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Mike Ihlein: Well good morning and welcome everybody to Brambles interim results announcement.

Firstly let me just do some introductions before I do the rest of my presentation. Just over here, both on my right, of course, Liz Doherty, our Brambles CFO who you've all met before and Michael Roberts on Liz's right, our head of investor relations who joined us last year.

You would have all obviously seen the announcement this morning of the interim results and probably also a little surprised as to why we are here a few days early. Just to put that in a little bit of context, since we addressed the shareholders at the AGM in November, in the second quarter of the year, so the quarter ended December there, there has certainly been a sharp deterioration in trading conditions globally that has had some impact on Brambles' businesses.

In response to those changes in trading conditions, we've been looking at a number of initiatives which we'll announce today and I'll obviously go through those in more detail, which are very significant, they're major and they help underpin our future performance, but they do have an impact on our first half reported earnings. It's a consequence we made the decision it was very important having resolved to move ahead with those initiatives to be able to update the market as soon as we possibly could, hence doing this a few days early. All the finance planning that - Gateway were delighted that we were doing it a few days earlier with all the work it involved.

But certainly it is a very uncertain global environment that we find ourselves in today. Now none of us relish the environment that we're in and it's certainly different from what we expected literally only three months ago and I'll talk a little more about that shortly. As a consequence, I certainly appreciate attendance at very short notice and no doubt there are also a lot of people listening on the webcast today and we'll take all your Q&A both from the floor and from the webcast at the end of the presentation.

Looking firstly at first quarter performance and first half performance in revenue growth, we've actually got good revenue growth despite the challenging conditions that we've seen. Underlying profit is in line with prior year and significant items which I'll talk a lot more about through the course of the presentation did impact our statutory profit, but it's in relation to the actions that we're taking and they're very significant and major reviews of our businesses, to really underpin our future performance.

I think what is encouraging, in these challenging environments to be able to deliver 4% revenue growth is a good result. I think what is particularly encouraging is that we are winning across all our businesses in both CHEP and Recall new business and I'll talk a little more about that, because I think that is a very important indicator for the longer term health of the business.

We are continuing where necessary to invest in new markets. China and India continue to be an important priority for us. Poland is an important priority, but we're also winning new business in a number of other more key, established markets, like the USA where we have one business in beverages and in food service.

So as a consequence, our pipeline is strong and that's what's going to position us well for recovery when our key customers and our key markets recover from recession and return to growth. We're continuing to generate cash flow and that will be a major emphasis in what are now clearly very tight credit markets and both Liz and I will talk a little more about that because I think we are well placed to deal with those conditions.

Our balance sheet is strong and Liz will talk more about this, but the treasury team at Gateway has done a lot of great work in recent months in undertaking major refinancings for our debt and we are now very well placed in terms of the prudency of our credit facilities in our balance sheet. I think that is very good news and a big credit to the treasury team at Brambles.

The directors have also announced today an interim dividend of 17.5AU cents. That's an increase of 3% on the equivalent period last year and the dividend is the same level as we had for the final dividend in 2008 and goes some way, I think, to indicate our confidence in the long term future.

The directors have also announced today, and this was flagged at the annual general meeting of shareholders, that we will have a dividend reinvestment plan effective for this interim dividend and that's also in today's release.

Just turning now to a few highlights in terms of overview of the first half performance. Sales, as I said, were up 4% in constant currency to nearly $2.1 billion and the encouraging thing is that that is growth in all regions, of CHEP and Recall, notwithstanding the challenging conditions.

Underlying profit at $469 million is in line with last year. Earnings per share, however, was down 6% but that's really reflecting the movements in the Aussie dollar versus the US dollar which, as you all know, has been very volatile in recent months. In constant currency terms actually our EPS was in line with last year.

Our operating cash flow of $221 million is after taking into account $55 million of cash costs associated with the significant items in the half and I'll have to say there'll be a continuing strong focus on how do we further improve our cash generation over the coming months and years in these more challenging credit markets.

Total significant items in the half are just under $132 million and that's a significant number and so the title I guess, but most importantly, those charges relate to three very significant and major initiatives that we're announcing today that will help underpin the future performance of Bramble's businesses. I'll talk about each one of those in some more detail and obviously happy to take questions at the end.

Most importantly, even though we're looking at what do we need to do for the right cost structure in our business, we're also very cognisant of what do we need to do about looking after and meeting our customer's requirements. It's a very changed world out there and that's impacting our customers as much as it is any other company and we're looking at ways that we can better serve those customers to deliver better value to them for the longer term. I'll talk a little more about that in a minute.

As a consequence of the significant items charges, our statutory profits are $337 million, that is down 30% but it's really in relation to the investments in these major initiatives that we've announced today.

I think the message on this slide, new business delivering revenue growth, really says it all. We have seen growth in all regions and Liz will go through this in more detail, but we are winning business in all markets. There's no exception to that in our business today. That is going to be very important for the long term success of the company because these more difficult times won't stay here forever and when key customers and key markets return to growth following - some countries are already in recession, but when they come out of recession, provided we continue to win new business, we will be very well placed for the long term.

At the moment though, core sales are being affected and we flagged this potential at the AGM in November and our core sales in certainly our 2Q markets of the USA and Europe are down in the range of 3% to 4%. Now that's because of the economy. You've seen all the statistics around how poor consumer sentiment is. They are at historically low levels in many, many countries. So it's not surprising I think the consumers are certainly tightening their belts. That's impacting our customers and of course they're taking less pallet orders as a consequence of that.

So what are we doing about that? Firstly it's encouraging that price and better mix in our businesses, particularly in the USA and Europe are really offsetting that 3% to 4% decline in core volume, core sales revenue. Therefore the 4% revenue growth that you see us delivering in the first half is really predominantly driven by new business and that's the key message that I think you need to take away for the longer term future for the business. Core volume down, offset by pricing mix, but what is most important is that we're still winning new business.

As I said, we are continuing to target key sectors. They're no different from what I outlined over the last 12 to 18 months for the market. It's food service in the USA, it's beverages in the USA, it's Poland, it's Germany, it's China and it's India. Now we're certainly being prudent about where we spend our money and how fast we spend our money, but the focus on investing in those opportunities will continue.

