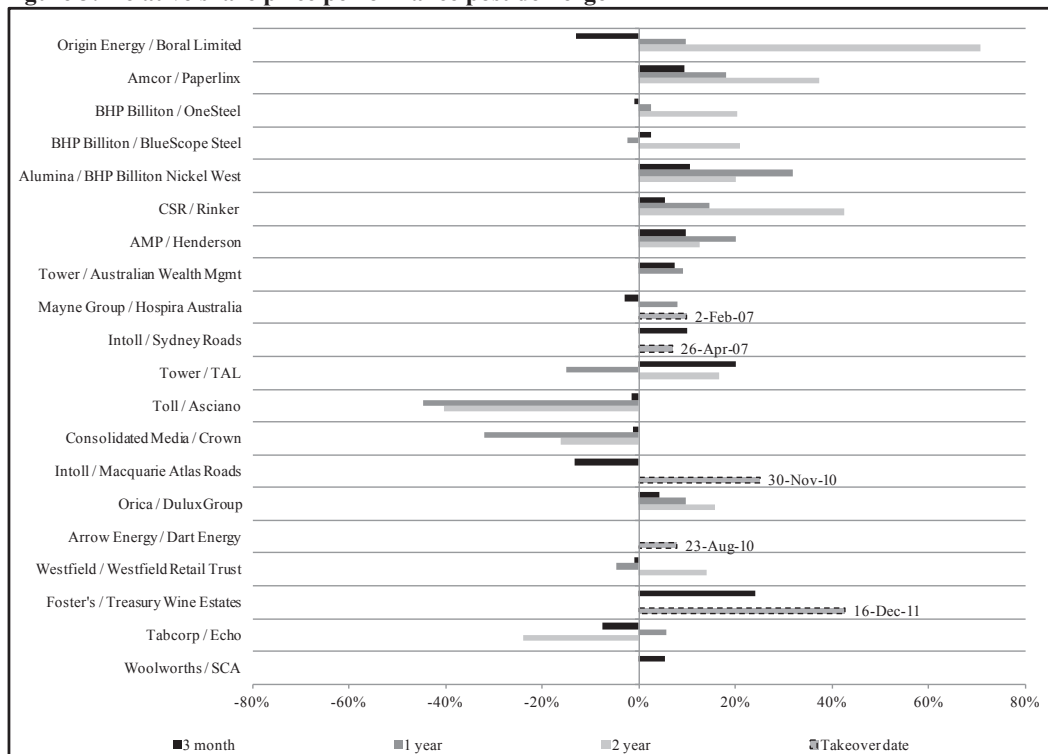
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- the demerger of Rinker by CSR was announced on the same day as its financial results which were generally positive
- on the day of the demerger announcement, the Board of Directors of Arrow Energy announced two separate transactions, one being the demerger of Dart Energy by Arrow Energy and the second being the subsequent takeover of Arrow Energy by CS CSG (Australia) Pty Limited.
- on the day the demerged entity was listed on the ASX, 15 out of the 20 demergers outperformed the All Ordinaries Index. Although in many cases the outperformance was marginal, it is indicative that shareholder value may be unlocked through a market re-rating following a demerger.

### *Relative share price performance post demerger*

The figure below summarises the relative share price performance, in percentage terms, of the hypothetical combined sharemarket value of the parent entity and the demerged entity three months, one year and two years after the date the demerged entity was listed on the ASX, in comparison to the performance of the All Ordinaries Index over the same time period.

**Figure 3: Relative share price performance post demerger**



Source: S&P Capital IQ, KPMG Corporate Finance Analysis.

Note: No two year performance is calculated for the Tower/Australian Wealth Management demerger as Tower also demerged Tower Australia within the two year period, which was analysed separately (refer to Tower/TAL).

## 8. CONCISE INDEPENDENT EXPERT'S REPORT - CONTINUED



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With respect to the figure above, it is noted:

- although there have been mixed results as to the performance of the parent and demerged entity immediately following the demerger, the outcome of the transactions after two years was typically positive. Only 3 out of the 20 demergers underperformed the All Ordinaries Index over a two year period following the demerger, including:
  - Toll/Asciano, who were impacted by Asciano's highly geared capital structure following the global financial crisis
  - Consolidated Media/Crown, who were impacted by the underperformance of the media sector relative to the market following the global financial crisis
  - Tabcorp/Echo, who were impacted by events relating to its casino business, in particular the recent decision of NSW Government to grant a second casino licence in Sydney to Echo's main competitor Crown in favour of Echo's \$1.4 billion development proposal of the Star.
- both the demerged entity and the parent entity experienced an unusually high incidence of takeover activity. 5 out of the 20 demergers were subject to takeover activity within two years of the demerger, all of which resulted in an outperformance of the All Ordinaries Index over the period up to the completion of the takeover.

Further, although not depicted in the figure above, the demerged entity outperformed the parent entity over the two year period, except for the three demergers which underperformed the All Ordinaries Index over the same period.

### ***Conclusion***

The analysis above supports the view that the shares of the parent and demerged entity have typically outperformed the broader market over the medium term. However, as noted previously, due to the nature of the transactions and the uncertainty over what the performance of the parent entity would have been if the demerger had not been completed, it is difficult to argue conclusively that demergers create shareholder value. Rather, the success or otherwise of any demerger will always depend on the specific circumstances of each transaction.

## 8. CONCISE INDEPENDENT EXPERT'S REPORT - CONTINUED



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### Appendix 2 – Recent demergers in Australia

Our analysis of recent demergers implemented in Australia has been based on the following transactions.

**Table 6: Recent demergers in Australia**

Demerger date	Parent company	Demerged entity	% demerged
26-Nov-12	Woolworths Limited	Shopping Centres Australasia Property Group	100.0
6-Jun-11	Tabcorp Holdings Ltd.	Echo Entertainment Group Limited	100.0
20-May-11	Foster's Group Ltd.	Treasury Wine Estates Limited	100.0
13-Dec-10	Westfield Group	Westfield Retail Trust	100.0
22-Jul-10	Arrow Energy Limited	Dart Energy Limited	100.0
12-Jul-10	Orica Limited	DuluxGroup Limited	100.0
2-Feb-10	Macquarie Infrastructure Group (nka: Intoll Group)	Macquarie Atlas Roads Group	100.0
10-Dec-07	Publishing & Broadcasting Ltd. (nka: Consolidated Media Holdings Limited)	Crown Limited	100.0
6-Jun-07	Toll Holdings Limited	Asciano Group (nka: Asciano Limited)	100.0
21-Nov-06	Tower Limited	TOWER Australia Group Limited (nka: TAL Limited)	100.0
1-Aug-06	Macquarie Infrastructure Group (nka: Intoll Group)	Sydney Roads Group Limited	88.4 <sup>1</sup>
21-Nov-05	Mayne Group Ltd. (nka: Idameneo (No. 789) Ltd)	Mayne Pharma Limited (nka: Hospira Australia Pty Ltd.)	100.0
15-Feb-05	Tower Limited	Australian Wealth Management Limited	100.0
23-Dec-03	AMP Limited	HHG plc (nka: Henderson Group plc)	85.0 <sup>1</sup>
31-Mar-03	CSR Limited	Rinker Group Ltd. (nka: Holcim (Australia) Holdings Pty Ltd.)	100.0
11-Dec-02	WMC Limited (nka: Alumina Ltd.)	BHP Billiton Nickel West Pty Ltd.	100.0
15-Jul-02	BHP Ltd (nka: BHP Billiton Limited)	BHP Steel Limited (nka: BlueScope Steel Limited)	94.9 <sup>1</sup>
31-Oct-00	The Broken Hill Proprietary Company Limited (BHP)	OneSteel Limited	100.0
17-Apr-00	Amcor Limited	Paperlinx Limited	82.0 <sup>1</sup>
1-Mar-00	Boral Ltd (nka: Origin Energy Limited)	Blue Circle Southern Cement Limited (nka: Boral Limited)	100.0

Source: S&P Capital IQ & ASX.

Note 1: Remaining interest is held by the parent (i.e. this is not considered to be a 'pure' demerger).

Note 2: nka = now known as.

## 8. CONCISE INDEPENDENT EXPERT'S REPORT - CONTINUED



### KPMG Corporate Finance

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Australia

## PART TWO – FINANCIAL SERVICES GUIDE

Dated 23 October 2013

### What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) and Ian Jedlin as an authorised representative of KPMG Corporate Finance (Authorised Representative), authorised representative number 404177.

### This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representative and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representative are authorised to provide
- how KPMG Corporate Finance and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

### Financial services that KPMG Corporate Finance and the Authorised Representative are authorised to provide

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities, and
- superannuation,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

### KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged by Brambles Limited (Client) to provide general financial product advice in the form of a Report to be included in the Scheme Book

(Document) prepared by Brambles Limited in relation to the Proposed Demerger of Recall Limited by Brambles Limited (Transaction).

You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representatives are acting for any person other than the Client.

KPMG Corporate Finance and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

### General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

## 8. CONCISE INDEPENDENT EXPERT'S REPORT - CONTINUED



### **Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives**

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance \$275,000 for preparing the Report. KPMG Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Corporate Finance officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Corporate Finance's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

### **Referrals**

Neither KPMG Corporate Finance nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

### **Associations and relationships**

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided, and continue to provide, a range of tax and advisory services to the Client for which professional fees are received. Over the past two years professional fees in the order of \$1.5 million have been received from the Client. None of those services have related to the transaction or alternatives to the transaction.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

### **Complaints resolution**

#### Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

#### External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001  
Telephone: 1300 78 08 08  
Facsimile: (03) 9613 6399 Email: [info@fos.org.au](mailto:info@fos.org.au)

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

### **Compensation arrangements**

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

### **Contact Details**

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:

KPMG Corporate Finance  
A division of KPMG Financial Advisory Services (Australia) Pty Ltd  
10 Shelley St  
Sydney NSW 2000

PO Box H67  
Australia Square  
NSW 1213  
Telephone: (02) 9335 7000  
Facsimile: (02) 9335 7200

Ian Jedlin  
C/O KPMG  
PO Box H67  
Australia Square  
NSW 1213  
Telephone: (02) 9335 7000  
Facsimile: (02) 9335 7000





## 9. ADDITIONAL INFORMATION

**9.1 Intention of Brambles Directors concerning the businesses of Brambles (after the Demerger) and Recall**  
Other than as disclosed in this Scheme Book, it is the present intention of the current Brambles Board following implementation of the Demerger that:

- The core Brambles businesses and the Recall business will continue and be conducted as set out in Sections 2 and 3;
- No major changes will be made to the Brambles businesses (including redeployment of the fixed assets of Brambles), except as contemplated within this Scheme Book; and
- The present policies of Brambles relating to the employment of its employees will continue.

However, the present intention of the current Brambles Board may change if circumstances require. Following the Demerger, the businesses of Brambles (after the Demerger) and of Recall will be the responsibility of their respective directors, and therefore the business of Recall will be beyond the control of the current Brambles Board.

### 9.2 Interests of Brambles Directors

#### 9.2.1 Brambles Directors' interests in Brambles marketable securities

No marketable securities of Brambles are held by or on behalf of Brambles Directors and no Brambles Directors are otherwise entitled to marketable securities of Brambles as at the date of this Scheme Book other than the following interests (which are held either directly or indirectly):

Brambles Shares held as at the date of this Scheme Book

Name of Brambles Director	Holding
Graham John Kraehe	66,965 <sup>1</sup>
Tom Gorman	1,925,634 <sup>2</sup>
Stephen Paul Johns	47,500 <sup>3</sup>
Sarah (Carolyn) Carolyn Hailes Kay	14,877 <sup>4</sup>
Anthony (Tony) Grant Froggatt	14,890 <sup>5</sup>
Luke Mayhew	16,500 <sup>6</sup>
Brian Martin Schwartz	21,681 <sup>7</sup>
David Gosnell	22,910 <sup>8</sup>
Tahira Hassan	8,000 <sup>9</sup>
Doug Duncan	-

No marketable securities of Recall Holdings are held by or on behalf of Brambles Directors as at the date of this Scheme Book.

Brambles Directors who hold Brambles Shares will be entitled to vote at the Meetings and receive Recall Shares under the Scheme on the same terms as all other Brambles Shareholders.

<sup>1</sup> Held by Invia Custodians as trustee for the Graham John Kraehe Self Managed Superannuation Fund.

<sup>2</sup> Of which 234,565 were ordinary shares held by Tom Gorman directly, 1,041 were ordinary shares held by AET Structured Finance Services Pty Limited, 1,026 were MyShare Matching Shares and 1,689,002 were conditional performance shares granted under the Brambles Performance Share plan.

<sup>3</sup> Of which 27,500 shares were held by Canzak Pty Ltd, and 20,000 shares were held by Caran Pty Limited.

<sup>4</sup> Of which 9,977 were held by the Carolyn Kay Superannuation Fund.

<sup>5</sup> Of which 7,000 shares were held by Christine Joanne Froggatt and 7,890 shares were held by Anthony Grant Froggatt.

<sup>6</sup> Held by HSBC Bank of Australia Limited on behalf of Luke Mayhew.

<sup>7</sup> Held by Brian Martin Schwartz and Arlene Schwartz as trustee for the Schwartz Superannuation Fund.

<sup>8</sup> Held by Charles Stanley & Co Australia in the name of Susan Gosnell.

<sup>9</sup> Held by RBC Dexia Custodian on behalf of Tahira Hassan.

## 9. ADDITIONAL INFORMATION - CONTINUED

### 9.2.2 Agreements or arrangements with Brambles Directors in connection with the Demerger

There are no agreements or arrangements made between any Brambles Director and any other person in connection with or conditional upon the outcome of the Demerger.

If the Demerger is not implemented, Dr Ian Blackburne and Mr Neil Chatfield will resign as Non-executive Directors of Recall Holdings.

Other than as set out above or elsewhere in this Scheme Book, no director or proposed director of Recall, and no firm in which a director or proposed director of Recall is a partner or was a partner in the last two years, holds, or held at any time during the last two years before the date of lodgement of this Scheme Book for registration by ASIC, any interest in:

- The formation or promotion of Recall;
- Any property acquired or proposed to be acquired by Recall in connection with its formation or promotion or the Demerger; or
- The Demerger,

and no amounts (whether in cash or securities or otherwise) have been paid or agreed to be paid, and no one has given or agreed to give a benefit, to any director or proposed director of Recall either to induce them to become, or to qualify them as, a director of Recall, or otherwise for services rendered by them in connection with the formation or promotion of Recall or the Demerger other than the consultancy fees paid to Dr Blackburne and Mr Chatfield as described in Section 2.16.16.

### 9.2.3 Payments and other benefits to Brambles Directors, secretaries or executive officers

Other than as set out elsewhere in this Scheme Book, it is not proposed that any payment or benefit will be made or given to any director, secretary or executive officer of Brambles or any body corporate related to Brambles, as compensation for loss of, or as consideration for or in connection with their loss, of office or retirement from office, either:

- As a consequence of, or in connection with, the Scheme to which this Scheme Book relates; or
- Where the amount of any payment or benefit which may be made to that person upon their loss of office or retirement from office may be materially affected by the Scheme.

## 9.3 Overview of Recall Constitution

Recall Holdings is an Australian public company registered under the *Corporations Act*. Upon the Demerger becoming effective, Recall Holdings will adopt a constitution for a public listed company in substitution for its existing constitution. The Recall Constitution is designed for an ASX listed company and has regard to usual market practice for ASX listed companies.

Some important features of the proposed Recall Constitution are summarised below.

### 9.3.1 Powers of Recall Holdings' Directors

The directors of Recall Holdings are to manage the business of Recall Holdings (but excluding such business as dealt with by way of a general meeting), and in doing so, may exercise all of the powers of Recall Holdings to borrow or raise money, to charge any property or business of Recall Holdings or all or any of its uncalled capital and to issue debentures or give any other security for a debt, liability or obligation of Recall Holdings or any other person.

### 9.3.2 Rights and duties of Recall Holdings' Directors

The Recall Constitution deals with the rights and obligations of directors and officers of Recall Holdings, including:

- The appointment, retirement and removal of directors, including the managing director and chairperson;
- The appointment of a company secretary;
- The remuneration of directors;
- The powers of directors;
- Meetings and written resolutions of directors; and
- The rights of directors and officers to be indemnified (subject to statute) against all liabilities incurred as an officer of Recall, including all legal costs incurred in defending or resisting proceedings, whether criminal, civil, administrative or investigative nature, relating to such liabilities, and the right of Recall Holdings to maintain insurance in respect of directors and officers. See Section 9.3.13 for further information.

## 9. ADDITIONAL INFORMATION - CONTINUED

### 9.3.3 Composition of Recall Board

The Recall Board will be comprised of at least three directors. Details of the directors of Recall Holdings following the implementation of the Demerger are set out in Section 2.10.1.

The quorum for a meeting of directors is two directors. Resolutions at a meeting of directors are to be decided by a majority vote. In the case of an equality of votes, the chairman of a meeting has a casting vote, unless only two directors are present.

### 9.3.4 General meetings

General meetings of Recall Holdings are to be held in accordance with the *Corporations Act*, and each Recall Shareholder will be entitled to receive notice of a general meeting in accordance with the *Corporations Act* and, except in certain circumstances, attend and vote at general meetings of Recall Holdings.

### 9.3.5 Voting at a general meeting

Subject to any special rights or restrictions for the time being attached to any class of Recall Holdings shares and to the Recall Constitution, at a general meeting, each Recall Shareholder present in person, or by attorney, corporate representative or proxy, or who delivers a direct vote, has one vote on a show of hands, and one vote for each fully paid Recall Holdings share on a poll, or for a partly paid Recall Share, a fraction of a vote equal to the proportion which the amount paid on the Recall Share bears to the total issue price of the Recall Share.

Voting at any meeting of Recall Shareholders is by a show of hands (unless a poll is demanded). Direct votes are counted only on a poll. The quorum required for a meeting of Recall Shareholders is three members present in person, or by attorney, corporate representative or proxy. Direct votes are not counted as part of the quorum.

### 9.3.6 Dividends

Under the Recall Constitution, the directors may determine that a dividend is payable, fix the amount and the time for payment, and determine the method of payment of the dividend to each Recall Shareholder entitled to that dividend. If a dividend is paid, it will be paid in proportion to the number of Recall Shares held by a Recall Shareholder and, in the case of partly paid Recall Shares, in proportion to the percentage of the issue price that has been paid (excluding amounts credited and amounts paid in advance of a call).

Interest is not payable in respect of any dividend.

### 9.3.7 Transfer of Recall Shares

Recall Shareholders may transfer Recall Shares in accordance with the ASX Settlement Operating Rules, by instrument in writing in any form the directors approve, or by any other method of transfer of marketable securities permitted by the *Corporations Act*, ASX Settlement Operating Rules and ASX and approved by the directors.

The directors may, if the Listing Rules, the ASX Settlement Operating Rules and the Recall Constitution permit Recall Holdings to do so, request ASX Settlement Pty Limited to apply a holding lock to prevent a transfer of Recall Shares from being registered or refuse to register a transfer of Recall Shares.

### 9.3.8 Issue of further Recall Shares

Subject to the *Corporations Act* and the Listing Rules, the issue of shares (including partly paid shares and redeemable preference shares) in Recall Holdings is under the control of the Recall Board. The Recall Board has the power to issue shares, options and other securities convertible into shares to any person at any time and for such consideration as it determines.

### 9.3.9 Small holdings

While Recall Holdings is listed, it may (unless the Recall Shareholder notifies Recall Holdings otherwise during the relevant notification period) sell the Recall Shares of a Recall Shareholder who holds less than a marketable parcel of Recall Shares. Recall Holdings must send the proceeds of sale to the Recall Shareholder within 60 days of the sale.

### 9.3.10 Variation of class rights

If the capital of Recall Holdings is divided into different classes of shares, the rights attached to any class of share may be altered with the sanction of a special resolution passed at a separate meeting of the holders of shares of the affected class, or with the written consent of the holders of at least 75% of the shares of the affected class.

## 9. ADDITIONAL INFORMATION - CONTINUED

### 9.3.11 Dividend reinvestment plan

Recall Holdings may establish a dividend reinvestment plan on any terms as the Recall Board resolves under which Recall Shareholders may elect to apply the whole or part of a dividend from Recall Holdings in subscribing for or purchasing Recall Shares.

### 9.3.12 Calls, forfeiture and liens

Recall Holdings has a first and paramount lien on every Recall Share for, among other things, all due and unpaid calls, and all money which Recall Holdings is required by law to pay, and has paid, in respect of a Recall Share. If a Recall Shareholder fails to pay a call in respect of any amount unpaid on any Recall Shares on the payment date specified, the company may give notice to that Recall Shareholder requiring payment of that call, together with any costs and interest that has accrued. If, after receiving notice, the call remains unpaid, the directors may by resolution forfeit the relevant Recall Shares.

The directors may sell, otherwise dispose of or re-issue Recall Shares forfeited in this way, subject to compliance with the *Corporations Act* and the Listing Rules.

### 9.3.13 Indemnification

Recall Holdings may, to the maximum extent permitted by law, indemnify any current or former director, secretary, officer or senior manager of Recall Holdings or of a subsidiary of Recall Holdings against:

- Any liability incurred by the person in that capacity (except for legal costs);
- Legal costs incurred in defending legal proceedings in which the person becomes involved because of that capacity; and
- Legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of that capacity, if that expenditure has been approved in accordance with Recall Holdings' policy.

Further, Recall Holdings has entered into deeds of access, indemnity and insurance with each Recall Director which confirm the director's right of access to board papers and require Recall Holdings to indemnify the director for a liability incurred as an officer of Recall Holdings or of any of its subsidiaries, subject to the restrictions imposed by the *Corporations Act* and the Recall Constitution.

### 9.3.14 Winding up

If Recall Holdings is wound up, the liquidator may, with the sanction of a special resolution of Recall Shareholders, distribute among Recall Shareholders the whole or any part of the property of Recall Holdings and may determine how to distribute the property as between Recall Shareholders or different classes of Recall Shareholders.

### 9.3.15 Recall Directors' fees

Under the Recall Constitution, the aggregate remuneration of the non-executive Recall directors is to be a yearly sum not exceeding the sum from time to time determined by Recall Shareholders in general meeting. That sum has currently been fixed at \$1.7 million per year.

In addition, Recall directors are entitled to be reimbursed reasonable expenses incurred when engaged in the business of Recall and may be paid an additional fee for performing additional or special duties.

## 9.4 Earnings for statutory reporting purposes

If the Demerger is implemented, the effective date for accounting purposes of the separation of Brambles and Recall will be the Demerger Date.

The consolidated financial results of Brambles reported for the year to 30 June 2014 will comprise results relating to the operations of Brambles businesses for the full financial year, except for Recall, which will be included only for the period from 1 July 2013 to the Demerger Date. The results will also reflect the impact of accounting for the Demerger and will take into account the costs of the Demerger.

The financial results of Recall reported for the year to 30 June 2014 will comprise the results relating to its existing entities (at 1 July 2013) for the whole financial year and the results of the acquired entities from the date of acquisition (i.e. date of internal restructure). The results will also take into account any costs of the Demerger charged to Recall.

## 9. ADDITIONAL INFORMATION - CONTINUED

### 9.5 ASIC and ASX waivers, confirmations and approvals

#### 9.5.1 ASIC order relieving Recall Holdings from half year financial reporting

Section 302 of the *Corporations Act* requires a disclosing entity to prepare and lodge with ASIC a half year financial report and directors' report. Section 306 provides that a disclosing entity must prepare a half year directors' report.

ASIC Class Order 08/15 relieves a disclosing entity from the requirement to prepare and lodge a half year financial report and directors' report during the first financial year of the entity (as opposed to the first financial year as a disclosing entity), where that first financial year lasts for 8 months or less.

ASIC has granted Recall Holdings relief from the requirement to prepare and lodge a half year financial report and directors' report, for the half year ended 31 December 2013, on condition that:

- (i) Recall Holdings gives a notice to ASX, on or before the deadline for lodging the half year financial report and directors' report which would have been required to be prepared pursuant to section 302 of the *Corporations Act* but for the order from ASIC, which explains the effect of the order and states that Recall intends to rely on it; and
- (ii) Recall Holdings explains the effect of the order from ASIC and states that it relied on this order in the directors' report for the financial year ended 30 June 2014.

#### 9.5.2 ASIC confirmation as to payments or benefits proposed to be made or given to Brambles Directors and officers

Sub-regulation 5.1.01(1) of the Corporations Regulations requires this Scheme Book to disclose particulars of any payment or benefit that is proposed to be made or given to any director, secretary or executive officer of Brambles or a related body corporate of Brambles ("Relevant Person") as compensation for loss of office, or as consideration for or in connection with his or her retirement from office.

ASIC has granted Brambles relief from this requirement such that:

- (i) Brambles is not required to disclose particulars of payments or benefits which may be made to a Relevant Person unless the Relevant Person will:
  - > Lose office or retire from office as a consequence of, or in connection with, the Demerger; or
  - > The amount of any payment or benefit which may be made on loss of, or retirement from, office may be materially affected by the Demerger;
- (ii) This Scheme Book is not required to state the identity of any Relevant Person who will lose office or retire from office in connection with the Demerger, unless that person is a Brambles Director; and
- (iii) This Scheme Book is not required to state particulars of any payments or benefits to Relevant Persons, other than Brambles Directors, that would otherwise be required to be disclosed under paragraph (i), provided:
  - > Such payments or benefits are disclosed on an aggregate basis; and
  - > This Scheme Book discloses the number of Relevant Persons who will receive a payment or benefit that is required to be disclosed under paragraph (i) and which falls within each successive \$10,000 band, commencing at nil, where the number of Relevant Persons is no less than one.

#### 9.5.3 ASIC declaration as to secondary sales of Recall Group Shares

Section 707 of the *Corporations Act* provides for circumstances where an offer of securities for sale requires disclosure to investors, including where there is a resale of securities within 12 months of their issue (section 707(3)) if the purpose of the original issue or sale (as the case may be) was to enable the resale.

ASIC Class Order 04/671 provides relief from the resale provisions in section 707(3) of the *Corporations Act* in the case where the securities were issued (but not transferred) through a scheme of arrangement, and consequently, without disclosure to investors, as allowed for in section 708(17).

ASIC Class Order 13/525 gives technical on-sale disclosure relief from the requirements of section 707(3) of the *Corporations Act* for sale facilities established in connection with a scheme of arrangement. This class order applies on its face to acquisition schemes (in which shareholders exchange their existing shares for new shares in a new entity), but not to a demerger scheme that is effected by way of transfer such that shareholders retain their existing shares and additional shares in the demerged entity are transferred to shareholders. ASIC has granted an exemption from the resale provisions in sections 707(3), (4), (5) and (6) of the *Corporations Act* in the case where:

## 9. ADDITIONAL INFORMATION - CONTINUED

- (i) a Recall Shareholder makes an offer of Recall Shares for sale;
- (ii) the Recall Shares were transferred to a Brambles Shareholder or to the Sale Agent (or its related body corporate) under the Scheme within the previous 12 months; and
- (iii) the offer is not made within 12 months of a sale or transfer of the Recall Shares by a person (other than Brambles) who:
  - Controls Recall Holdings;
  - Would have been required by subsection 707(2) of the *Corporations Act* to give disclosure to investors under Part 6D.2 of the *Corporations Act* but for section 708 of the *Corporations Act*; and
  - Did not give disclosure to investors under Part 6D.2 of the *Corporations Act* because of section 708 of the *Corporations Act*.

### 9.5.4 ASIC exemption as to Sale Facility

ASIC has granted an exemption from certain requirements that Brambles may otherwise be required to comply with in order to operate the Sale Facility, including:

- (i) Section 601ED of the *Corporations Act* in relation to the Sale Facility;
- (ii) Division 2 to 5 of Part 7.9 of the *Corporations Act* in relation to an interest in the Sale Facility; and
- (iii) The requirement to hold an Australian financial services licence for the provision of the following financial services:
  - Dealing in an interest in the Sale Facility; and
  - The provision of general advice in relation to an interest in the Sale Facility.

ASIC has also confirmed that Brambles does not have to comply with Division 5A of Part 7.9 of the *Corporations Act* to the extent that Brambles invites a person to make an offer to sell Recall Shares through the Sale Facility.

### 9.5.5 ASIC exemptions as to employee incentive schemes

ASIC has granted Recall Holdings certain exemptions in connection with the general operation of the employee incentive schemes described in this Scheme Book ("Recall Plan"). The exemptions are broadly equivalent to those contained in ASIC Class Order 03/184 *Employee share schemes*.

Specifically, ASIC has granted Recall Holdings:

- (i) an exemption from Parts 6D.2, 6D.3 (except section 736) and 7.9 of the *Corporations Act* where Recall Holdings or a related body corporate of Recall Holdings:
  - > Makes an offer under the Recall Plan ("Offer");
  - > Offers to arrange for the issue of financial products under an Offer; or
  - > Issues a financial product under an Offer,on the condition that Recall Holdings and the offeror complies with the conditions set out in the Schedule to ASIC Class Order 03/184 as modified:
  - > by amending the definition of "eligible offer" to remove the 12 month listing requirement;
  - > to permit Recall Holdings to deliver either Recall Shares or a cash amount equal to the market price of those Recall Shares on vesting of the rights; and
  - > by defining "employee share scheme" to include a scheme where shares (or units of shares or options to acquire unissued shares or performance rights) in a body or a related body corporate are acquired, for the benefit of, or by a corporation whose members include employees or directors who hold a salaried office or office in that body or related body corporate.

ASIC has also exempted a person (other than a person covered by this paragraph (i)) from Part 7.9 of the *Corporations Act* where the person makes a recommendation to acquire financial products in connection with an Offer which meets the conditions described above.

- (ii) ancillary relief from the requirement to hold an Australian financial services licence for the provision of certain financial services in connection with the offer, on the conditions described in paragraph (i) above; and
- (iii) ancillary relief in connection with an Offer made in the course of, or because of, unsolicited meetings or telephone calls held or made in connection with the Offer, on the conditions described in paragraph (i) above.

ASIC has also granted an exemption from sections 707(3) and 707(5) of the *Corporations Act* to the trustee of the Recall Plan and each person who takes a transfer of Recall Shares from the trustee.