Just make a comment about the automotive sector. I have to say, I'm glad I'm not a car manufacturer, but clearly the auto sector globally is very weak. For Brambles, for our CHEP business, automotive represents about 4% of our total revenue globally, so it's a relatively small number. There's good margin business, I'd have to say, but it does have some impact on our results in Europe, Australia and South Africa. Nothing in the United States, of course, but again I think we have such a good position in that sector that eventually the automotive sector will recover and I think we're well placed to benefit from that recovery as and when it does in the longer term.

In the last 12 months I've spent a lot of time talking about Walmart and the transitional arrangements with Walmart logistics and I'm not saying much about Walmart today. Simple reason for that is that Walmart is on track and the implementation is proceeding according to plan and the estimated transition costs in the 2009 financial year are as we indicated to the market previously. I'll obviously have to take questions in Walmart later, but you won't hear much further from me on that.

We are in challenging times. All companies are and I think all companies, including Brambles, need to be on the front foot and taking action to respond to these difficult times. In the last several months we have already had a major focus on discretionary costs and on capital expenditure. You see that reflected in some aspects of our results today where in some parts of our business our overheads are coming down, our capital expenditure in this period is lower than it was last year, we have more work to do on capex efficiency, but that focus is continuing.

The economic slowdown that we have experienced we expect will remain for some time. I don't think anybody really knows how long and I think the other feature of the slowdown is volatility, whether it's in consumer sentiment, to retail sales, credit markets, currencies, volatility appears to be the order of the day and I think volatility will also continue for some time. Therefore we need to be flexible and we need to be responsive to be able to deal with continuing challenges.

So we've announced today three major initiatives to respond to the slowdown and I'll talk about each of them in more detail in a minute.

Firstly we've announced today the accelerated scrapping of seven million excess pallets in our USA business. We have a total pallet pool in the USA of about 80 million pellets. So this is a significant initiative to deal with the slowing in that environment and I will come back to that and talk more about it in a minute.

Secondly, we are increasing our investment in our two year pallet quality program in the USA, and I will come back and talk more about that. That's a major focus around continue to meet customer requirements over the next six to 12 months.

Lastly, we are rationalising doing a review of facilities and operations around the world that we expect over the next 12 months approximately 750 personnel will leave the business. Not an easy decision, but I'll come back and talk more about that as well.

All of these initiatives are designed to improve our future cost structure and to ensure that in a different environment we're more flexible. But the quality investment is about making sure that we can still meet our customer's requirements. Overall, these initiatives, and the continuing new business focus will be what will underpin our future performance.

Turning firstly in more detail now to our pallets in the US; as I said the economic downturn we expect will remain for some time and that impacts our customers. If they're selling less, they have lower requirements for number of pallets. There's also de-stocking and efficiency going on in both manufacturers and retailers in the US causing more pellets to come back into the CHEP service centre network and the market has never seen this sort of environment before. What does that do for us; more pallets in our network translate into higher storage and higher relocation costs and more inefficiency.

We've looked at our current business and assessed that we believe we have approximately seven million pallets that are excess to our requirements today. So we've announced today a program to scrap those pallets on an accelerated basis. It will still take us two years to do this program at a cost of $99 million which is what you see reflected in our significant items in the first half results. The non cash component of that 99 million of $37 million so effectively that's the impairment of the asset itself. What we will be doing however is recovering from those pallets the good quality lumber because we can use that in our future repair operations in the US over the coming years.

I think not only does this provide an opportunity for us to free up the congestion in our network and keep a control on our future costs, I think we also have an added opportunity to look at whether or not the extent to which, as we take more pallets out of the pool in this lower volume environment, the opportunity to provide some improvement in the overall quality of the pallet pool in the United States.

But it's not just a focus on, what do we do with the pallets, we are on an aggressive campaign to look at new sales channels in the United States, to get more of our pallets back out into the marketplace. As we indicated in our release today, we have significant levels of imports coming into the United States mainly from Europe, Mexico and Central America and we’re going to manage those imports very tightly over the course of the next one to two years. To ensure that as pallets come into the US we minimise them, if indeed by bringing them in would result in higher costs. That will help us manage our capex requirements as well because if you manage your imports down there's fewer new pallets you need to buy.

New sales initiative, managing of imports, engaging with customers where we need to to move them off new pallet commitments and the scrapping program all will combine to avoid significantly higher costs that otherwise would arise in storage and relocation costs over the next two years in our slower growth environment.

Turning now to quality, and there’s been a lot talked about quality, a lot from me obviously and a lot of discussion with the market as well. We first announced our USA pallet quality program in February 2008 at a cost – an estimated cost then of a little over $100 million. We've actually had very positive customer response to that program so far. But as you know and we've flagged this before, we’re actually spending more operating expense rather than capital expenditures. The simple reason for that, we’re getting a much better customer experience and a more immediate benefit for customers by doing that through opex than capex.

Given that the response that we've had so far from customers, we've announced today that we’re actually going to increase the investment in that two year program by a further $60 million. Now it's still a two year program. So in December 2009 that program will come to an end. But the total program now will be a total cost of $160 million rather than the initial $100 million really because it better meets our customer's requirements and is helping us with our volumes in the US.

I won't go through all the details on the slides. You can see we provide you with the splits between each first half, between now and December 2009 and also our estimated splits between opex and capex and happy to take questions on those.

We have invested in the quality program in the first half results, a total of $38 million - 34 million of which is in operating expense and appears in our results as one of our significant items and you can see that in the reconciliations for the ASX release. And consequently we estimate we'll spend about $62 million in the second half of 2009. So for the '09 year that's a total spend of $100 million including probably 28 million or so of capex.

In parallel with this quality program, through until December 2009, we are about to undertake a major review of our US business to see how we can better service our customer requirements in what clearly is a more challenging environment for them. It is for us, but we're here to serve the customers. So we are going to undertake a major review that looks at a whole raft of aspects of our business. What are the optimal range of service offerings in the US business, what are the right pallet platforms that we have in that business. We're going to reassess our network configuration as to how best we service our customers in that market. Of course we'll look for quality through all that but we have already invested significant amounts in the quality program and have made major progress already in improving the quality of the pool.

And of course in these environments we'll be looking at what are the most appropriate cost and pricing structures for the service offering providing to customers for the medium to long term and you'll hear more about that review once it's completed.

Let me talk now to the third initiative. For the long term health of our business it's very important that we maintain the appropriate cost structures and I guess a lot of companies are focused on this and a lot of companies are doing things and I don't think we're any different in that space.