## 9. ADDITIONAL INFORMATION - CONTINUED

### 9.5.6 ASX waivers and confirmations

ASX has granted “in-principle” waivers of certain Listing Rules and provided certain “in-principle” confirmations in connection with the Demerger. In particular, ASX has:

- Confirmed that Recall Holdings’ structure and operations are appropriate for a listed entity for the purposes of Listing Rule 1.1, condition 1;
- Confirmed to Brambles that for the purposes of Listing Rule 1.1, condition 3, Recall Holdings may issue an information memorandum if that complies with the information memorandum requirements of Listing Rule 1.4 on condition the information memorandum incorporates this Scheme Book, rather than a prospectus for the purpose of its admission to ASX;
- Given “in principle” approval to a waiver from Listing Rule 4.2A to the extent necessary to permit Recall Holdings not to lodge with ASX a half year report and Appendix 4D for the period ending 31 December 2013;
- Confirmed to Brambles that it does not consider that the Demerger requires additional shareholder approval for the purposes of Listing Rule 11.4;
- Given “in principle” approval to a waiver from Listing Rule 6.23.2 to the extent necessary to allow Brambles to cancel the performance rights granted under the Brambles’ Performance Share Plan to employees who will join Recall following the Demerger, where Recall offers those employees replacement rights under the Recall Plan in place of their Brambles performance rights;
- Given “in principle” approval to a waiver from Listing Rule 6.23.3 to the extent necessary to allow Brambles to adjust performance rights granted under the Brambles Performance Share Plan and the Matching Rights granted under the Brambles MyShare Plan and a corresponding confirmation to Brambles that the performance rights and Matching Rights are to be reorganised under Listing Rule 7.22.6;
- Given “in principle” approval to a waiver from Listing Rule 6.23.4 to the extent necessary to allow Brambles to amend the performance conditions to which Brambles performance rights are subject; and
- Given “in principle” approval to a waiver from Listing Rule 10.14 to the extent necessary to allow Recall Holdings to issue awards under the Recall Plan to Doug Pertz, Recall’s Managing Director and Chief Executive Officer.

### 9.6 Consents and disclaimers

Each of the parties named below as consenting parties:

- Has given and has not, before lodgement of this Scheme Book with ASIC, withdrawn its written consent to be named in this Scheme Book in the form and context in which it is named;
- Has given and has not, before the lodgement of this Scheme Book with ASIC, withdrawn its written consent to the inclusion of its respective statements and reports (where applicable) noted next to its name below, and the references to those statements and reports in the form and context in which they are included in this Scheme Book;
- Does not make, or purport to make, any statement in this Scheme Book other than those statements referred to below in respect of that person’s name (and as consented to by that person);
- Has not caused or authorised the issue of this Scheme Book; and
- To the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Scheme Book.

Role	Consenting parties	Relevant statement or report
Share registry	Link Market Services Limited	N/A
Australian legal adviser	King & Wood Mallesons	N/A
Financial advisers - Brambles	Merrill Lynch International (Australia) Limited	N/A
	UBS AG, Australia Branch	N/A
Financial adviser - Recall	Barclays Bank PLC	N/A
Independent Expert	KPMG Financial Advisory Services (Australia) Pty Ltd	Independent Expert’s Report
Investigating Accountant	PricewaterhouseCoopers Securities Ltd	Investigating Accountant’s Report
Taxation advisers	Allens Deloitte Tax Services Pty Ltd	N/A



## 9. ADDITIONAL INFORMATION - CONTINUED

### 9.7 Demerger costs

The total costs of the Demerger are estimated to be approximately \$62 million. These costs relate to a range of activities associated with the Demerger, including advisory fees, information technology separation costs, management retention costs, listing and administrative fees, expenses associated with the Recall Syndicated Facility, printing and advertising expenses and stamp duty and income tax. Approximately \$22 million of these costs are expected to have been incurred prior to the Meetings when Brambles Shareholders will vote on the Demerger.

### 9.8 Restrictions on foreign ownership

#### 9.8.1 Australia

There are no limitations, either under the laws of Australia or under the Recall Constitution, to the right of non-residents to acquire, hold and vote Recall Shares other than the Foreign Acquisitions and *Takeovers Act 1975* (Cth) (“FATA”) and Australia’s Foreign Investment Policy.

The FATA may apply to a proposed acquisition by a foreign person of an interest in Recall Shares where certain thresholds are met.

Under the FATA, acquisitions of a substantial interest (a 15% individual holding) in an Australian company by a foreign person (alone or with its associates) require prior notification to, and a statement of no objections must be obtained from, the Treasurer of the Commonwealth of Australia (commonly referred to as “FIRB approval”).

For the purposes of FATA, an acquisition of a substantial interest can occur with respect to:

- Issued shares;
- Voting power;
- Shares potentially issued upon the exercise of a right (i.e. taking into account convertible notes); or
- Potential voting power.

The FATA also applies to any acquisition of an interest by two or more non-associated foreign persons (and their associates) which would result in an aggregate holding by foreign persons of 40% or more of the issued shares of, or control of 40% or more of the voting power in, an Australian company. Notice is not required where an aggregate substantial interest occurs, however, technically, the Treasurer’s powers under the FATA may be active where an aggregate substantial interest is held by foreign persons.

However, if the value of the target is less than A\$248 million (indexed annually), the FATA does not apply (unless the corporation is land-rich). If 50% or more of the total assets of the target are made up of interests in Australian urban land, notification and a prior FIRB approval is required regardless of the gross asset value of the company.

For prescribed investors, citizens of or entities incorporated in the United States or New Zealand, a higher value threshold of A\$1,078 million (indexed annually) applies, unless the acquisition is in a prescribed sensitive sector or the acquirer has government ownership, in which case the A\$248 million threshold applies.

Under Australia’s Foreign Investment Policy, foreign government investors and their agencies are obliged to notify of direct investments irrespective of size. A direct investment is all non-passive investment and any passive investment of 10% or more. Investments with control elements such as the right to appoint a director, special voting or veto rights or security enforcement are direct investments.

A “foreign government investor” is broadly defined by Australia’s Foreign Investment Policy to include:

- A body politic of a foreign country;
- Entities in which governments, their agencies or related entities from a single foreign country have an aggregate interest (direct or indirect) of 15% or more;
- Entities in which governments, their agencies or related entities from more than one foreign country have an aggregate interest (direct or indirect) of 40% or more; or
- Entities that are otherwise controlled by foreign governments, their agencies or related entities, and any associates, or could be controlled by them including as part of a controlling group.

#### 9.8.2 New Zealand

Subject to certain exceptions, the *Overseas Investment Act 2005* (New Zealand) (“OIA”) requires consent to be obtained before an overseas person (which includes a body corporate incorporated outside of New Zealand and its New Zealand incorporated subsidiaries) acquires an interest in “sensitive land” (as defined in the OIA) or significant business assets in New Zealand. The OIA sets out the situations in which consent is required.

Generally, consent is required where an overseas person acquires an interest in sensitive land, a holding of 25% or more of the securities in a person who owns or controls an interest in sensitive land, or a holding of 25% or

## 9. ADDITIONAL INFORMATION - CONTINUED

more of the securities in a person where the value of the securities, or the consideration provided, or the value of the gross assets of the person (and its 25% or more subsidiaries) exceeds NZ\$100 million.

### 9.9 Foreign exchange controls

There are currently Australian exchange controls which restrict the remittances of dividends, interest or other payments by Brambles or Recall to non-resident holders of Brambles Shares or Recall Shares outside of Australia, if they are certain persons or entities designated by the Australian Minister of Foreign Affairs or Minister for Trade (as applicable) as being associated with the Democratic People's Republic of Korea (North Korea), the former government of the Federal Republic of Yugoslavia, Iran, Libya, Syria or Zimbabwe.

The Australian Government has also implemented certain financial sanctions made by the United Nations Security Council (which prevents dealing with financial resources owned by or giving financial resources to designated persons) in relation to: Al-Qaida, Côte d'Ivoire, the Democratic Republic of Congo, North Korea, Eritrea, Iran, Iraq, Lebanon, Liberia, Libya, Somalia, Sudan, the Taliban and terrorism.

For information on designated persons or entities, refer to the Department of Foreign Affairs and Trade's website at [http://www.dfat.gov.au/un/unsc\\_sanctions/](http://www.dfat.gov.au/un/unsc_sanctions/).

### 9.10 Foreign selling restrictions

The distribution of this Scheme Book outside of Australia may be restricted by law and persons who come into possession of it should seek advice and observe these restrictions. Any failure to comply with these restrictions may contravene applicable securities laws. Brambles disclaims all liabilities to such persons. If you are a Brambles Shareholder who is a nominee, trustee or custodian, you are advised to seek independent advice as to how you should proceed.

No action has been taken to register or qualify this Scheme Book, the Demerger or the Recall Shares, or otherwise permit a public offering of Recall Shares, in any jurisdiction outside of Australia.

#### 9.10.1 France

This Scheme Book is not being distributed in the context of a public offering of financial securities (*offre au public de titres financiers*) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) and Articles 211-1 et seq. of the General Regulation of the French *Autorité des marchés financiers* ("AMF"). The Recall Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This Scheme Book and any other offering material relating to the Demerger have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed or caused to be distributed, directly or indirectly, to the public in France.

Offers, sales and distributions have been and shall only be made in France (i) in a transaction that, in accordance with Article L. 411-2-I of the French Monetary and Financial Code and Article 211-2 of the General Regulation of the AMF, does not constitute a public offering of financial securities, and/or (ii) to qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2°, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation, and/or (iii) to a restricted number of non-qualified investors (*cercle restreint d'investisseurs*) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2°, D.411-4, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the Recall Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

#### 9.10.2 Germany

The information in this Scheme Book has been prepared on the basis that the offer under the Scheme will be made pursuant to an exemption under the Directive 2003/71/EC as amended by Directive 2010/73/EC ("Prospectus Directive"), and implemented in Germany, from the requirement to produce a prospectus for offers of securities. This Scheme Book has not been and will not be submitted to, nor has it been approved by, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht* or "BaFin").

This Scheme Book and other offering materials relating to the Recall Shares, as well as information contained therein, are strictly confidential and may not be distributed to any person or entity other than the recipients hereof.

## 9. ADDITIONAL INFORMATION - CONTINUED

### 9.10.3 Hong Kong

**WARNING:** The contents of this Scheme Book have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation its contents. If you are in any doubt about any of the contents of this Scheme Book, you should obtain independent professional advice.

This Scheme Book does not constitute a prospectus (as defined in section 2(1) of the Companies Ordinance (Cap.32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite offers by the public to subscribe for or purchase any securities, nor is it an advertisement, invitation or document which is or contains an invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this Scheme Book in Hong Kong, other than to persons who are “professional investors” as defined in the Securities and Futures Ordinance and any rules made under the Securities and Futures Ordinance or in other circumstances which do not result in the Scheme Book being a “prospectus” as defined in the Companies Ordinance or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and no person may issue or have in its possession for the purposes of issue, this Scheme Book or any advertisement, invitation or document relating to Recall Shares, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to Recall Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under the Securities and Futures Ordinance.

This Scheme Book is for the exclusive use of Brambles Shareholders in connection with the Scheme, and no steps have been taken to register or seek authorisation for the issue of this Scheme Book in Hong Kong.

This Scheme Book is confidential to the person to whom it is addressed and no person to whom a copy of this Scheme Book is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this Scheme Book to any other person in Hong Kong or use the Scheme Book for any purpose in Hong Kong other than in connection with the consideration of the Scheme by the person to whom this Scheme Book is addressed.

### 9.10.4 Ireland

The information in this Scheme Book does not constitute a prospectus under any Irish laws or regulations and this Scheme Book has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of, nor does it constitute, a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended.

### 9.10.5 New Zealand

This Scheme Book is not a New Zealand prospectus or an investment statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the *Securities Act 1978* (or any other relevant New Zealand law). The Recall Shares are being offered to Brambles Shareholders in reliance upon the *Securities Act (Overseas Companies) Exemption Notice 2013* and accordingly this Scheme Book may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

### 9.10.6 Singapore

This Scheme Book and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of the Recall Shares have not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, statutory liabilities in connection with the contents of prospectus under the *Securities and Futures Act*, Cap 289 (the “SFA”) will not apply.

This Scheme Book and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of the Recall Shares may not be offered, sold or distributed, or be made the subject of an invitation for subscription, purchase or receipt, whether directly or indirectly, to persons in Singapore except pursuant to exemptions in Subdivision (4) Division 1, Part XIII of the *Securities and Futures Act*, Chapter 289, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to the Recall Shares being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

## 9. ADDITIONAL INFORMATION - CONTINUED

Brambles and Recall Holdings are not in the business of dealing in securities nor do they hold themselves out or purport to hold themselves out to be doing so. As such, Brambles and Recall Holdings are not licensed nor exempted from dealing in securities or carrying out any other regulated activities under the SFA or any other applicable legislation in Singapore.

### 9.10.7 South Africa

The Demerger does not constitute an offer of securities to the public in terms of the *South African Companies Act* and accordingly, this Scheme Book does not, nor is it intended to, constitute a prospectus prepared and registered under the *Companies Act*.

### 9.10.8 Spain

The Scheme Book does not constitute an offer to the public under Spanish law, pursuant to paragraph (b) of article 30.bis.1 of the Spanish Securities Market Law 24/1988 of July 28th (Ley del Mercado de Valores), being therefore excepted from the obligations of providing a prospectus and fulfilling any other formal requirements with the Spanish securities regulatory authority, the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores).

### 9.10.9 United Kingdom

Neither the information in this Scheme Book nor any other document relating to the Recall Shares has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the *Financial Services and Markets Act 2000*, as amended ("FSMA")) has been published or is intended to be published in respect of the Recall Shares.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Recall Shares has only been communicated or caused to be communicated, and will only be communicated or caused to be communicated, in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Brambles. In the United Kingdom, this Scheme Book is being distributed only to, and is directed at, persons (i) who fall within Article 43 of the *Financial Services and Markets Act 2000* (Financial Promotions) Order 2005 (members of certain bodies corporate), or (ii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this Scheme Book relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Scheme Book or any of its contents.

### 9.10.10 United States

The Recall Shares to be transferred pursuant to the Scheme have not been, and will not be, registered under the *US Securities Act*, the securities laws of any other jurisdiction, and may not be offered or sold in the United States unless the securities are registered under the *US Securities Act*, or an exemption from the registration requirements of the *US Securities Act* is available.

Any Recall Shares transferred pursuant to the Scheme will be transferred in reliance on the exemption from the registration requirements of the *US Securities Act* provided in Section 3(a)(10) of the *US Securities Act* based on the approval of the Scheme by the Court. If the Court approves the Scheme, its approval will constitute the basis for the Recall Shares to be transferred without registration under the *US Securities Act*, in reliance on the exemption from the registration requirements of the *US Securities Act* provided by Section 3(a)(10) of the *US Securities Act*.

Recall Shares received pursuant to the Scheme by any person who may be deemed to be an "affiliate" of Brambles under Rule 145 under the *US Securities Act*, including, without limitation, directors and certain executive officers, may not be resold in the United States except in accordance with the provisions of Rule 144 under the *US Securities Act*, outside of the United States in reliance upon Regulation S under the *US Securities Act*, or as otherwise permitted by the *US Securities Act*.

This Scheme Book has not been filed with or reviewed by the US Securities and Exchange Commission or any state securities authority and none of them has approved, disapproved, passed upon or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of the Scheme Book.

### 9.11 Other information material to the making of a decision in relation to the Demerger

Except as set out in this Scheme Book, there is no other information material to the making of a decision in relation to the Demerger being information that is within the knowledge of any Brambles Director which has not previously been disclosed to Brambles Shareholders.

## 9. ADDITIONAL INFORMATION - CONTINUED

### 9.12 Supplementary information

Brambles will issue a supplementary document to this Scheme Book if it becomes aware of any of the following between the date of lodgement of this Scheme Book for registration by ASIC and the Effective Date:

- A material statement in this Scheme Book is misleading or deceptive;
- A material omission from this Scheme Book;
- A significant change affecting a matter included in this Scheme Book; or
- A significant new matter has arisen that would have been required to be included in this Scheme Book if it had arisen before the date of lodgement of this Scheme Book for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Brambles may circulate and publish any supplementary document by:

- Placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- Posting the supplementary document on Brambles' website; or
- Making an announcement to ASX.

Any updated information about the Demerger which is not materially adverse to investors is likely to be made available by announcement to ASX and on Brambles' website at [www.brambles.com/investor-centre/Recall-demerger](http://www.brambles.com/investor-centre/Recall-demerger). Where updated information about the Demerger is materially adverse to investors, a supplementary document will be issued and made available in accordance with regulatory requirements.

Prior to the Meetings, Brambles will provide a copy of the updated information free of charge, to any person who requests a copy by calling the Brambles Shareholder Information Line on +61 1800 209 118 from 8.30am to 5.30pm (AEDT) on Business Days, or from Brambles' website at [www.brambles.com/investor-centre/Recall-demerger](http://www.brambles.com/investor-centre/Recall-demerger).



## 10. GLOSSARY

Acquired Shares	Brambles Shares purchased by Brambles employees under the Brambles MyShare Plan.
AEDT	Australian Eastern Daylight Time.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) or, as the case requires, the financial market operated by it.
ASX Corporate Governance Principles and Recommendations or ASX Principles	The Corporate Governance Principles and Recommendations with 2010 Amendments (2 <sup>nd</sup> Edition) published by the ASX Corporate Governance Council and available on ASX's website at <a href="http://www.asx.com.au">www.asx.com.au</a> .
ASX Settlement Operating Rules	The operating rules of the settlement facility provided by ASX Settlement Pty Limited (ABN 49 008 504 532).
ATO	Australian Taxation Office.
Average Capital Invested	Average capital invested 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 accumulated pre-tax Significant Items, actuarial gains or losses and net equity adjustments for equity-settled share-based payments.
Board or Brambles Board	The board of Directors of Brambles Limited.
Brambles	Brambles Limited (ABN 89 118 896 021) and, where the context requires, its subsidiaries from time to time.
Brambles (after the Demerger)	Brambles after the Demerger, comprising the pallets, RPC and container pooling businesses (excluding Recall).
Brambles Group	Brambles Limited and each of its subsidiaries.
Brambles LTI Award	A long term employee incentive award granted under the Brambles Performance Share Plan that vests subject to the satisfaction of performance conditions determined by the Brambles Board in accordance with the Brambles Performance Share Plan Rules.
Brambles Market Value	The number of Brambles Shares on issue at the Scheme Record Date multiplied by the VWAP of Brambles Shares (trading on an ex-entitlement basis) for the first 5 Business Days immediately following the Effective Date.
Brambles MyShare Plan	The Brambles MyShare Plan, an all employee share plan, under which employees acquire ordinary shares by means of deductions from their after-tax pay. If they hold those shares and remain employed at the end of a two year period, then Brambles will match the number of shares they hold by issuing or transferring to them the same number of shares which they held for the qualifying period at no additional cost to the employee.
Brambles Performance Share Plan or Brambles PSP	The Brambles Limited 2006 Performance Share Plan (as amended).
Brambles Plans	Brambles employee share plans, comprising the Brambles Performance Share Plan and the Brambles MyShare Plan, referred to in Section 3.8.3.
Brambles Share	A fully paid ordinary share in Brambles.
Brambles Share Capital Amount	The balance in the Brambles share capital account immediately prior to the Demerger Date.

## 10. GLOSSARY - CONTINUED

Brambles Share Register	The register of members of Brambles maintained by or on behalf of Brambles in accordance with section 168(1) of the <i>Corporations Act</i> .
Brambles Share Registry	Link Market Services Limited (ABN 54 083 214 537).
Brambles Shareholder	A person who is registered in the Brambles Share Register as the holder of a Brambles Share.
Brambles STI Award	A short term employee incentive award granted under the Recall Performance Share Plan that vests subject to the satisfaction of performance conditions determined by the Brambles Board in accordance with the Brambles Performance Share Plan Rules.
Brambles Value Added or BVA	Brambles Value Added or BVA represents the value generated over and above the cost of capital used to generate that value.
Business Day	Any day that is both a Business Day within the meaning given in the Listing Rules and a day that banks are open for business in New South Wales, Australia.
CAGR	Compound average growth rate.
Capital Reduction	The reduction in the capital of Brambles by the Capital Reduction Aggregate Amount to be applied equally against each Brambles Share on issue as at the Scheme Record Date in accordance with the terms of the Capital Reduction Resolution.
Capital Reduction Aggregate Amount	The aggregate amount of the capital of Brambles that is to be reduced in accordance with the Capital Reduction Resolution, calculated as follows: $A = (B / (B + C)) \times D$ where: A = Capital Reduction Aggregate Amount; B = Recall Market Value; C = Brambles Market Value; and D = Brambles Share Capital Amount.
Capital Reduction Entitlement	In relation to a Scheme Participant, the Capital Reduction Aggregate Amount, divided by the number of Brambles Shares on issue on the Scheme Record Date, then multiplied by the number of Brambles Shares held by the Scheme Participant as at the Scheme Record Date.
Capital Reduction Resolution	The ordinary resolution concerning the Capital Reduction to be considered by Brambles Shareholders at the General Meeting, the form of which is set out in the Notice of General Meeting in Annexure D.
Certis	Certis CISCO Security Pte Ltd, a Singapore entity.
CGT	Capital gains tax.
CHESS	Clearing House Electronic Sub-register System, operated in accordance with the <i>Corporations Act</i> .
Containers	Brambles' containers pooling solutions offering, as described in Section 3.2.2.
Continuing Operations	Continuing operations refers to Pallets, RPCs, Containers, Recall and Brambles HQ.
Corporations Act	Corporations Act 2001 (Cth).
Corporations Regulations	Corporations Regulations 2001 (Cth).
Court	The Federal Court of Australia.



## 10. GLOSSARY - CONTINUED

Deed Poll	The deed poll dated 21 October 2013 executed by Recall relating to the Scheme, a copy of which is contained in Annexure B.
Demerger	The proposed demerger of Recall from Brambles through the implementation of the Restructure, Scheme, Capital Reduction and Demerger Dividend as described in this Scheme Book.
Demerger Date	Wednesday, 18 December 2013 or such other date as determined by the Brambles Board.
Demerger Deed	The deed between Brambles Limited and Recall Holdings dealing with separation arrangements between the parties arising in connection with the Demerger, a summary of which is in Section 5.7.2.
Demerger Dividend	The special dividend for an amount, per Brambles Share, which is equal to the Demerger Dividend Aggregate Amount divided by the number of Brambles Shares on issue on the Scheme Record Date.
Demerger Dividend Aggregate Amount	The amount of the Recall Market Value less the Capital Reduction Aggregate Amount.
Demerger Dividend Entitlement	In relation to each Scheme Participant, means the Demerger Dividend Aggregate Amount, divided by the number of Brambles Shares on issue on the Scheme Record Date, then multiplied by the number of Brambles Shares held by the Scheme Participant on the Scheme Record Date.
Demerger Dividend Resolution	The resolution of the Brambles Board to approve the determination and payment of the Demerger Dividend.
Demerger Implementation Deed	The deed between Brambles Limited and Recall Holdings under which each party will undertake specified obligations to give effect to the Demerger, a summary of which is in Section 5.7.1.
Demerger Preparatory Steps	All resolutions, approvals, consents, documents, agreements, deeds, actions and other steps necessary or desirable following implementation of the Restructure to ensure that, among other things, immediately prior to implementation of the Scheme, Brambles will own the entire issued share capital of Recall Holdings.
Demerger Principle	The underlying principle of the Demerger as described in the Demerger Deed and Section 5.6.1.
Demerger Resolutions	The resolutions to be voted on by Brambles Shareholders to approve key aspects of the Demerger, being the Scheme Resolution and the Capital Reduction Resolution.
Director or Brambles Director	A director of Brambles Limited.
Distribution Entitlement	In relation to a Scheme Participant, the aggregate of that Scheme Participant's Demerger Dividend Entitlement and Capital Reduction Entitlement.
DMS	The document management solutions service offering of Recall, as described in Section 2.3.6.
DMSD	The capture, indexing, storage and retrieval of digital information provided in Recall's DMS offering.
DMSP	The secure indexing, storage and retrieval of physical documents provided in Recall's DMS offering.
DPS	The data protection services offering of Recall, as described in Section 2.3.6.
DRP	Dividend reinvestment plan.
EBIT	Earnings before interest and taxation.

## 10. GLOSSARY - CONTINUED

EBITDA	Earnings before interest, tax, depreciation and amortisation. EBITDA is defined as Operating profit from continuing operations after adding back depreciation and amortisation.
Effective	The coming into effect, pursuant to section 411(10) of the <i>Corporations Act</i> , of the order of the Court made under sections 411(4)(b) and 411(6) in relation to the Scheme.
Effective Date	The date on which the Scheme becomes Effective.
Eligible Shareholder	A Brambles Shareholder whose registered address on the Brambles Share Register as at the Scheme Record Date is in: <ul style="list-style-type: none"> <li>- Australia or New Zealand; or</li> <li>- any other place where (and to the extent) Brambles determines (in its absolute discretion) that it is not prohibited and not unduly onerous or impractical to implement the Scheme and to transfer Recall Shares to a Scheme Participant in that place.</li> </ul>
End Date	30 April 2014 or such later date as is specified by the Brambles Board.
EPS	Earnings per share.
Executive Benefits Resolution	The ordinary resolution to approve for the purposes of section 200C of the <i>Corporations Act</i> the benefits which may be given to Recall's Managing Director and Chief Executive Officer, Mr Doug Pertz, under the terms of his employment agreement and under the Recall Performance Share Plan, short term incentive arrangements, superannuation or pension arrangements and general employment policies to be considered by Brambles Shareholders at the General Meeting, the form of which is set out in the Notice of General Meeting in Annexure D.
Executive Leadership Team	The Recall Executive Leadership Team comprising the persons listed in Section 2.11.2. In the context of Section 3.7, Executive Leadership Team refers to the Brambles executive leadership team.
Financial year or FY	Financial year. For example, FY13 indicates the financial year ended 30 June 2013. Brambles' financial year is 1 July-30 June.
First Court Hearing	The hearing of the application made to the Court for orders under Section 411(1) of the <i>Corporations Act</i> to convene the Scheme Meeting.
Former Brambles CDI Holders	Former holders of Brambles CHES Depository Interests.
Fortune 100	Fortune Magazine's top 100 ranking US firms by market capitalisation.
Fortune 500	Fortune Magazine's top 500 ranking US firms by market capitalisation.
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.
General Meeting	The general meeting of Brambles Shareholders convened to consider the Capital Reduction Resolution and the Executive Benefits Resolution.
General Meeting Proxy Form	The proxy form for the General Meeting which accompanies this Scheme Book.
Independent Expert	KPMG Financial Advisory Services (Australia) Pty Ltd.
Independent Expert's Report	The report of the Independent Expert, a concise version of which is set out in Section 8 and a copy of the full version of which can be obtained by calling the Brambles Shareholder Information Line on +61 1800 209 118 on Business Days from 8.30am and 5.30pm (AEDT) or from Brambles' website at <a href="http://www.brambles.com/investor-centre/Recall-demerger">www.brambles.com/investor-centre/Recall-demerger</a> .
Ineligible Overseas Shareholder	A Brambles Shareholder, who as at the Scheme Record Date is not an Eligible Shareholder.

## 10. GLOSSARY - CONTINUED

Information Management	Lifecycle management of physical and digital information including the creation, conversion to alternate media, storage, active and inactive management (including authenticated access) and destruction of information assets and related consulting and professional services.
Investigating Accountant	PricewaterhouseCoopers Securities Ltd.
Investigating Accountant's Report	The report of the Investigating Accountant set out in Section 7.
Listing Rules	The listing rules of ASX from time to time as modified by any express written confirmation, waiver or exemption given by ASX.
LTI	Long Term Incentive.
Matching Rights	Matching share rights over Brambles Shares allocated to employees when they purchase Acquired Shares under the Brambles MyShare Plan. When an employee's Matching Rights vest, Matching Shares are allocated to that employee.
Matching Shares	Shares allocated to employees who have held Acquired Shares under the Brambles MyShare Plan for two years, and who remain employed at the end of that two year period. One Matching Share is allocated for every one Acquired Share held.
Meetings	The Scheme Meeting and the General Meeting.
Net Annualised Value of New Business	The implied sales revenue in 12 months from net new business won during the reporting period.
Net New Business Wins	The change in sales revenue in a reporting period resulting from business won or lost in that period and the previous financial year. The revenue impact of net new business is included across reporting periods for a total of 12 months from the date of the win or loss and calculated on a constant currency basis.
Notice of General Meeting	The notice of meeting set out in Annexure D.
Notice of Scheme Meeting	The notice of meeting set out in Annexure C.
NPAT	Net profit after tax.
Official List	The official list of entities that ASX has admitted and not removed.
Operating profit	Operating profit is profit before finance costs and tax, as shown in the statutory financial statements.
PAT	Profit after 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.
Pooling Solutions	Brambles' pooling solutions businesses described in Section 3.2.2.
Pro Forma Operating Cash Flow	Operating cash flow adjusted for pro forma estimated additional standalone costs and acquisition of Recall Singapore.
Pro Forma NPAT	NPAT adjusted for pro forma estimated additional standalone costs and acquisition of Recall Singapore.
Pro Forma Sales Revenue	Sales revenue adjusted for the acquisition of Recall Singapore.
Pro Forma Underlying EBITDA	Underlying EBITDA adjusted for pro forma estimated additional standalone costs and acquisition of Recall Singapore.
Pro Forma Underlying Profit	Underlying Profit adjusted for pro forma estimated additional standalone costs and acquisition of Recall Singapore.

## 10. GLOSSARY - CONTINUED

Recall	Recall Holdings Limited and, where the context requires, Recall businesses which will be transferred to Recall Holdings and its subsidiaries from time to time.
Recall Board	The board of Directors of Recall from time to time.
Recall Constitution	The constitution with effect from the Effective Date adopted by Recall, as described in Section 9.3.
Recall Director	A director of Recall.
Recall Market Value	The number of Recall Shares on issue immediately following the Recall Share Reorganisation multiplied by the VWAP of Recall Shares for the first 5 Business Days starting from the date of the commencement of trading (including on a deferred settlement basis) of Recall Shares on ASX.
Recall Group	Recall Holdings Limited and each of its subsidiaries.
Recall Holdings	Recall Holdings Limited (ABN 89 116 537 832).
Recall Long Term Incentive Arrangements	The Recall long term employee incentive scheme, as described in Sections 2.11.4 and 2.11.6.
Recall LTI Award	A long term employee incentive award granted under the Recall Performance Share Plan that vests subject to the satisfaction of performance conditions determined by the Recall Board in accordance with the Recall PSP Rules.
Recall Performance Share Plan, Recall PSP or Recall Plan	Recall's employee incentive share scheme, under which Recall Performance Share Plan Awards are granted and vest when certain performance criteria are satisfied, as described in Section 2.11.6.
Recall PSP Awards	Awards granted under the Recall Performance Share Plan, as described in Section 2.11.6.
Recall PSP Rules	The rules of the Recall Performance Share Plan adopted by Recall.
Recall Share	A fully paid ordinary share in the capital of Recall Holdings.
Recall Share Register	The register of members of Recall Holdings maintained by or on behalf of Recall Holdings in accordance with section 168(1) of the <i>Corporations Act</i> .
Recall Share Registry	Link Market Services Limited (ABN 54 083 214 537).
Recall Share Reorganisation	The consolidation or subdivision (as appropriate) of the total number of Recall Shares on issue into such number of Recall Shares as is required to ensure that, in accordance with the terms of the Scheme, each Scheme Participant (or the Sale Agent in respect of Selling Shareholders) receives one Recall Share for every five Brambles Shares held as at the Record Date (rounded up to the nearest whole Recall Share).
Recall Shareholder	The registered holder of a Recall Share following implementation of the Demerger.
Recall Short Term Incentive Arrangements	The Recall short term employee incentive scheme, as described in Section 2.11.5.
Recall Singapore	CISCO Recall Total Information Management Pte Ltd, a Singapore entity which Brambles operated as a joint venture with Certis CISCO Security Pte Ltd, as described in Section 2.3.3.1.
Recall STI Award	A short term employee incentive award granted under the Recall Performance Share Plan that vests subject to the satisfaction of performance conditions determined by the Recall Board in accordance with the Recall PSP Rules.
Recall STI Payment	A portion of senior executives' remuneration paid in the form of an annual short term incentive payment, as described in Section 2.11.5.