We actually started on restructuring initiatives in the first half and in our results today there's a cost in significant items of approximately $8 million for first half restructuring. That number will become more significant because over the next 12 months we are undertaking a significant review of facilities and operations around the world that we expect will result in a reduction in personnel of approximately 750 over that next 12 month period.

That doesn't come cheap. It is expected that this will cost us approximately $60 to 70 million over the next few years, FY09 and FY10. But with a significant ongoing benefit once it's fully implemented and we estimate that annualised benefit of approximately $40 to 50 million and that will mainly come FY10 and beyond once it's fully in place.

Decisions around people are never easy I have to say and now we can talk about pallet programs and quality initiatives and so on, and they're tough business decisions but when you're talking about people it is much more difficult. And I can assure shareholders, employees and of course our customers, because our employees are there to service our customers, that any employees that are impacted by this will certainly be treated with dignity and respect as we go through this more challenging time over the next 12 months. It is however, the right decision for the business for the long term. This will help underpin our future cost structures and ensure that we are efficient but still able to support our business for the longer term.

So where does that leave us; certainly tough economic times is the order of the day. Everybody's got all sorts of different descriptions for how you describe the environment that the world finds itself in and there's certainly been a rapid recent deterioration in trading positions that's impacted many, many companies and Brambles was not immune from that. Most importantly we're still delivering growth around new business, and I talk a lot about that and the focus on new business will continue.

We've announced today three major initiatives, we're doing a lot of other things as well, but three major ones that will help underpin our future performance. And if I leave you with one final message before I pass over to Liz is, our balance sheet is in great shape. We're generating cash and the focus on cash generation will become even stronger.

Credit markets are quite tight as you all know. We are in a really good place I think in terms of the progress we have made. Great success in refinancing so far and Liz will talk more about that but we really are well positioned for the future.

With that, let me hand over to Liz to take you through the detail of the results and then I will come back with some wrap up comments at the end and take the Q&A.

Liz Doherty: Thank you Mike and good morning everyone. I believe the presentations have just been handed out to you now so apologies for the delay. Just before I announce our half year 09 results, I'd like to take a moment to explain the basis on which we will do this.

As you will have seen in the ASX released this morning, we have introduced a new non-gap measure called underlying profit and this is the basis on which the results will be presented. We have done this because we believe it provides a better understanding of our business performance as it excludes the impacts of significant items outside the ordinary course of business and also items within the ordinary course of business which are unusual due to their size and/or nature.

For clarity, we have included a detailed reconciliation between underlying profits and statutory profit for half one 09 in the body of the ASX release and reconciliation for FY06 to FY08 in the addendum. I should just point out at this stage that there are no changes to sales or cash flow in the way they are reported compared with previous years.

Turning now to the interim results – throughout the presentation, I shall be talking about results in constant currency which is how we have reported in previous years. However, you will see that the stronger US dollar has had a significant translation impact on reporting figures at actual exchange rates.

As Mike has already mentioned, our businesses CHEP and Recall have both delivered good sales growth in tough economic conditions. Sales rose 4% in constant currency, primarily driven by new business wins.

In constant currency terms, underlying profit was in line with the first half 08 with the benefit from increased sales offset by higher transport costs and investment in expanding into new markets and technology.

Profit before tax was also in line with last year. A fall in base rates more than offset the impact of the slight rise in debt compared to the first half 08 and resulted in a slight reduction in finance costs. The first half 08 tax charge included the benefit of a deferred tax adjustment which arose as a result of lower statutory corporate tax rates in Europe. This was not repeated in the first half of 09 and is the main reason therefore for the increase in tax compared to first half 08.

Earnings per share in US dollars have fallen slightly but are stable in constant currency. The weighted average number of shares used to derive the EPS calculation has fallen by $33 million to 1384 million shares following the share buy-back in the last financial year.

Cash flow from operations at actual exchange rates remains solid. The reduction of $45 million versus the prior comparable period primarily relates to significant items within the ordinary course of business in first half 09, that is Walmart and the USA pallet quality program which were not in the first half of 08.

Total sales for the period were $2.1 billion, an increase of 4% in constant currency over the first half of 08. As Mike said, all parts of the group have contributed to this growth which was a good result given sharply slowing economic conditions virtually everywhere and particularly as this growth was driven primarily by net new business.

CHEP Americas has increased sales by 4% with volume up 1%. The USA contributed 2% to revenue growth with net new business wins and favourable price mix offsetting a 4% decline in core volume. A good performance in Canada and double digit growth in Latin America contributed another 2%.

There was a similar picture in CHEP EMEA although Europe was also impacted by a severe decline in the automotive industry. Sales in EMEA were up 3% primarily due to net new business wins in Europe with a favourable price mix of setting core volume decline and strong growth in Middle East and Africa, particularly South Africa.

Volumes were in line with the first half 08. Excluding automotive sales in the EMEA, sales would have increased by 4%. CHEP Asia Pacific grew 1% primarily due to China whilst pallet revenue grew by 4% in Australia. This was also offset by a sharp decline in the automotive business due to difficult market conditions in that sector.

New Zealand and South East Asia continued to perform well. All regions contributed to Recall's growth of 4%. This was primarily due to volume increases in document management services which more than offset the sharp decline in secured destruction services.

Now looking at underlying profit by business groups, as I said earlier, underlying profit for the period was in line with the previous comparable period. Lower profits in CHEP EMEA and CHEP Asia Pacific were offset by growth in Recall and CHEP

Americas before significant items as well as some cost savings in Brambles HQ.

I will be covering each business group individually but given the relatively large drop in CHEP Asia Pacific's results, it is worth pointing out here that this is largely due to continued investment in China and specifically India; the cost of $10 million in the period and increase of $5 million over H1 08, a decline in Australia Automotive, one off implementation costs associated with the development of new service centres in Australia and some costs related to the regional management structure. Recall achieved a solid growth in profit with benefits from initiatives taken in North America starting to come through.

Turning to CHEP Americas, volume and price mix primarily coming from net new business in the US and good performances in both Canada and Latin America contributed $27 million to the increase in underlying profit. Transport costs increased marginally by $2 million due to fuel costs in Canada and Latin America.

In the US, fuel increases were largely offset by the fuel surcharge. The US underlying transportation ratio fell 1% to 20% as a result of network optimisation. Including significant items, the transport ratio was slightly higher at 21.5%.

Plant costs increased by $12 million because of higher costs of raw materials including nails, paint and lumber as well as an increase in pallet returns because of the slower economy. As a consequence, the US underlying plank cost ratio rose 1% to 26% of sales.

Including the impact of quality excess pallet stocks in Walmart, the plank cost ratio was 35%. Other costs were held at roughly the same levels as the previous period. A satisfactory result also included overheads from LeanLogistics which was acquired in the second half of 08.

Overall, CHEP EMEA was slightly down on half one 08 which, given the challenging trading environment especially in the automotive sector, was a reasonable result. The net benefit in volume and price mix for new business in Europe and strong growth in EMEA was $23 million. However, this somewhat understates pallet performance as it has netted the decline the automotive.

Transport costs increased by $12 million mainly due to the relocation of 1210 pallets from the UK to Continental Europe as the slowdown in the UK economy created trade imbalances. As a consequence, the transportation cost ratio for Europe increased by just over 1% to 24%. Plant costs increased in absolute terms by $9 million, primarily because of higher pallet returns to the CHEP network in Europe.

In general terms, efficiencies offset higher material and labour costs so the plant cost ratio remains stable at 25% of sales. Other costs increased due to IPEP which relates to the timing of audit completion rather than any increase in risk, the SAP investment in Africa and a new sales structure in Europe to support growth.

Underlying profit in CHEP Asia Pacific declined by $12 million. The volume price mix was flat compared with the first half 08 with a benefit from increased pallet revenues in Australia and growth in China being offset by a decline in the automotive business in Australia. Transport costs increased by $2 million because of fuel prices.

The [unclear] movement in plant costs is largely due to non-recurring implementing costs associated with the development of new service centres in Australia.

The increase in other costs relates mainly to India and continued investment in China. As I said earlier, total operating losses for these two countries were $10 million in the period and an increase of approximately $5 million on first half 08.

Now looking at Recall's performance, overall sales revenue grew by 4% mainly due to a good performance in document management services but carton volumes increased by 10% on first half 08 offset by a reduction in secure destruction services.

The Americas grew revenue by 1% with DMS growth of 8% offset by a decline in secure destruction services of 7%. Business with Bank of America continues to expand.

The downturn in SDS was due to a combination of increasing pressure on paper prices as well as lower activity, particularly in the financial services sector.

Recall Europe includes sales from GADSA which was acquired in April 2008. This was previously held as a joint venture and hence its sales were not included in Brambles' sales revenue. Excluding the impact of GADSA, sales revenue growth was 3%. The rest of the world grew by 4%.

In respect of underlying profit there was growth in all regions. North America, in particular, has progressed well on its initiatives and this showed through as improvement in their profit margin. Overall, underlying profits of Recall grew by 3%. The world has sent decline in margin, but mainly due to IT investments and marketing expenditure to support future growth.

As Mike has already mentioned, there have been an number of significant items in the period. A foreign exchange gain of $29.9 million both pre and post tax arising on the repatriation of capital from a European subsidiary to Australia. This has no cash impact. There was restructuring of $106.9 million related to the accelerated scrapping of seven million, $99 million, and some limited business restructuring of $7.9 million. The non-cash element of this $106.9 was $37.4 million. We then had the net impact of the Walmart transition, $20.2 million and the CHEP USA pallet quality programme, $34.5 million.

Statutory profit, that is, including the impact of these items, was $337.6 million, compared with $490.7 million in the prior year. Cash flow from continuing operations was $44.9 million, down on first half '08, primarily due to significant items within order and re-activities, that is, the pallet quality programme in the US and Walmart. A reduction in cash capex together with an improvement in the working capital movement, more than offset the impact of lower underlying profit and reduced proceeds of sales from disposals.

Cash capex has reduced partly due to exchange rate of $24 million and partly due to lower spend as we adjust the business for slower economic times. The majority of the savings is in CHEP at the EMEA. The movement in working capital management, although still negative, is nevertheless a slight improvement over first half '08. Overall, better days have reduced from 50 to 48 driven by a good performance in CHEP EMEA. Creditor days have also reduced from 69 to 64 as we look to find an appropriate balance between our own requirements and that of our suppliers.

Significant items outside of ordinary activities, specifically restructuring costs, give rise to an additional outflow of $5.5 million in the period. By contrast, the foreign exchange game on the capital repatriation as I said before is a non-cash benefit and therefore has no impact. The reduction in operating cash flow has been partially mitigated by lower tax costs resulting in a pre-cash flow before dividends of $72.6 million, $30 million below the same period last year.

Moving on to capital expenditure in a bit more detail, now this slide is similar to the one that was shown in the understanding CHEP session held on 28 January, so may look familiar for some of you and shows the breakdown by category. Adjusting for accrual, total book capex was $377 million, $56 million lower than the comparable figure for the first half '08. As you saw in the previous slide, cash capex was actually $52 million lower.

Recall expenditure, which included the investment in a new mega-information centre in London, land and plant and equipment and other pooling equipment which included investment in RPC for a large contract in Australia, were all at similar levels to the previous year. The remaining $274 million was spent on pallets and this was $48 million less than the first half '08 and was the main contributor to the overall lower first half ’09 expenditure. The pallet pool was 258 million pallets at the end of the period.

Further details of book capex by region are included for the first time in the background information pack released with this morning’s ASX statement.

Now looking at capex by region, as I’ve just said, overall book capex fell by $56 million compared to the first half ’08. Approximately $24 million of this was because of forex with the remainder due to lower pallet expenditure in the light of economic conditions. The majority of the capex reduction was due to CHEP EMEA which was 30% or $72 million lower than the first half ’08. Europe’s control ratio increased to 96%.

In CHEP America, there was only a small decline due to continuing investment in quality, input and the need to provide new pallets for a limited number of customer locations. The control ration for the USA reached almost 100%.

In CHEP Asia-Pacific the increase of $21.3 million was largely the result of the investment in containers for the large RPC contract in Australia and continuing investment in China and India which were a $3 million increase compared with first half ’08. Recall was broadly flat.

Turning to tax, the underlying effects of tax rate in the period was 33.3%, in increase from 31.1% in first half ’08. But again, as I mentioned earlier, the first half ’08 tax charge included the benefit of adjustments to the deferred tax arising from lower statutory corporate tax rates in Europe. However this benefit is non-recurring. Adjusting for this, the effective tax rate for the two periods was broadly in line. The effective tax rate on statutory profit was 28.7% down from 30.5% primarily due to the non-tax effect for the foreign exchange game on the capital repatriation.