## 10. GLOSSARY - CONTINUED

Recall Syndicated Facility	Syndicated facility, as described in Section 2.16.6.
Restructure	The internal restructure to be undertaken by Brambles prior to the Demerger Date described in Section 5.2.1.
Retention Award	A short term or long term employee incentive award granted under the Recall Performance Share Plan that vests on a date determined by the Recall Board, subject only to continued employment with Recall.
RFID	Recall's US-patented Radio Frequency Identification Device, as described in Section 2.6.
RPC	Reusable plastic container/crate, or returnable/reusable produce crate, generally used for shipment and display of produce items.
RVA	Recall Value Added, representing the value generated by a business over and above the cost of capital used to generate that value, as determined by the Recall Board for each financial year.
Sale Agent	The person or persons to be appointed by Brambles to sell or facilitate the transfer of the Recall Shares attributable to Ineligible Overseas Shareholders and on behalf of Selling Shareholders, as contemplated by clause 4 of the Scheme and in accordance with the Sale Facility.
Sale Facility	The facility under which Selling Shareholders' Recall Shares may be sold, as described in Section 5.4.
Sale Facility Form	The form of that name accompanying this Scheme Book or such other form as Brambles may permit or agree in connection with the sale of Recall Shares under the Sale Facility.
Sale Facility Proceeds	The proceeds from the sale of a Selling Shareholder's Recall Shares under the Sale Facility, calculated on an averaged basis so that all Selling Shareholders receive the same price for each Recall Share sold on their behalf.
Scheme	A scheme of arrangement under Part 5.1 of the <i>Corporations Act</i> between Brambles Limited and Brambles Shareholders as described in this Scheme Book and as set out in Annexure A, subject to any modification made or required by the Court.
Scheme Book	This document, which includes the Scheme, the Deed Poll, the explanatory statement for the Scheme, the Notice of Scheme Meeting and the Notice of General Meeting.
Scheme Meeting	The meeting of Brambles Shareholders ordered by the Court pursuant to section 411(1) of the <i>Corporations Act</i> to consider the Scheme Resolution.
Scheme Meeting Proxy Form	The proxy form for the Scheme Meeting which accompanies this Scheme Book.
Scheme Participant	Each person registered on the Brambles Share Register as the holder of Brambles Shares on the Scheme Record Date.
Scheme Record Date	7.00pm (AEDT) on the date which is the fifth Business Day after the Effective Date (expected to be Monday, 16 December 2013).
Scheme Resolution	The resolution to approve the Scheme, to be considered by Brambles Shareholders at the Scheme Meeting, the form of which is set out in the Notice of Scheme Meeting in Annexure C.
SDS	The secure destruction services offering of Recall, as described in Section 2.3.6.
Second Court Hearing	The hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the <i>Corporations Act</i> approving the Scheme.

## 10. GLOSSARY - CONTINUED

Selling Shareholder	An Ineligible Overseas Shareholder or a Small Shareholder who elects to participate in the Sale Facility.
Significant Items	Items of income or expense which are, either individually or in aggregate, material to Recall (in the context of Section 2) or Brambles (in the context of Section 3) 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.
Small Shareholder	An Eligible Shareholder who individually holds 2,500 Brambles Shares or less as at the Scheme Record Date.
STI	Short Term Incentive.
Subsidiary	The meaning given to that term in the <i>Corporations Act</i> .
Tax Sharing Agreement	The agreement to be entered into by Brambles and Recall, under which Brambles and Recall outlines each party's responsibility with respect to pre-Demerger taxes post Demerger.
Transaction Document	The Demerger Deed, Demerger Implementation Deed, any Restructure documents, Transitional Services Agreement or any other document agreed by Brambles and Recall in writing to be a Transaction Document under the Demerger Deed.
Transitional Recall LTI Award	The transitional Recall long term incentive awards granted to certain Recall employees under the Recall Performance Share Plan in the circumstances described in Section 2.11.7.2.
Transitional Recall STI Award	The transitional Recall short term incentive awards granted to certain Recall employees under the Recall Performance Share Plan in the circumstances described in Section 2.11.7.1.
Transitional Services Agreement	An agreement to be entered into by Brambles and Recall, under which Brambles will provide certain services to Recall for a period following the Demerger, description of which is in Section 5.7.4.
TSR	Total Shareholder Return. TSR 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 EBITDA	Underlying profit before depreciation and amortisation. Underlying EBITDA is an example of a non-IFRS financial measure used by Brambles and Recall as described in the Important Notices.
Underlying Profit	Profit from continuing operations before finance costs, tax and Significant Items. Underlying Profit is an example of a non-IFRS financial measure used by Brambles and Recall as described in the Important Notices.
US Person	"US Person" as defined in Regulation S under the <i>US Securities Act</i> .
US Securities Act	The United States Securities Act of 1933, as amended.
VWAP	The volume weighted average price of the relevant shares traded on ASX during the relevant period except for trades otherwise than in the ordinary course of trading.



# ANNEXURE A – SCHEME OF ARRANGEMENT

## Scheme of Arrangement

Scheme made under section 411 of the Corporations Act 2001 (Cth)

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<b>Between</b>	Brambles Limited ABN 89 118 896 021 Level 40 Gateway 1 Macquarie Place Sydney NSW 2000 Australia ("Brambles")
<b>And</b>	Holder of its fully paid ordinary shares

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## 1 Definitions and interpretation

### 1.1 Definitions

In this Scheme:

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691) or the market operated by it as the context requires.

**ASX Operating Rules** means the market operating rules of ASX as amended, varied or waived from time to time.

**ASX Settlement** means ASX Settlement Pty Limited (ABN 49 008 504 532) as the holder of a licence to operate a clearing and settlement facility.

**Brambles Board** means the board of directors of Brambles from time to time.

**Brambles CDI Holder** means a holder of Brambles Chess Depository Interests.

**Brambles Market Value** means the Brambles VWAP multiplied by the number of Brambles Shares on issue at the Record Date.

**Brambles Register** means the register of members of Brambles.

**Brambles Registry** means Link Market Services Limited (ABN 54 083 214 537) in its capacity as provider of registry services in respect of the Brambles Register.

**Brambles Share** means a fully paid ordinary share in Brambles.

**Brambles Share Capital Amount** means the balance in the Brambles share capital account immediately prior to the Demerger Date.

**Brambles Shareholder** means a person who is registered in the Brambles Register as the holder of a Brambles Share.

**Brambles VWAP** means the VWAP of Brambles Shares (trading on an ex-entitlement basis) for the first five Business Days immediately following the Effective Date.



## ANNEXURE A – SCHEME OF ARRANGEMENT - CONTINUED

**Business Day** has the meaning given to that term in the Listing Rules.

**Capital Reduction** means the reduction in the capital of Brambles by the Capital Reduction Aggregate Amount to be applied equally against each Brambles Share on issue as at the Record Date in accordance with the terms of the Capital Reduction Resolution.

**Capital Reduction Aggregate Amount** means the aggregate amount of the capital of Brambles that is to be reduced in accordance with the Capital Reduction Resolution, calculated as follows:

$$A = (B / (B + C)) \times D$$

where:

A = Capital Reduction Aggregate Amount;

B = Recall Market Value;

C = Brambles Market Value; and

D = Brambles Share Capital Amount.

**Capital Reduction Entitlement** means, in relation to a Scheme Participant, the Capital Reduction Pro-Rata Amount multiplied by the number of Brambles Shares held by the Scheme Participant on the Record Date.

**Capital Reduction Pro-Rata Amount** means the Capital Reduction Aggregate Amount divided by the number of Brambles Shares on issue on the Record Date.

**Capital Reduction Resolution** means the ordinary resolution concerning the Capital Reduction to be considered by Brambles Shareholders at the General Meeting in the form set out in the notice of general meeting contained in Annexure D of the Scheme Book.

**CHESS** means the clearing house electronic sub-register system of share transfers operated by ASX Settlement.

**Constitution** means the constitution of Brambles as amended from time to time.

**Corporations Act** means the *Corporations Act 2001* (Cth) and the regulations made under that Act.

**Court** means the Federal Court of Australia.

**Deed Poll** means the deed poll by Recall in favour of Scheme Participants in the form of Annexure B of the Scheme Book (subject to any amendments permitted by its terms).

**Demerger** means the proposed demerger of Recall from Brambles through the implementation of the Scheme and the Capital Reduction.

**Demerger Date** means the seventh Business Day following the Effective Date or such other date as determined by the Brambles Board.

**Demerger Dividend** means the special dividend for an amount, per Brambles Share, which is equal to the Demerger Dividend Aggregate Amount divided by the number of Brambles Shares on issue on the Record Date.

## ANNEXURE A – SCHEME OF ARRANGEMENT - CONTINUED

**Demerger Dividend Aggregate Amount** means the amount of the Recall Market Value less the Capital Reduction Aggregate Amount.

**Demerger Dividend Entitlement** means, in relation to a Scheme Participant, the Demerger Dividend Pro-Rata Amount multiplied by the number of Brambles Shares held by the Scheme Participant on the Record Date.

**Demerger Dividend Pro-Rata Amount** means the Demerger Dividend Aggregate Amount divided by the number of Brambles Shares on issue on the Record Date.

**Demerger Dividend Resolution** means a resolution of the Brambles Board to approve the determination and payment of the Demerger Dividend.

**Distribution Entitlement** means, in relation to a Scheme Participant, the aggregate of that Scheme Participant's Demerger Dividend Entitlement and Capital Reduction Entitlement.

**Effective Date** means the date on which the office copy of the Court order approving the Scheme is lodged with ASIC pursuant to section 411(10) of the Corporations Act.

**Eligible Brambles Shareholder** means a Scheme Participant whose registered address on the Brambles Register as at the Record Date is in:

- (a) Australia or New Zealand; or
- (b) any other place where Brambles reasonably believes that it is not prohibited and not unduly onerous or impractical to implement the Scheme and to transfer Recall Shares to Scheme Participants in that place.

**End Date** means 30 April 2014 or such later date as is specified by the Brambles Board.

**General Meeting** means the general meeting of Brambles Shareholders convened to consider, among others, the Capital Reduction Resolution.

**Ineligible Overseas Shareholder** means a Scheme Participant who as at the Record Date is not an Eligible Brambles Shareholder.

**Licensed Market** means a financial market the operation of which is authorised by an Australian market license under section 795B of the Corporations Act.

**Listing Rules** means the official listing rules of ASX from time to time as modified by any express written waiver or exemption given by ASX.

**Recall** means Recall Holdings Limited (ACN 116 537 832).

**Recall Constitution** means the constitution of Recall from time to time.

**Recall Market Value** means the Recall VWAP multiplied by the number of Recall Shares on issue immediately following the Recall Share Reorganisation.

**Recall Register** means the register of members of Recall.

**Recall Share** means a fully paid ordinary share in Recall.

**Recall Shareholder** means a person who is registered in the Recall Register as a holder of a Recall Share following implementation of the Demerger.

## ANNEXURE A – SCHEME OF ARRANGEMENT - CONTINUED

**Recall Share Reorganisation** means the consolidation or subdivision (as appropriate) of the total number of Recall Shares on issue into such number of Recall Shares as is required to ensure that, in accordance with the terms of the Scheme, each Scheme Participant (or the Sale Agent in respect of Selling Shareholders) receives one Recall Share for every five Brambles Shares held as at the Record Date (rounded up to the nearest whole number of Recall Shares).

**Recall VWAP** means the VWAP of Recall Shares for the first five Business Days starting from the date of the commencement of trading (including on a deferred settlement basis) of Recall Shares on ASX.

**Record Date** means 7:00pm on the fifth Business Day following the Effective Date.

**Regulatory Approvals** means such approvals, consents, waivers or other acts from or by Regulatory Authorities as are necessary or, in the reasonable opinion of Brambles, desirable in connection with or to implement the Demerger.

**Regulatory Authority** includes:

- (a) ASX, ASIC and the Australian Competition and Consumer Commission;
- (b) a government or governmental, semi-governmental or judicial entity or authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

**Sale Agent** means the person or persons to be appointed by Brambles to sell or facilitate the transfer of the Recall Shares:

- (a) attributable to Ineligible Overseas Shareholders; and
- (b) on behalf of Selling Shareholders,

as contemplated by clause 4 of the Scheme and in accordance with the Sale Facility.

**Sale Facility** means the facility to be established and implemented by Brambles under which Recall Shares may be sold, the terms of which are more fully described in section 5.4 of the Scheme Book.

**Sale Period** means the period on and from the Demerger Date to and including the 20th Business Day after that date (or, subject to obtaining any necessary ASIC exemptions or waivers, such longer period of time which Brambles and the Sale Agent determine).

**Scheme** means the scheme of arrangement under Part 5.1 of the Corporations Act between Brambles and the Brambles Shareholders as set out in this document, subject to any modification made or required by the Court pursuant to section 411 of the Corporations Act.

**Scheme Book** means the scheme book explaining the Demerger and containing, among other things, the Scheme, an explanatory statement in relation to the Scheme as required by Part 5.1 of the Corporations Act and the notices of meeting for the Scheme Meeting and the General Meeting.

## ANNEXURE A – SCHEME OF ARRANGEMENT - CONTINUED

**Scheme Meeting** means the meeting of Brambles Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider the resolution set out in the notice of meeting for the Scheme set out in Annexure C of the Scheme Book.

**Scheme Participant** means, subject to clause 5.1, a Brambles Shareholder as at the Record Date.

**Second Court Date** means the date on which the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme is heard (or, if adjourned to a later date, that date).

**Selling Shareholder** means an Ineligible Overseas Shareholder or a Small Shareholder who elects to sell all (but not some) of the Recall Shares to which they are entitled under the Scheme through the Sale Facility.

**Settlement Operating Rules** means the operating rules of ASX Settlement.

**Small Shareholder** means an Eligible Brambles Shareholder who individually holds 2,500 Brambles Shares or less as at the Record Date.

**VWAP** means the volume weighted average price of the relevant shares traded on ASX during the relevant period but does not include any trades which Brambles determines to be outside the ordinary course of trading, which may include any “Crossing” transacted outside the “Open Session State” or any “Special Crossing” transacted at any time, each as defined in the ASX Operating Rules, or any overseas trades or trades pursuant to the exercise of options over such shares.

### 1.2 Reference to certain general terms

Unless the contrary intention appears, a reference in this Scheme to:

- (a) **(variations or replacement)** a document, agreement, Scheme (including this Scheme) or instrument is a reference to that document, agreement, Scheme or instrument as amended, consolidated, supplemented, novated or replaced;
- (b) **(clauses, annexures and schedules)** a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this Scheme;
- (c) **(reference to statutes)** a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (d) **(law)** law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (e) **(singular includes plural)** the singular includes the plural and vice versa;
- (f) **(party)** a party means a party to this Scheme;
- (g) **(person)** the word “person” includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any Regulatory Authority;

## ANNEXURE A – SCHEME OF ARRANGEMENT - CONTINUED

- (h) **(executors, administrators, successors)** a particular person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (i) **(dollars)** Australian dollars, dollars, A\$ or \$ is a reference to the lawful currency of Australia;
- (j) **(calculation of time)** a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (k) **(reference to a day)** a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (l) **(meaning not limited)** the words "include", "including", "for example" or "such as" when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;
- (m) **(time of day)** time is a reference to Sydney, New South Wales time; and
- (n) **(Business Day)** except where otherwise expressly provided, where the day on which any act, matter or thing is to be done is a day other than a Business Day, such act matter or thing shall be done on the next Business Day.