Looking now at Brambles financial metrics, net debt at 31 December 2008 was $2.357 billion; $69.2 million lower than at June 2008. Although overall net debt balances were slightly higher in local currencies, net debt decreased when reported in US dollars because of the foreign currency impact translating non-US dollar denominated debt to US dollars given the strengthening of the US dollar. The financial ratios are strong and are well within the financial covenant levels required in Brambles major financing agreement.

As shown on the prior cash flow slide, EBITDA includes significant items within ordinary activities. That is, EBITDA includes the negative impact of the Walmart transition costs and the USA pallet quality programme. The ratio of EBITDA to net finance costs has stayed constant at around 10 times. Though EBITDA in the first half of '09 was $92.5 million lower than the first half of '08, this is partially offset by net finance costs being $7.2 million lower. The ratio of net debt to EBITDA has increased from 1.5 times to 1.9 times mainly due to the lower EBITDA.

Finally, turning to debt and credit facilities, Brambles has $3.3 billion of committed credit facilities. As at 31 December 2008 $0.9 billion of these credit facilities were undrawn. This, together with $0.1 billion of cash, provides Brambles of ample sources of liquidity. During the past six months, in fact mainly in the last two months, $1 billion of existing bank credit facilities were renewed with maturities predominantly for five years. The renewal of these bank facilities have therefore increased the average term of credit facilities from 2.2 years at June 2008 to 2.9 years at December 2..8. This was a very pleasing result given the extremely difficult credit market.

No major credit facilities are due for renewal until November 2010 when $1.5 billion are due to mature. The remaining 1.5 refinancing requirement will be addressed as part of our normal ongoing financial actions. I'm confident we will do this over the next 20 months.

As mentioned at the last annual general meeting in November 2008, Brambles has implemented a dividend reinvestment plan. For this year's interim dividend, the dividend reinvestment plan offers a 2.5% discount and will not be underwritten. The on-market buyback programme continues to be suspended, reflecting our prudent approach to capital management given the current economic turmoil and extremely difficult credit market.

I'd now like to hand back to Mike for the outlook for the remainder of 2009.

Mike Ihlein: Thanks Liz. I trust that listening to Liz you get some understanding of the strength of the underlying businesses that we have in CHEP and Recall, the fact that we can grow revenue despite the challenging environment that we find ourselves in.

But there's certainly been a deterioration in trading conditions generally for all companies since we held our AGM back in November. I think a good example of that, but not the only one, is retail sales. If you look at retail sales for the USA and Europe, for example, there is a dramatic decline in those statistics in the quarter ended December. So up until the quarter ended 30 September, they were travelling okay, but a big drop off in the quarter ended December. Of course that's the Christmas trading quarter where normally it would be quite buoyant.

So I think volatility is probably here to remain so we need to be flexible and for all businesses, not just ours, there are not easy times. Consequently, that makes the provision of specific guidance quite difficult and to do that with any confidence is quite a challenge.

But, we are winning business in all markets and I think that's encouraging because I think the way to look at our performance in the first half of this year is to look at the relative resilience of our business, thinking about revenue, versus many other companies. I don't think anybody's pretending that anyone's immune but I think our performance in a relative sense is considerably more resilient.

We've announced today a number of major initiatives; the pallet scrapping program, the investment in quality until December 2009. The rationalisation of facilities to lower our costs, they will all underpin our future performance. But it's very important, as I said, that we maintain our focus around customers, the increased investment in quality is part of that. The review that we are doing in the US to look at how better we service customer requirements for the medium to long terms is all around how we meet our customers requirements.

As you heard from Liz, I think the balance sheet is in really good shape. We have a strong focus on cash and that will become even stronger. Credit markets are tough, but we've had great success in undertaking refinancing earlier than we otherwise might have. We still have more to do but as Liz said, no major facilities due for refinancing until November 2010. most importantly, I think we will be prepared to respond to changing conditions. You need to monitor what's going on.

Things are going to change I think quite quickly both up and down when the recovery comes. While nobody really knows when that will be, in the interim, we need to be prepared to respond. So if conditions change, you'll see further initiatives from us to look at how might we do that and to make sure that we underpin the longer term performance of the group.

Now I can't just do that by myself but I have to say I'm certainly confident that our management team, this is right around the world, but certainly the senior management team and all the employee base who are really the ones who are interfacing with our customers are going to do their utmost to take this business forward in what clearly are more interesting times. But the fact that we continue to win business I think is encouraging and gives me confidence for the longer term. I think you've heard enough from us just talking actually now so appreciate the attendance today. I think we'll now take Q&A. I think Michael is going to do the mediation and I will go and sit down and hand you back over to Michael.

Michael Roberts: Well first of all we can take questions from online and on the phones but we'll start with the room I think David. There's a question over here down the front and we will get to people online as well. Sorry could I just ask for those in the room please state your name and organisation thank you.

Two questions if I may please. Firstly, it seems to me that most of the significant items and of course the restructuring charges related to the US geography. At Morgan Stanley we think that the recession is going to absolutely spread around the world. It's going to be in Europe and definitely here in Australia and throughout Asia. Are we to expect the same sort of restructuring charges next half, but obviously in a relative size basis to reflect the deterioration in those geographies as well.

Then secondly, you talked about volume offset, you talked about a potential to try and win some new business and I'm wondering there whether there's an anticipation that you will reducing pricing significantly to try and win new business which will obviously have a margin impact?

Mike Ihlein: In terms of Europe, no I don't think you should read anything at all into what we've announced today in terms of any plans or thoughts we have about what might happen in Europe, or indeed anywhere else. As I said we will need to monitor conditions pretty closely and respond where necessary.

The two initiatives that we've announced today though, the two of the three that relate to the United States, the first one around pallets. That's a very different circumstance we find ourselves in in the US. As you know in Europe we have a number of different pallet types and we have a significant volume of intercontinental flows just as a matter of their normal course of business. And there are not significant imports of products back into Europe, which is also quite different from the situation we find ourselves in in the United States. So I see the two very different.

The pallet quality program which is the other significant element of [unclear] items that impacted our first half results and the increase of the $60 million is particular to our circumstance in the

US where our customers have much higher automation needs than anywhere else in the world and we do not see a direct translation of that to Europe. It doesn't mean that we don't regard pallet quality as an important priority in Europe, we do and have done for a long, lone time. But you shouldn't interpret that that will relate to t – translate to what might happen in Europe.