### 1.3 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this Scheme.

## 2 Scheme conditions

### 2.1 Conditions precedent to Scheme

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) between the date of the Scheme Book and the Scheme Meeting, a majority of the Directors of Brambles recommending and not changing or withdrawing their recommendation to Brambles Shareholders to vote in favour of the Scheme and the Capital Reduction Resolution;
- (b) Brambles Shareholders approving this Scheme by the required majorities at the meeting of Brambles Shareholders convened by the Court pursuant to section 411 of the Corporations Act;
- (c) Brambles Shareholders passing the Capital Reduction Resolution by the required majority under the Corporations Act at the General Meeting;
- (d) all Regulatory Approvals being obtained and not revoked before 8.00am on the Second Court Date either unconditionally or on conditions reasonably satisfactory to the Brambles Board;
- (e) no temporary restraining order, preliminary or permanent injunction or other order is issued by any court of competent jurisdiction and no other legal restraint or prohibition preventing the Demerger is in effect as at 8.00am on the Second Court Date;

## ANNEXURE A – SCHEME OF ARRANGEMENT - CONTINUED

- (f) ASX approving the admission of Recall to the official list of ASX and the official quotation of the Recall Shares on ASX, subject only to this Scheme taking effect and such other conditions as may be acceptable to the Brambles Board; and
- (g) the Court approving this Scheme in accordance with section 411(4)(b) of the Corporations Act (with or without modification) and the lodgement with ASIC of an office copy of that Court order pursuant to section 411(10) of the Corporations Act.

### **2.2 Waiver of conditions precedent**

Each of the conditions precedent in clause 2.1 of this Scheme are for the benefit of Brambles. The conditions precedent in 2.1(d) and 2.1(e) may be waived by Brambles. Any such waiver must be in writing in order for the waiver to be effective.

### **2.3 Certificate in relation to conditions precedent**

Brambles will provide to the Court on the Second Court Date a certificate confirming whether or not all the conditions precedent in this Scheme (other than the condition in clause 2.1(g) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date. The certificate referred to in this clause 2.3 will constitute conclusive evidence of whether the conditions precedent referred to in clause 2.1 of this Scheme (other than the condition in clause 2.1(g) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

### **2.4 Effective Date**

Subject to the satisfaction or waiver of the conditions precedent set out in clause 2.1 and subject to clause 2.5 of this Scheme, this Scheme will come into effect pursuant to section 411(10) of the Corporations Act on and from the Effective Date.

### **2.5 End Date**

This Scheme will lapse and be of no further force or effect if the conditions precedent set out in clause 2.1 of this Scheme have not been satisfied or waived on or before the End Date.

## **3 Implementation**

### **3.1 Demerger Dividend Resolution**

Prior to the Demerger Date, the Brambles Board will pass the Demerger Dividend Resolution.

### **3.2 Implementation of the Capital Reduction and Scheme**

On the Demerger Date, without the need for any further act by any Scheme Participant:

- (a) Brambles will reduce its share capital by the Capital Reduction Aggregate Amount in accordance with the Capital Reduction Resolution;
- (b) Brambles will pay the Demerger Dividend; and

## ANNEXURE A – SCHEME OF ARRANGEMENT - CONTINUED

- (c) Brambles must apply the Distribution Entitlement (comprising the Capital Reduction Entitlement and the Demerger Dividend Entitlement) of each Scheme Participant in accordance with clause 3.3.

### 3.3 Entitlements of Scheme Participants

The Distribution Entitlement of each Scheme Participant, will, on the Demerger Date, be applied (without the need for any further act by a Scheme Participant) as follows:

- (a) for each Eligible Brambles Shareholder, other than a Selling Shareholder, by Brambles as consideration in full for the transfer by Brambles to that Eligible Brambles Shareholder of that number of Recall Shares which is equal to one Recall Share for every five Brambles Shares held by that Eligible Brambles Shareholder on the Record Date (rounded up to the nearest whole number of Recall Shares); and
- (b) for each Selling Shareholder, by Brambles as consideration in full for the transfer by Brambles to the Sale Agent of that number of Recall Shares which is equal to one Recall Share for every five Brambles Shares held by that Selling Shareholder on the Record Date (rounded up to the nearest whole number of Recall Shares).

### 3.4 Transfer of Recall Shares

The obligations of Brambles under clause 3.3 will be discharged by Brambles procuring:

- (a) the execution of a transfer or transfers of all the Recall Shares to the Scheme Participants (or in the case of Selling Shareholders, to the Sale Agent) in the numbers determined in accordance with clause 3.3 and the delivery of the transfer or transfers to Recall for registration; and
- (b) the registration of the transfers delivered to Recall under clause 3.4(a) by entering in the Recall Register the name of each Scheme Participant (or in the case of Selling Shareholders, the Sale Agent) in respect of the Recall Shares transferred to the relevant Scheme Participant (or the Sale Agent) in accordance with this Scheme.

### 3.5 Dispatch of holding statements

As soon as practicable after the Demerger Date and in accordance with the Listing Rules, Brambles will procure that Recall sends to each Scheme Participant (other than Selling Shareholders) or the Sale Agent (as applicable), holding statements for the Recall Shares transferred in accordance with clause 3.3, by pre-paid post to their registered address at the Record Date, unless a Scheme Participant (other than a Selling Shareholder) or the Sale Agent has directed otherwise.

### 3.6 Joint holders

In the case of Scheme Participants (who are not Selling Shareholders) who are joint holders of Brambles Shares:

- (a) entry in the Recall Register must take place in the same order as the holders' names appear in the Brambles Register; and
- (b) holding statements in relation to the Recall Shares will be forwarded to the holder whose name appears first in the Brambles Register on the Record Date.

## ANNEXURE A – SCHEME OF ARRANGEMENT - CONTINUED

### 4 Sale Facility

- (a) Brambles will procure in accordance with the terms of the Sale Facility that the Sale Agent and/or the Brambles Registry (as applicable):
- (i) as soon as reasonably practicable (and in any event no later than the end of the Sale Period), sells on a Licensed Market for the benefit of each Selling Shareholder, all the Recall Shares transferred to the Sale Agent under clause 3.3 in consideration for the application of the Distribution Entitlement of that Selling Shareholder;
  - (ii) accounts to each Selling Shareholder for the proceeds of sale and any income attributable to those Recall Shares (on an averaged basis so that all Selling Shareholders receive the same price per Recall Share, subject to rounding to the nearest whole cent); and
  - (iii) remits the proceeds of sale due to each Selling Shareholder under clause 4(a)(ii) to the Selling Shareholder no later than 5 Business Days after the end of the Sale Period, such amounts to be dispatched by:
    - (A) direct credit to each Selling Shareholder's nominated bank account as noted in the Brambles Register at the Record Date; or
    - (B) where a bank account has not been nominated by a Selling Shareholder for the purpose of paragraph 4(a)(iii)(A), cheque to be mailed to that Selling Shareholder's address as shown in the Brambles Register at the Record Date, payable:
      - (aa) if that Selling Shareholder was not as at the Record Date a former Brambles CDI Holder, in Australian currency drawn on an Australian bank; or
      - (ab) if that Selling Shareholder was as at the Record Date a former Brambles CDI Holder, in British Pounds converted at the exchange rate between that currency and Australian currency at a date no more than 4 Business Days after the end of the Sale Period.
- (b) Brambles, in complying with the terms of clause 4(a) in respect of a Selling Shareholder will be taken to have satisfied and discharged its obligations to the relevant Selling Shareholder under the terms of the Capital Reduction Resolution, the Demerger Dividend Resolution and the Scheme. A Selling Shareholder will have no claim against Brambles for any entitlement they would have had to Recall Shares but for the terms of this Scheme.
- (c) Under this Scheme, each Selling Shareholder agrees and acknowledges that the sale in respect of that person's Distribution Entitlement under the Sale Facility or this Scheme by operation of clause 4(a) constitutes satisfaction of all that person's entitlements in and to that person's Distribution Entitlement.



## ANNEXURE A – SCHEME OF ARRANGEMENT - CONTINUED

- (d) Each Selling Shareholder appoints Brambles as its agent to receive on its behalf any financial services guide or other notices which may be given by the Sale Agent to that Selling Shareholder.

### 5 Dealings in Brambles Shares

#### 5.1 Brambles Register

Subject to the Corporations Act, the Listing Rules and the Settlement Operating Rules, the establishment of who are Scheme Participants and their respective entitlements, will be determined solely on the basis of the Brambles Register.

#### 5.2 Determination of Scheme Participants

For the purpose of establishing who are Scheme Participants and their respective entitlements, subject to the Corporations Act, the Listing Rules and the Settlement Operating Rules, dealings in Brambles Shares will be recognised only if:

- (a) in the case of dealings of the type to be effected using CHES, the transferee is registered in the Brambles Register as the holder of the relevant Brambles Shares on or before the Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the Brambles Registry before the Record Date with sufficient time to allow for registration of the transferee on or before the Record Date (and the transferee remains registered on the Record Date).

Brambles will not accept for registration or recognise for the purposes of establishing who are Scheme Participants and their respective entitlements, any transmission application or transfer in respect of Brambles Shares received after the Record Date.

#### 5.3 Shareholder splitting or division

If Brambles is of the opinion that a Scheme Participant has been party to shareholding splitting or division in an attempt to obtain unfair advantage by reference to the rounding up provided for in the calculation of each Scheme Participant's entitlement to Recall Shares, then Brambles reserves the right to round the entitlement of such holdings so as to provide only the number of Recall Shares that would have been received but for the splitting or division.

### 6 General Scheme provisions

#### 6.1 Agreement to become a member of Recall

Under this Scheme, each Scheme Participant (including those Scheme Participants who do not attend the meeting of Brambles Shareholders to approve the Scheme, do not vote at that meeting or vote against the Scheme) who will receive Recall Shares:

- (a) agrees to become a member of Recall, to have their name entered in the Recall Register, accepts the Recall Shares transferred to them and agrees to be bound by the Recall constitution;
- (b) agrees and acknowledges that the transfer of Recall Shares in accordance with clause 3.3 constitutes satisfaction of all that person's entitlements in and to that person's Distribution Entitlement,

## ANNEXURE A – SCHEME OF ARRANGEMENT - CONTINUED

without the need for any further act by a Scheme Participant.

This clause 6.1 does not apply to Selling Shareholders.

### 6.2 Appointment of agent and attorney

- (a) Each Scheme Participant, without the need for any further act, irrevocably appoints Brambles as its agent and attorney for the purpose of executing any document or doing any other act necessary or desirable to give effect to the terms of this Scheme, including without limitation:
- (i) the execution and delivery of any form or document required to effect the sale and transfer of Recall Shares to Eligible Brambles Shareholders, the Sale Agent or any other person in accordance with the terms of this Scheme, and the delivery of any such form to Recall;
  - (ii) executing any document or doing any other act necessary to give effect to the terms of this Scheme, including, without limitation, the communication of the Eligible Brambles Shareholder's consent, agreement, notification or instructions under clauses 4, 6.1, 6.3, 6.4 and/or 6.5; and
  - (iii) the enforcement of the Deed Poll against Recall,
- and Brambles accepts such appointment.
- (b) Brambles, as agent of each Scheme Participant, may sub-delegate its functions under clause 6.2(a) to all or any of its directors and secretaries (jointly and severally).

### 6.3 Instructions to Brambles

Except for an Eligible Brambles Shareholder's tax file number, binding instructions or notifications between an Eligible Brambles Shareholder and Brambles relating to Brambles Shares or an Eligible Brambles Shareholder's status as a Brambles Shareholder (including, without limitation, any instructions relation to payment of dividends or communications from Brambles) will (to the extent permitted by law), from the Record Date, be deemed by reason of this Scheme to be similarly binding instructions or notifications to, and accepted by, Recall in respect of the Recall Shares transferred to Eligible Brambles Shareholders until those instructions or notifications are, in each case, revoked or amended in writing addressed to Recall at its share registry.

### 6.4 Scheme Participants' consent

Each Scheme Participant irrevocably consents to Brambles doing all things necessary, incidental or expedient to the implementation and performance of the Scheme and acknowledge that the Scheme binds Brambles and all of the Scheme Participants from time to time (including those who do not attend the meeting of Brambles Shareholders to approve the Scheme, do not vote at that meeting or vote against the Scheme).

### 6.5 Amendments to the Scheme

Brambles may, by its counsel and with the consent of Recall, consent, on behalf of all persons concerned (including a Scheme Participant), to any alterations or conditions to this Scheme as the Court thinks just to impose.

## ANNEXURE A – SCHEME OF ARRANGEMENT - CONTINUED

### 6.6 Costs and stamp duty

Brambles will pay any costs, and any stamp duty and any related fines or penalties, which are payable on or in respect of this Scheme or on any document referred to this Scheme, including, without limitation, all brokerage and stamp duty payable in connection with the sale and transfer of Recall Shares to Scheme Participants (or in the case of Selling Shareholders, to the Sale Agent) in accordance with this Scheme.

### 6.7 Further steps

Brambles will execute all documents and do all acts and things necessary or desirable for the implementation and performance of its obligations under this Scheme and will, on behalf of Scheme Participants, procure Recall to execute all documents and do all acts and things necessary or desirable for the implementation and performance of the steps attributed to Recall under this Scheme.

### 6.8 Scheme binding

To the extent of any inconsistency between this Scheme and the Constitution, this Scheme overrides the Constitution and binds Brambles and all Scheme Participants.

### 6.9 Enforcement of Deed Poll

Brambles undertakes in favour of each Scheme Participant that it will enforce the Deed Poll against Recall on behalf of and as agent and attorney for Scheme Participants.

## 7 Governing law

### 7.1 Governing law

This Scheme is governed by the law in force in New South Wales.

### 7.2 Jurisdiction

Each party irrevocably and unconditionally:

- (a) submits to the non-exclusive jurisdiction of the courts of New South Wales; and
- (b) waives, without limitation, any claim or objection based on absence of jurisdiction or inconvenient forum.



## ANNEXURE B – DEED POLL

This deed poll  
is made on 22 October 2013

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<b>By</b>	Recall Holdings Limited ABN 27 116 537 832 697 Gardeners Road Alexandria NSW 2015 Australia ("Recall")
<b>And</b>	Each registered holder of fully paid ordinary shares in Brambles Limited (ABN 89 118 896 021) ("Brambles") as at the Record Date

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### Recitals

- A** On 22 October 2013 Brambles and Recall entered into the Demerger Implementation Deed, pursuant to which, among other things, Brambles has agreed to propose the Scheme to the holders of fully paid ordinary shares in Brambles and each of Brambles and Recall have agreed to take all steps required to give effect to the Scheme.
- B** In accordance with the Demerger Implementation Deed, Recall is entering in to this deed poll for the purpose of covenanting in favour of Scheme Participants to perform the steps attributed to it under the Scheme.

### 1 Definitions and interpretation

#### 1.1 Definitions

In this deed poll:

- (a) **Scheme** means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between Brambles and the holders of ordinary shares in Brambles as set out in the Scheme Booklet, subject to any alterations or conditions made or required by the Federal Court of Australia pursuant to section 411(6) of the Corporations Act; and
- (b) words and phrases used in the Scheme have the same meaning in this deed poll, unless the context requires otherwise.

#### 1.2 Interpretation

Clauses 1.2 and 1.3 of the Scheme are included in this deed poll as if set out in full in this deed poll, and on the basis that references to "this Scheme" in those clauses are references to "this deed poll".