In pricing in the US, we'll look at what's most sensible in terms of winning new business. That's not a comment that we will or will not reduce pricing. As you know, we've been prudent on pricing structures in all of our business for a long, long time. We've never been an aggressive price taker and the whole part of the value offering that we offer our customers versus the whitewood alternative is that they can rent our pallets cheaper on an effective per trip basis than the alternative. That is still the case today.

So no, you shouldn't interpret that because conditions are weaker therefore we might be talking about sort of dramatic pricing action. Clearly, there's a benefit to us to have pallets back out in the market place with our customers rather than in storage and that will be a driver to part of the economics. But this is not a price driven focus around sales.

Question: (Phil Campbell, Citigroup) Just wonder if you could share with us your thoughts Mike in terms of the result, obviously it looks as though the organic volumes were declining around three to four per cent and you were making a number of these restructuring announcements to try and prepare yourself for calendar '09 going to 2010, do you have internally like a view on what you think the organic volume declines will be going to calendar '09 just so we can get a handle on that.

The second thing was mainly, I may have missed it, but I didn't see a lot of stuff in the presentation about the BBA measure. I'm just wondering how some of these restructuring charges impact the calculation of the BBA for this year and next?

Mike Ihlein: Well firstly in terms of organic, I think if you go back probably three or four months ago organic business was probably down around two per cent, I think we gave indications of that at the AGM. It's obviously deteriorated in the last few months. But as I said in my presentation, we've recovered that really through some improved price but favourable mix, offsetting that.

I don't know where organic volumes are going to go. At the end of the day, our focus has got to be on servicing the business we do have, but of course if we're doing all of, for example Procter & Gamble's business in the United States, if they sell less, our volumes will be lower on that piece of business. So therefore our main focus is, rather than looking after those customers, is how do we win new business.

So I guess there's probably a million economists around the world all with a different view about what might happen to GDP declines and organic growth. But we certainly don't have an internal objective as to where we think that will go. Our focus is, if they decline, what else do we need to do in our business to either win more new business or cut costs out of the business.

BBA obviously is impacted by when we did the measure before by what we used to call special items. And in effect as you incur costs on significant items or exceptional charges, effectively the way we deal with that in the past is you add that back to your capital costs if you like so that our business units get a free kick if you like. So you don't just reduce your capital invested and therefore they get to make a return off a lower capital invested.

Our BVA is down in the period. We didn't talk much about it today but that's really because of the operating results being flat at the underlying level but of course down at the statutory level and it's really the statutory number that drives that. So it is impacted and it is down but the major focus on BVA is unrelentingly the same; we asses sour costs to capital in a pre-tax sense [unclear] down to 12 per cent and that focus is the same.

Question: (Anthony Moulder, Credit Suisse) Just two questions also if I can. Starting with that seven million in scrapped pellets; just your view as to how did you come to (a) seven million and I take it the cost of repair of repair of those seven million pallets made it uneconomic, hence the scrapping of them rather than just the ongoing storage of them. And how did that affect your depreciation policy for the [unclear] scrapping of seven million?

Mike Ihlein: I'll deal with the first on you can deal with the other two if you like. The seven million is our, and it is more than statistical, it's our estimate based on a long period of history in the US as to how many pallets we need at any one time in our 75 odd fully owned service centres plus TPMs to meet our customers requirements. Typically that would be around about six to seven million on a normal environment. We now have seven million in excess of that and that's how we derived the seven million. It's sort of pretty simple maths really but it's looking at how much stock do you need to hold to be able to meet your customers requirements.

The cost of repair versus storage; the trade off certainly is if you don't store the pallet you don't have the storage costs and all the relocation costs and pallets are not cheap to store. People might think that they're just a few planks of wood but you have to store them properly to make sure that you maintain their quality and if we were to keep these for some time, it would end up costing us a lot more than simply repairing them. But the decision for you to do this is really around taking out of the network to avoid storage and relocation and handling costs and relieve congestion in the network, and not really driven by – well, could we repair them? Of course you can repair them, but you've then still got to sore them and you still have the same problem. Depreciation.

Liz Doherty: Yeah. In terms of the accounting policy on depreciation, it has absolutely no impact whatsoever. What we've done is simply said that these $7 million we'd make a decision to scrap them, so in line with accounting you say there will be no future cashflows generated from them, so we took a full impairment charge net of the number recovery. For all other pallets, we assume that the economic benefit that will come through will be exactly the same as they have been previously, so no change to the depreciation policy.

Question: Just a follow up to that. Could I expect that there's low impact from losses, pallet losses, given that you wouldn't scrap seven million pallets if you're expecting to move seven million pallets to have those into the pool in the next couple of years?

Liz Doherty: That is absolutely true, but as you know we continue to get input so they actually add in, so they come into the pool. And we have these certain contractual commitments to a few customers' locations, which means more pallets are coming in. So we've taken out the seven million because we don't think we need them at the moment, and our leakage would be met by other pallets coming from other places.

Question: Just following on from that. With your competition not mentioned in this result, could that have been a contributing factor to the lower growth rates achieved through this half?

Mike Ihlein: I can make a comment on that. As you know – you're talking about the US...? Our competition there is obviously the whitewood industry. It's IGPS and it's Peco and IGPS and Peco both have a pooling model and they're obviously much smaller than us. I think the whitewood industry is also suffering, because just general trading levels, so activity levels are down because of organic growth, and that's really what the main driver to that has been. IGPS do have more business today than they had a couple of years ago, but frankly that's not the driver to what we're seeing in terms of the total pallet industry in the US. It's really total levels of economic activity driven by manufacturers delivering into the retail trade.

I don't think we've got any calls on the phone line. That's what it's showing here. Is that correct, there's no questions on the line?

Okay. We'll continue with the room then. This one down the front here.

Question: (Cassandra Meagher, CommSec) Just three questions. The first one's around sales volume wins. Can you comment on whether you had any customer losses during the period? The second one is around Recall, and can you explain a little bit more around what's happening to margins there and what your strategy is to improve margins in the Recall business? And third question, could you just provide an update on China and India, and when we might see a positive impact on China and India in terms of Asia-Pacific region?

Mike Ihlein: I'll get Craig to tell me the answer on China and India, he's sitting right in front of you. First in terms of sales volume wins, look yes, from time to time, obviously across our full business delivering into 300,000 customer locations, we win a lot of business and we do lose some. The numbers that we're talking about are net business wins, so that takes account of losses. Did we lose some business during the last six months? Yes we did, but we've won a lot more than we've lost, but won't be commenting on specifics in terms of any one individual customer.

Recall margins, look it's interesting, the thing that we are disappointed with, with Recall last year as you all know, is the performance in the Americas. And we've said that we needed to do and had to do a much better job on getting that cost structure in that business sorted out this year. In fact, we've seen that in the Americas. The challenge I think that we have seen in Recall in the half is that the secure destruction business is down significantly, and I think that is a direct consequence of the difficulties that the finance industry finds itself in. Because a large proportion of our customers in the secure destruction part of our business are banks, financial institutions and so on. They're doing less activity. The bins that they fall up, they put less in and then – or of course in terms of commodity prices generally, paper prices that were here are now here.

So I think Recall in their core business, which is really the document management business, they grew their volumes at 7%. And so what we're focused on is – that part of the business is doing very well and I think the margins are holding up well in BMS. SDS we're losing revenue and what the business is doing is pulling out costs as fast as they can to keep pace with that, and I think they've done a very good job on that.

So when we do see some recovery in financial services, and I don't know when that will be, but we're obviously still trying to win more business there, simply because there's a lot of consolidation going on and there are some opportunities there. Once you get the volume up you'll start to get some real benefit in terms of improvement in margins. The focus is really around SDS and how do we manage the costs, because BMS is doing well.

China and India, they're investment markets for us. The net operating loss between the two is about $10 million in the half, and that's up from about a little under $5 million last year. India is the more recent of those. We will continue to have operating losses in those businesses for the next couple of years, and that's in line with what we originally planned. We obviously will want to get there in terms of positive profit, as fast as we can, but we also recognise that these are very new emerging markets. We need investment in those markets. We spent $12 million in capex in those two markets in the half, and we'll need to spend more. We need to be prudent in what we're doing, because times are much tougher than what they were, but it's still going to be a couple of years I think, before you see positive contribution to profit. I see Craig saying that's good, and he's probably going to ask if it's next week.

We'll just wait a moment on the floor here, because I have got a number of questions now on the phone line.

Question: (Simon Mitchell, UBS) I just have three questions. The first was the $65 million of scrapping costs for the seven million pallets. Can you just explain how that's made up and particularly what was included in the first half for storage costs on those pallets? Question number two is the European control ratio, it looks like it's gone from about $95 to $97, which can obviously be a sign that returns are increasing at a faster rate than issues. But I'm wondering if you can just comment on utilisation rates in the pool currently in Europe? And the third issue really just a question, any reason why there's no divisional capital employed numbers in the disclosures?

Mike Ihlein: What was the last question Simon?

Question: There doesn't seem to be any divisional capital employed numbers disclosed, which you've always done in the past.

Mike Ihlein: I'll have to ask my CFO about that. There's no particular intention not to disclose it, so we'll just have to check on the last question Simon. I'll deal with the scrapping point and then Liz can talk about the control ratio. The $65 million covers all of the costs associated with needing to accelerate the scrapping of those seven million pallets. That includes – and that does include costs that we've incurred in the first half. It includes storage, relocation costs, the physical costs of demolishing pallets – you have to obviously pay people to do that. And of course, we recover out of that a certain proportion of good boards out of each pallet that we will redeploy in future repair costs, and that's all taken into account in that $65 million number.

We're not providing a split as to how much it will be over the next two years, but effectively the non-cash component of the $90 odd million is this $37 million, which is the impairment charge and the balance is all cash of one form or another, partly in this year and some in FY10. Control ratio Liz.

Liz Doherty: Yeah, I mean as I said – I think we said in the introduction to check, which I think you attended Russell – some – that's what you do as well – over time – you need to look at the control ratio over time and if you get an improvement, you do need to watch. It can indicate better improvement. It can also as you highlighted indicate just a slowdown in the economy, and there'll be a bit of both in that in the US, as the volume has actually – in the US – in Europe. In Europe and EMEA we actually said that volume was actually flat or in line with the previous year, so in terms of issues I don't think there is much to say on that.

Question: But just perhaps in terms of what your returns are doing?

Liz Doherty: Yeah, well pallet returns are coming back more than pallets are going out issued.

Mike Ihlein: Simon, the only other point I'd add to that is that unlike the US, which has historically been a very high growth market, Europe in the last few years has been a relatively growth market so they're very used to managing pallet flows and pallet stocks within their networks to relocations in periods when growth – because we had really zero growth for two or three years. They are very good at managing that, so I don't see that as being any issue.

We'll stay on the phones for just a moment.

Question: (Matt Cray, JP Morgan) I'm just wondering if you could comment on the extra $60 million in pallet quality. That's gone from $100 to $160. To what extent is this driven by your own visions of cost savings down the road, and to what extent is it being forced on you by customers who are just demanding a high quality for the same price? Do you have the same confidence with the bigger spending on quality that you'll get a commensurate increase or decrease in operating costs in the next few years? Can you give us any indication of what you think that will be?

Mike Ihlein: I'll have a go at that. Look, this $60 million investment is our decision to continue to improve the quality of existing [unclear] higher requirements of customers. So we're not just giving customers something that they don't want. I think we are trying to meet customers requirements. There's no question that we don't invest money just for the hell of it. We think that that will deliver a value to us over long term because of the customer relationships. But the important point that I made today is that between now and December 2009, we're doing a major review of how in fact we go to market in the US to be able to service those customer's requirements. That will include service offerings and a pallet platform, what we do with our networks and so on. Quality will be one element of that.

So certainly this current program comes to an end in December 2009 and the way I'm thinking about it, in terms of our business not making any assumption at all about what does this mean for any ongoing costs because all of that is up for review and we may well approach how we segment our customers quite differently for the future rather than just simply saying, oh well look there's a permanent ongoing cost here, we will only invest money if we think we're going to get a return on that once we complete this review over the next six to 12 months.

So I don't think you should simply take whatever the numbers will appear in '09 and assume that continues forever, I think that would be inappropriate.

Question: (Matt McNeal, Goldman Sachs JBWere) My question was just in relation to the quality issues or that programme and the key question I had I think you've just partly answered. It was really in relation to why is it that you expect this money being spent at the moment isn't going to be an ongoing cost and just try to get a little bit more light on exactly what you're actually spending that money on at the moment. I mean I thought it was quality control people in some of the service centres and things like that.