#### 1.3 Nature of deed poll

Recall acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not party to it; and

## **ANNEXURE B – DEED POLL - CONTINUED**

- (b) under the Scheme, each Scheme Participant appoints Brambles as its agent and attorney to enforce this deed poll against Recall.

### **2 Conditions**

#### **2.1 Conditions**

Recall's obligations under this deed poll are subject to:

- (a) the satisfaction or waiver of each condition in clause 2.1 of the Scheme in accordance with its terms; and
- (b) the Scheme becoming effective.

#### **2.2 Termination**

If the conditions in clause 2.1 of the Scheme are not satisfied or waived on or before the End Date, subject to clause 2.3 below, Recall's obligations under this deed poll automatically terminate.

#### **2.3 Consequences of termination**

If this deed poll is terminated under clause 2.2, then in addition and without prejudice to any other rights, powers or remedies:

- (a) Recall is released from its obligations to further perform this deed poll; and
- (b) each Scheme Participant retains any rights, powers or remedies that Scheme Participant has against Recall in respect of any breach of its obligations under this deed poll that occurred before termination of this deed poll.

### **3 Transfer of Recall Shares**

#### **3.1 Agreement to become members of Recall**

Under clause 6.1(a) of the Scheme, each Scheme Participant who receives Recall Shares agrees to become a member of Recall, to have their name entered in the Recall Register, to accept the Recall Shares transferred to it and to be bound by the Recall constitution.

#### **3.2 Obligation to update Recall Register**

On the Demerger Date, Recall must procure the entry into the Recall Register of:

- (a) each Scheme Participant (other than Selling Shareholders), in respect of the Recall Shares transferred to the relevant Scheme Participant in accordance with the Scheme; and
- (b) the Sale Agent, in respect of the Recall Shares transferred to the Sale Agent on behalf of the Selling Shareholders, in accordance with the Scheme.

## ANNEXURE B – DEED POLL - CONTINUED

### 3.3 Holding statements

In accordance with clause 3.5 of the Scheme, as soon as practicable after the Demerger Date and in accordance with the Listing Rules, Recall must dispatch or procure the dispatch to:

- (a) each Scheme Participant (other than Selling Shareholders), holding statements for the Recall Shares transferred to the relevant Scheme Participant; and
- (b) the Sale Agent, holding statements for the Recall Shares transferred to the Sale Agent on behalf of the Selling Shareholders,

by pre-paid post to their registered address at the Record Date, unless a Scheme Participant (other than a Selling Shareholder) or the Sale Agent has directed otherwise.

### 3.4 Joint holders

In the case of Scheme Participants (who are not Selling Shareholders) who are joint holders of Brambles Shares:

- (a) entry in the Recall Register must take place in the same order as the holders' names appear in the Brambles Register; and
- (b) holding statements in relation to the Recall Shares will be forwarded to the holder whose name appears first in the Brambles Register on the Record Date.

## 4 Other obligations of Recall

Subject to clause 2, Recall covenants in favour of Scheme Participants:

- (a) to observe and perform the steps attributed to it under, and otherwise to comply with, the Scheme as if named as a party to the Scheme and do all acts and things necessary to give effect to the Scheme; and
- (b) to apply for admission of Recall to the official list of ASX and for official quotation of Recall Shares to be transferred pursuant to the Scheme on the stock market conducted by ASX with effect on or before the Business Day after the Effective Date, subject only to the Scheme taking effect and such other conditions as may be acceptable to the Brambles Board.

## 5 Warranties

Recall represents and warrants that:

- (a) it is a company validly existing under the laws of Australia;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll; and

## ANNEXURE B – DEED POLL - CONTINUED

- (d) this deed poll is valid and binding on it.

### 6 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Recall has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.

### 7 Notices

#### 7.1 Form - all communications

Unless expressly stated otherwise in this deed poll, all notices, certificates, consents, approvals, waivers and other communications in connection with this deed poll must be:

- (a) in writing;
- (b) signed by the sender (if an individual) or an authorised officer of the sender; and
- (c) sent to the address or fax number set out below marked for the attention of the person identified:

Attention: Company Secretary

Address: 697 Gardeners Road  
Alexandria NSW 2015  
Australia

Fax no.: +61 2 9582 0222

#### 7.2 Delivery

Communications must be:

- (a) left at the address set out or referred to in clause 7.1;
- (b) sent by prepaid ordinary post (airmail if appropriate) to the address set out or referred to in clause 7.1;
- (c) sent by fax to the fax number set out or referred to in clause 7.1; or
- (d) given in any other way permitted by law.

However, if the intended recipient has notified a changed address or fax number, then communications must be to that address or fax number.

#### 7.3 When effective

Communications take effect from the time they are received or taken to be received under clause 7.4 (whichever happens first) unless a later time is specified.



## ANNEXURE B – DEED POLL - CONTINUED

### 7.4 When taken to be received

Communications are taken to be received:

- (a) if sent by post, three days after posting (or seven days after posting if sent from one country to another); or
- (b) if sent by fax, at the time shown in the transmission report as the time that the whole fax was sent.

### 7.5 Receipt outside business hours

Despite clauses 7.3 and 7.4, if communications are received or taken to be received under clause 7.4 after 5.00pm in the place of receipt or on a non-Business Day, they are taken to be received at 9.00am in the place of receipt on the next Business Day and take effect from that time unless a later time is specified.

## 8 General

### 8.1 Governing law and jurisdiction

This deed poll is governed by the laws of New South Wales, Australia. Recall irrevocably submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

### 8.2 Waiver

A right or remedy arising under this deed poll may not be waived except in writing, signed by the party granting the waiver. A failure to exercise a right or remedy arising under this deed poll fully or at a given time does not result in a waiver of that right or remedy. A party may not rely on any conduct of another party as a defence to exercise of a right or remedy arising under this deed poll by that other party. This clause 8.2 may not be waived except in writing.

### 8.3 Variation

A provision of this deed poll may not be varied unless:

- (a) before the Second Court Date, the variation is agreed to in writing by Brambles and Recall; or
- (b) on or after the Second Court Date, the variation is agreed to in writing by Brambles and Recall and is approved by the Court,

in which event Recall will enter into a further deed poll in favour of the Scheme Participants giving effect to the amendment.

### 8.4 Cumulative rights

The rights, powers and remedies of Recall and the Scheme Participants under this deed poll are cumulative and do not exclude any other rights, powers or remedies given by law independently of this deed poll.

### 8.5 Assignment

- (a) The rights and obligations of Recall and the rights of each Scheme Participant under this deed poll are personal and must not be assigned or otherwise dealt with at law or in equity.

## ANNEXURE B – DEED POLL - CONTINUED

(b) Any purported dealing in contravention of clause 8.5(a) is invalid.

### 8.6 Further steps

Recall must at its own expense promptly do all things and execute all further documents necessary to give effect to this deed poll.

EXECUTED as a deed poll

SIGNED, SIGNED AND DELIVERED by	)	
RECALL HOLDINGS LIMITED in	)	
accordance with section 127(1) of the	)	
Corporations Act 2001 (Cth) by	)	
authority of its directors:	)	
	)	
.....	)	.....
Signature of director	)	Signature of director/company
	)	secretary*
	)	*delete whichever is not applicable
.....	)	.....
Name of director (block letters)	)	Name of director/company secretary*
	)	(block letters)
	)	*delete whichever is not applicable



## ANNEXURE C – NOTICE OF SCHEME MEETING

### NOTICE OF COURT ORDERED MEETING OF HOLDERS OF BRAMBLES SHARES

Brambles Limited (ABN 89 118 896 021)

By order of the Federal Court of Australia made on 23 October 2013 pursuant to section 411(1) of the *Corporations Act*, a meeting of holders of fully paid ordinary shares in Brambles Limited (“Brambles”) will be held at 9.00am (AEDT) at the Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales on Tuesday, 3 December 2013.

The Court has directed that Mr Graham Kraehe act as chairman of the meeting or failing him, Mr Stephen Johns and has directed the chairman to report the result of the meeting to the Court.

Information on the Scheme is set out in the Scheme Book of which this notice forms part. Terms used in this notice have the same meaning as set out in the Glossary to the Scheme Book, unless indicated otherwise.

#### **Business of the meeting**

The purpose of the meeting is to consider and, if thought fit, to agree (with or without modification) to a scheme of arrangement proposed to be made between Brambles and the holders of its fully paid ordinary shares.

#### **Scheme Resolution**

*“That pursuant to, and in accordance with, section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Brambles and the holders of its ordinary shares as contained in and more precisely described in the Scheme Book of which the notice convening this meeting forms part, is approved (with or without modification as approved by the Federal Court of Australia).”*

#### **Voting**

##### **How to vote**

You can vote in either of two ways:

- By attending the Scheme Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- By appointing a proxy to attend and vote at the Scheme Meeting on your behalf, either by using the Scheme Meeting Proxy Form accompanying the Scheme Book (of which this notice forms part) or electronically by visiting [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

##### **Voting in person, by attorney or by corporate representative**

You should arrive at the meeting venue by 8.00am if possible, so that your shareholding can be checked against the Brambles Share Register and your attendance noted. You must register your attendance on arrival.

If you wish to attend the Scheme Meeting by attorney, evidence of the appointment and non-revocation of such attorney must be received by the Brambles Share Registry by no later than 9.00am (AEDT) on Sunday, 1 December 2013. Attorneys should bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting.

A representative of a company attending the meeting should bring to the Scheme Meeting a letter or certificate evidencing their appointment, unless previously given to the Brambles Share Registry. A form of certificate may be obtained from the Brambles Share Registry at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) (see the “Investor Services”, “Forms” section - under the “General” heading) or from Link Market Services Limited, Level 12, 680 George Street, Sydney, New South Wales 2000.

## ANNEXURE C – NOTICE OF SCHEME MEETING - CONTINUED

### Voting by proxy

- Brambles Shareholders are entitled to appoint a proxy to attend the Scheme Meeting and vote on their behalf. If a shareholder is entitled to attend and cast two or more votes at the Scheme Meeting, the shareholder may appoint two proxies and may specify the proportion or the number of votes that the proxy may exercise. If no such proportion or number is specified, each proxy may exercise half of the shareholder's votes. Fractions of votes will be disregarded.
  - A proxy does not need to be a Brambles Shareholder.
  - If a proxy is not directed how to vote on the Scheme Resolution, the proxy may vote, or abstain from voting, as that person thinks fit.
  - If a proxy is instructed to abstain from voting on the Scheme Resolution, that person is directed not to vote on the shareholder's behalf on the Scheme Resolution and the shares the subject of the proxy appointment will not be counted in determining the required majority.
  - Brambles Shareholders who return their Scheme Meeting Proxy Form with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the chairman of the Scheme Meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the Scheme Meeting, the chairman of the Scheme Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the chairman of the Scheme Meeting, the company secretary or any other officer of Brambles will be used to support the Scheme Resolution.
  - Completed Scheme Proxy Forms should be sent to the Brambles Share Registry:
    - > By hand-delivery to Link Market Services Limited, Level 12, 680 George Street, Sydney, New South Wales 2000 or by using the enclosed reply paid pre-addressed envelope; or
    - > By fax to +61 (0) 2 9287 0309.
- To be effective, proxy forms must be received by no later than 9.00am (AEDT) on Sunday, 1 December 2013. Proxy forms received after this time will be invalid.
- The Scheme Meeting Proxy Form must be signed by the shareholder or the shareholder's attorney. Proxies given by corporations must be executed in accordance with the *Corporations Act*. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney or the power itself must be received by 9.00am (AEDT) on Sunday, 1 December 2013. If sent by fax, the power of attorney must be certified.

### Shareholders who are entitled to vote

The Court has determined that the time for determining eligibility to vote at the Scheme Meeting is 7.00pm (AEDT) on Sunday, 1 December 2013. Only those shareholders entered on the Brambles Share Register at that time will be entitled to attend and vote at the Scheme Meeting.

### Court approval

In accordance with section 411(4)(b) of the *Corporations Act*, the Scheme (with or without modification) must be approved by an order of the Court. If the resolution put to this meeting is passed by the required majorities (a majority in number of Brambles Shareholders present and voting, and at least 75% of the total number of votes cast on the resolution) and the other conditions precedent to the Scheme are satisfied (including the Capital Reduction Resolution being passed at the General Meeting), Brambles intends to apply to the Court on Friday, 6 December 2013 for approval of the Scheme.

### By order of the Board

Robert Gerrard

Group Company Secretary



# ANNEXURE D – NOTICE OF GENERAL MEETING AND EXPLANATORY NOTES

## NOTICE OF GENERAL MEETING OF BRAMBLES LIMITED

### BRAMBLES LIMITED (ABN 89 118 896 02)

Notice is given that a general meeting of Brambles Limited (“Brambles”) shareholders will be held at 9.30am (AEDT) (or as soon after that time as the Scheme Meeting of Brambles has concluded) at the Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales on Tuesday, 3 December 2013 for the purpose of transacting the following business.

Terms used in this notice have the same meaning as set out in the Glossary to the Scheme Book (of which this notice forms part), unless indicated otherwise.

#### **Business of the General Meeting**

The purpose of the meeting is to consider the following:

##### **Item 1: Capital Reduction Resolution**

To consider and, if thought fit, to approve the following as an ordinary resolution:

*“That, subject to and conditional on the scheme of arrangement set out in Annexure A of the Scheme Book of which the notice convening this meeting forms part (“Scheme”) becoming effective in accordance with section 411(10) of the Corporations Act 2001 (Cth) (“Corporations Act”) and for the purpose of section 256C(1) of the Corporations Act and for all other purposes, Brambles’ share capital be reduced on the Demerger Date (as defined in the Scheme) by the Capital Reduction Aggregate Amount (as defined in the Scheme), with the reduction to be effected and satisfied by applying the Capital Reduction Aggregate Amount equally against each Brambles ordinary share on issue on the Scheme Record Date (as defined in the Scheme) in accordance with the Scheme.”*

##### **Item 2: Executive Benefits Resolution**

To consider and, if thought fit, to approve the following as an ordinary resolution:

*“That, subject to and conditional on the scheme of arrangement set out in Annexure A of the Scheme Book becoming effective in accordance with section 411(10) of the Corporations Act 2001 (Cth) (“Corporations Act”), that approval be given for all purposes under the Corporations Act, for the giving of benefits to Mr Doug Pertz:*

- Pursuant to the terms of the employment agreement between Recall Corporation and Mr Doug Pertz dated 1 April 2013 on the terms and conditions set out in that agreement; and
- Under Recall Holdings Limited’s Performance Share Plan, short term incentive arrangements, superannuation or pension arrangements and general employment policies,  
by either Recall Holdings Limited or any of its related bodies corporate or their associates or any superannuation fund (as applicable) in connection with either:
  - The proposed transfer of the shares in Recall Holdings Limited to its shareholders, as contemplated under the scheme of arrangement; or
  - Mr Doug Pertz ceasing to hold a managerial or executive office in Recall Holdings Limited or any of its related bodies corporate,
  - As described in the explanatory notes accompanying and forming part of this notice.”

#### **Voting**

##### **How to vote**

You can vote in either of two ways:

- By attending the General Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- By appointing a proxy to attend and vote at the General Meeting on your behalf, either by using the General Meeting Proxy Form accompanying the Scheme Book (of which this notice forms part) or electronically by visiting [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

##### **Voting in person, by attorney or by corporate representative**

You should arrive at the meeting venue by 8.00am, if possible, so that your shareholding can be checked against the Brambles Share Register and your attendance noted.

## ANNEXURE D – NOTICE OF GENERAL MEETING AND EXPLANATORY NOTES - CONTINUED

If you wish to attend the General Meeting by attorney, evidence of the appointment and non-revocation of such attorney must be received by the Brambles Share Registry by no later than 9.30am (AEDT) on Sunday, 1 December 2013. Attorneys should bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the General Meeting.

A representative of a company attending the meeting should bring to the General Meeting a letter or certificate evidencing their appointment, unless previously given to the Brambles Share Registry. A form of certificate may be obtained from the Brambles Share Registry at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) (see the “Investor Services”, “Forms” section - under the “General” heading) or from Link Market Services Limited, Level 12, 680 George Street, Sydney, New South Wales 2000.

### ***Voting by proxy***

- Brambles Shareholders are entitled to appoint a proxy to attend the General Meeting and vote on their behalf. If a shareholder is entitled to attend and cast two or more votes at the General Meeting, the shareholder may appoint two proxies and may specify the proportion or the number of votes that the proxy may exercise. If no such proportion or number is specified, each proxy may exercise half of the shareholder’s votes. Fractions of votes will be disregarded.
  - A proxy does not need to be a Brambles Shareholder.
  - If a proxy is not directed how to vote on the resolutions, the proxy may vote, or abstain from voting, as that person thinks fit.
  - If a proxy is instructed to abstain from voting on the resolutions, that person is directed not to vote on the shareholder’s behalf on the resolutions and the shares the subject of the proxy appointment will not be counted in determining the required majority.
  - Brambles Shareholders who return their General Meeting Proxy Form with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the chairman of the General Meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the General Meeting, the chairman of the General Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the chairman of the General Meeting, the company secretary or any other officer of Brambles will be used to support the resolutions.
  - Completed General Meeting Proxy Forms should be sent to the Brambles Share Registry:
    - > By hand-delivery to Link Market Services Limited, Level 12, 680 George Street, Sydney, New South Wales 2000 or by using the enclosed reply paid pre-addressed envelope; or
    - > By fax to +61 (0) 2 9287 0309.
- To be effective, proxy forms must be received by no later than 9.30am (AEDT) on Sunday, 1 December 2013. Proxy forms received after this time will be invalid.
- The General Meeting Proxy Form must be signed by the shareholder or the shareholder’s attorney. Proxies given by corporations must be executed in accordance with the *Corporations Act*. Where the appointment of a proxy is signed by the appointer’s attorney, a certified copy of the power of attorney or the power itself must be received by 9.30am (AEDT) on Sunday, 1 December 2013. If sent by fax, the power of attorney must be certified.

### ***Shareholders who are entitled to vote***

Brambles has determined that the time for determining eligibility to vote at the General Meeting is 7.00pm (AEDT) on Sunday, 1 December 2013. Only those shareholders entered on the Brambles Share Register at that time will be entitled to attend and vote at the General Meeting.

### ***Voting exclusion statement***

A vote on Item 2 must not be cast by:

- Mr Doug Pertz or his associates; or
- A member of the key management personnel of Brambles (or any of their closely related parties), acting as proxy, where the appointment does not specify the way the proxy is to vote, unless the proxy is the chairman of the General Meeting and has been expressly authorised to vote on behalf of someone entitled to vote on Item 2, even though it is connected with the remuneration of key management personnel.

### **By order of the Board**

Robert Gerrard

Group Company Secretary



## ANNEXURE D – NOTICE OF GENERAL MEETING AND EXPLANATORY NOTES - CONTINUED

### EXPLANATORY NOTES

#### Item 1: Capital Reduction Resolution

The Capital Reduction Resolution is being put to Brambles Shareholders at the General Meeting to obtain approval under section 256C of the *Corporations Act*, and for all other purposes, of an equal capital reduction in Brambles' ordinary share capital under section 256B of the *Corporations Act*. The Capital Reduction is a return of capital on Brambles Shares which, under the Scheme, will be applied, together with the Demerger Dividend, as consideration for the transfer of Recall Shares to Eligible Shareholders (or in the case of Selling Shareholders, to the Sale Agent) in accordance with the Scheme.

Under the Scheme, the Capital Reduction Aggregate Amount will be calculated as follows:

$$\text{Capital Reduction Aggregate Amount} = (B / (B+C)) \times D$$

where:

- B = the market value of Recall, calculated as the VWAP of Recall Shares for the first five Business Days starting from the date of the commencement of trading (including on a deferred settlement basis) of Recall Shares on ASX multiplied by the number of Recall Shares on issue immediately following the Recall Share Reorganisation;
- C = the market value of Brambles, calculated as the VWAP of Brambles Shares (trading on an ex-entitlement basis) for the first five Business Days immediately following the Effective Date multiplied by the number of Brambles Shares on issue on the Scheme Record Date; and
- D = the balance in the Brambles share capital account immediately prior to the Demerger Date.

The Capital Reduction Resolution is being proposed in connection with the Scheme and is conditional on Brambles Shareholders approving the Scheme. This means that the Capital Reduction will not occur unless the Scheme Resolution and the Capital Reduction Resolution are approved by Brambles Shareholders and the Scheme becomes Effective.

The effects on Brambles and Brambles Shareholders if the Capital Reduction Resolution is passed, together with all other factors that are material to the making of a decision by Brambles Shareholders whether to approve the Capital Reduction Resolution are set out in the Scheme Book, of which this notice forms part, including these Explanatory Notes.

If the Capital Reduction Resolution is passed by the required majority (more than 50% of the total number of votes cast on the resolution), it will take effect on the Demerger Date provided the Scheme is approved by the required majorities of Brambles Shareholders and by the Court and all other conditions to the Scheme are satisfied (or waived).

The Brambles Directors are of the view that, taking into account all relevant matters, the Capital Reduction is fair and reasonable to Brambles Shareholders as a whole and will not materially prejudice the ability of Brambles to pay its creditors. The Independent Expert has also concluded that the Capital Reduction will not materially prejudice Brambles' ability to pay its creditors.

Each Brambles Director recommends that you vote in favour of the Capital Reduction Resolution and intends to vote all Brambles Shares controlled by them in favour of that resolution.

#### Item 2: Executive Benefits Resolution

##### A. Approval of benefits on transfer of undertaking

Under section 200C of the *Corporations Act*, no person may pay a benefit to a person who is or was a director of Brambles or any of its related bodies corporate (which includes Recall Holdings) in connection with the transfer of any part of the undertaking or property of Brambles unless the giving of the benefit is approved by the shareholders of Brambles.

Brambles is seeking shareholder approval for the benefits that may be payable to Mr Pertz by the Recall Group in connection with the Demerger, which is a transfer by Brambles of Recall Holdings to Brambles Shareholders.

The benefits that may be payable to Mr Pertz in connection with the Demerger, how those benefits will be payable, and the matters, events and circumstances that may affect the calculation of the value of those benefits are set out in section D below.

## ANNEXURE D – NOTICE OF GENERAL MEETING AND EXPLANATORY NOTES - CONTINUED

### B. Approval of termination benefits

Under section 200B of the *Corporations Act*, Recall Holdings and its related bodies corporate (i.e. Recall Group) and any of associate of Recall Group or any prescribed superannuation fund in relation to Recall Group is prohibited from paying certain benefits to Recall Group directors, including the Managing Director and Chief Executive Officer, Mr Doug Pertz, in connection with their ceasing to hold a managerial or executive office with the Recall Group unless an exemption applies or the benefit is approved by the shareholders of Brambles, as Recall Holdings' current holding company.

Brambles is seeking shareholder approval for the benefits that may be payable to Mr Pertz when he ceases to be employed by Recall.

The benefits that may be payable to Mr Pertz when he ceases to be employed by Recall, how those benefits will be payable, and the matters, events and circumstances that may affect the calculation of the value of those benefits are set out in section C below.

### C. Benefits on transfer of undertaking which may be payable to Mr Doug Pertz

Under the terms of the employment agreement Mr Pertz entered into with Recall Corporation ("Employment Agreement"), Mr Pertz is entitled to receive a grant of rights under the Recall Performance Share Plan in connection with the Demerger which may constitute a transfer of part of the current undertaking of Brambles for the purposes of section 200C of the *Corporations Act*. The relevant rights are those described in the bullet point headed "Initial grant under the Recall Performance Share Plan" in Section C of these Explanatory Notes and in Section 2.11.3 of the Scheme Book.

The value of the rights on the date they are granted will be \$6,000,000. However, the value of shares to be delivered to Mr Pertz following the vesting of the rights and release of the shares cannot be ascertained at this time. The key matters, events and circumstances which will, or are likely to, affect the calculation of that value are:

- The number of rights that vest which will depend on the extent to which the applicable performance conditions are satisfied;
- the market price of the Recall Shares to be delivered to Mr Pertz in respect of the rights at the time they are released to him; and
- The value of any dividends that were paid on those shares while they were held on Mr Pertz's behalf subject to restrictions under the Recall Performance Share Plan.

### D. Termination benefits which may be payable to Mr Doug Pertz

Under the terms of his Employment Agreement, Mr Pertz is entitled to certain benefits including benefits that may be payable in connection with his ceasing to be employed by Recall. The Employment Agreement was negotiated and entered into before Mr Pertz became an employee or director of, and before he had any influence over, Recall or Brambles. The Employment Agreement is summarised in Section 2.11.3 of the Scheme Book.

In addition, Mr Pertz may become entitled to benefits in connection with his ceasing employment with Recall Group, under the Recall Performance Share Plan, short term incentive arrangements, superannuation arrangements (including 401k arrangements for employees based in the United States of America such as Mr Pertz) and general employment policies.

The benefits which Mr Pertz may potentially receive in connection with his ceasing to be employed by Recall and, where the value of the benefits cannot be ascertained at this time, the manner in which the benefit is to be calculated and the matters, events and circumstances that will or are likely to affect the calculation of the value of the benefits are as follows:

- **Initial grant under the Recall Performance Share Plan** - Early vesting and release from restrictions of the \$6,000,000 of rights to be granted to Mr Pertz under the Recall Performance Share Plan ("Recall Plan") if Mr Pertz resigns with "Good Reason" (as defined in Section 2.11.3 of the Scheme Book) or is terminated by Recall without "Good Cause" (as defined in Section 2.11.3 of the Scheme Book) and as further described in Section 2.11.3 of the Scheme Book.

The value of the early vesting and release from restrictions of these rights to Mr Pertz cannot be ascertained at this time but the key matters, events and circumstances which will, or are likely to, affect the calculation of that value are:

- > The number of Mr Pertz's rights which have lapsed due to the applicable performance conditions not being met prior to the cessation of his employment;
- > The financial performance of Recall and the market price of Recall Shares at the time of release; and

## ANNEXURE D – NOTICE OF GENERAL MEETING AND EXPLANATORY NOTES - CONTINUED

- > The value of any dividends that were paid on those shares while they were held on Mr Pertz's behalf subject to restrictions. This will in part depend on the number of Mr Pertz's rights that have vested prior to Mr Pertz's cessation of employment (which will depend on the date of Mr Pertz's cessation of employment and the extent to which the relevant performance conditions were satisfied prior to that time).
- **Short term cash bonus** - As described in Section 2.11.3 of the Scheme Book, if Mr Pertz dies, resigns with Good Reason or is terminated by Recall without Good Cause prior to 1 January 2014, subject to the satisfaction of the objectives described in Section 2.11.3 of the Scheme Book, he will be entitled to receive a pro-rata portion of his \$1,000,000 one-off cash bonus equal to the portion of the period from 1 April 2013 to 31 December 2013 that he was employed by either Recall or Brambles. The value of this payment cannot be ascertained at this time but it will depend on the portion of the period from 1 April 2013 to 31 December 2013 that Mr Pertz was employed by either Recall or Brambles and the level of satisfaction of the objectives described in Section 2.11.3 of the Scheme Book.
- **Payment in lieu of notice** - As described in Section 2.11.3 of the Scheme Book, if Mr Pertz resigns with Good Reason or is terminated by Recall without Good Cause, he will be entitled to a payment equal to 12 months' of his base salary in lieu of notice. The value of this payment cannot be ascertained at this time but the key matters, events or circumstances which will, or is likely to, affect the calculation of that value are the amount of his base salary at the time of the cessation of his employment and the circumstances of his cessation of employment.
- **Redundancy** - If Mr Pertz's employment with the Recall Group is terminated for reason of redundancy, then in addition to the amounts due to him where his employment is otherwise terminated by Recall without Good Cause, he will be entitled to receive any amount required to be paid to redundant employees under law. The value of this payment cannot be ascertained at this time but it will depend on the law at the time of Mr Pertz's termination.
- **Superannuation/pension** - Under his Employment Agreement, Mr Pertz is entitled to participate in Brambles USA 401(k) Plan for Recall Employees and the Brambles USA, Inc. Supplemental Executive Retirement Plan. Following the Demerger, it is anticipated that the Recall Group will adopt similar plans, which Mr Pertz will be entitled to participate in. Mr Pertz will be entitled to contribute to these plans as provided by applicable US laws and regulations. There is potential for the payment of benefits out of these plans to Mr Pertz to be regarded as a termination benefit for the purposes of 200B of the *Corporations Act*. The value of these payments cannot be ascertained at this time but the key matters, events or circumstances which will, or are likely to, affect the value of superannuation benefits include:
  - > The level of contributions to these plans determined by Mr Pertz or required by law; and
  - > The earnings and capital growth or loss, less taxes and fees, on the contributions.

Each Brambles Director recommends that you vote in favour of the resolution in Item 2 and intends to vote all Brambles Shares controlled by them in favour of that resolution.

# COMPANY DIRECTORY

## **Brambles Limited**

Level 40, Gateway Building  
1 Macquarie Place  
Sydney NSW 2000  
Australia

## **Brambles Share Registry**

Link Market Services Limited  
Level 12  
680 George Street  
Sydney NSW 2000

## **Brambles Shareholder Information Line**

+61 1800 209 118  
On Business Days between 8.30am and 5.30pm  
(AEDT)

## **Australian Legal Adviser**

King & Wood Mallesons  
Level 61, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

## **Financial Advisers to Brambles**

Merrill Lynch International (Australia) Limited  
Level 38, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

## **UBS AG, Australia Branch**

Level 16, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

## **Financial Adviser to Recall**

Barclays Bank PLC  
Level 42, Grosvenor Place  
225 George Street  
Sydney NSW 2000

## **Independent Expert**

KPMG Financial Advisory Services (Australia) Pty Ltd  
10 Shelley Street  
Sydney NSW 2000

## **Investigating Accountant**

PricewaterhouseCoopers Securities Ltd  
201 Sussex Street  
Sydney NSW 2000

## **Taxation Advisers**

Allens  
Level 28, Deutsche Bank Place  
Corner Hunter & Phillip Streets  
Sydney NSW 2000

## **Deloitte Tax Services Pty Ltd**

Level 9, Grosvenor Place  
225 George Street  
Sydney NSW 2000

# CONTACT INFORMATION

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## REGISTERED OFFICE

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

Level 40, Gateway Building  
1 Macquarie Place  
Sydney NSW 2000  
Australia  
ACN 118 896 021

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

## Investor & Analyst Queries

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

## SHARE REGISTRY

Online access to shareholding information is available to investors through the Link Market Services website.

Link Market Services Limited  
Level 12, 680 George Street, Sydney NSW 2000, Australia  
Locked Bag A14, Sydney South NSW 1235, Australia

Telephone: 1300 883 073  
Facsimile: +61 (0) 2 9287 0303  
Email: registrars@linkmarketservices.com.au  
Website: www.linkmarketservices.com.au

## SHARE RIGHTS REGISTRY

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

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

### Boardroom Pty Limited

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

Telephone: 1800 180 833 (within Australia)  
+61 (0) 2 9290 9600 (from outside Australia)  
Facsimile: 1300 653 459 (within Australia)  
+61 (0) 2 9279 0664 (from outside Australia)  
Email: bramblesesp@boardroomlimited.com.au  
Website: www.boardroomlimited.com.au