Michael Roberts: Actually it is partly on plant quality representatives, but it's partly on plant quality representatives, but it's predominantly, in absolute dollars, it's more to do with repairing pallets to a higher standard. So it's repair costs associated with delivering better quality pallets to highly automated customers.

We do not regard that as an ongoing cost, that's why we have treated this in our financials as a significant item. We identified that as a separate number in our financials last year and we're

	treating the $34.5 million in first half as an adjustment to our online profit. When we complete the full review of our service offerings between now and December 2009, we'd be looking at quality as simply one element, but certainly are not assuming therefore there is an ongoing cost associated with this in the same way that we've invested in this programme since February 2008. It's a discreet programme, will come to an end in 2009.
Question:	(Matt McNeal, Goldman Sachs JBWere) So just to clarify, you're assuming that post December '09 you're going to come up with a different way of servicing those customers that will basically take away some of those costs that you're spending at the moment?
Michael Roberts:	Well I'm not going to give you forecast Matthew, but other than to say the review that we are doing between now and December, we'll look at that and every other aspect of our service offerings and what is the benefit to our customers, what do they want, what's the cost of doing that and what's the return to us from doing that.
Question:	(Matt McNeal, Goldman Sachs JBWere) Yeah, I must admit I still struggle a little bit on seeing exactly how repairing pallets isn't necessarily something that you're going to have to keep doing.
Michael Roberts:	I guess you'll have to wait to see the details of the review.
Question:	(Matt McNeal, Goldman Sachs JBWere) Alright, no worries.
Mike Ihlein:	Can we return to the room now, David.
Question:	(Russell Shaw, Macquarie) Just a quick question on your review in the US, you talked about looking at different types of pallet platforms. Are you referring to the Blue Step pallet there and can you give us an update as to whether that is still work in progress? Then secondly, I mean with the write downs, would we expect any steps changing your capex profile going forward or learning of your plant costs as a result of taking the pro-quality pallets out of the network?

Mike Ihlein: On the first one Russell, it will look at all platforms. Obviously we have done a lot of work on the Blue Step and it has taken us longer in terms of getting that. We have chosen to delay the launch of Blue Step and you might remember itself would result in higher levels of capex because it was a more expensive pallet, until we complete this review.

We will be prepared to look at all sorts of pallet platforms that would service our customer's requirements more effectively than what we're doing today. Does that mean Blue Step? Possibly. Does that mean a plastic pallet? Possibly and plastic pallets, as you know, where IGPS that has one, but there are some issues associated with certain plastic pallet offerings in the market that exist today.

But if that is something that our customers at the very highly automated end might want, that might drive more business for us and we can find a way to make a sensible economic return on that, of course we'll have a look at that as well. So there is nothing that won't be on the list that we're prepared to look at because we need to understand what customers really want and frankly what they're prepared to pay for, both at the low end and the high end.

The capex profile, not so much because of the scrapping programme, but the fact that we're proactively managing our input levels and managing our customer requirements who currently have some requirements for new pallets and just overall tightening up on our capex spend, yes I expect that that will deliver further improvements in our capex profile. Because if you look at our profile in the first half, I think we've done an excellent job in Europe, very, very good. We've got more work to do in the rest of our businesses but particular in the US and I think imports and managing new pallet flows to customers and the scrapping program are a key element of that to improve our cash flows. Kevin O'Connor from Merrill Lynch has asked the cost of a new pallet, the average across the network, about $19 or $20?

Mike Ihlein: Yeah in the US lower in Europe of course.

Michael Roberts: Just before we get to you Anthony, because you asked a question before we might just go back to the phone lines. I think Ben Brownette next of Aegis Equities

Question: (Ben Brownette, Aegis Equities) I was just wondering, you were saying in getting new business or something that you have been successful in and something you're going to have to do going forward, is there a specific strategy with some of these manufacturers who aren't already in the pallet pool or only have a minimal exposure, is the door open more now because times are a little bit more difficult than they were before?

Mike Ihlein: The line was just breaking up there Ben.

Question: (Ben Brownette, Aegis Equities) Sorry, I will say again, in terms of getting new business going forward, is there a specific strategy and are some of the manufacturers who aren't already in the pallet pool are they more willing to speak to you at the moment?

Mike Ihlein: Still hard to heard but let me try. I think the question is do thee current economic times provide more opportunity for us to win more business, is that the question?

Question: (Ben Brownette, Aegis Equities) Well Basically, and can you be a bit more specific on that.

Mike Ihlein: I think as a general rule, yes it does. I mean people are, customers, manufacturers and retailers, are finding life pretty tough so they will be looking at ways to save every penny that they possibly can. So I think that helps us with the overall value offering but I don't think you should translate that into because, and say retail sales were down in the US somebody's going to be desperate and therefore they're going to convert from a whitewood pallet to a CHEP pallet within the space of a week. Our value and our service offering does take some time to sell into a customer because they have to look at the changes in warehouse and manufacturing and so on. But on balance, it does our value proposition more effective than it otherwise might in tougher times.

Question: (Ben Brownette, Aegis Equities) So are you doing anything to help you sort of win that, is there anything extra you're doing now that you weren't doing six months ago?

Mike Ihlein: No, in terms of our approach to marketing to customers, very much the same. We are doing, we started this awhile ago, a lot of value chain analysis for customers to make sure they understand what their true cost is in the supply chain to help demonstrate that they can save money by moving to CHEP. We're doing a lot more of that now that we were 12 months ago.

Just a follow on question on that new business, can you give us a sense of how long the lead time actually is between actually starting the marketing and then winning that new business?

Mike Ihlein: It varies from country to country but it's probably two to three months. It can be a lot longer if you're talking about one of the emerging markets in China or India, where logistic systems are not very well developed, you have to do a lot of hard yakka and hard work to get them to understand what the real opportunity is in the more developed markets. It's probably two or three months. But there are some customers that you can do much shorter than that who really understand the value of switching to pool platform.

Question: (Cameron McDonald, Deutsche Bank) Just two other follow on questions. What are the 750 people that you're going t o make redundant actually doing at the moment?

Mike Ihlein: I really don't want to comment on where they are or who they are because one, we haven't completed all the reviews. Secondly, it would be appropriate only for us to be communicating that firstly directly to our employees who are impacted. But they'll come from all functions in a number of countries and facilities around the world. So this is not just targeted at sales or finance or whatever. There are specific requirements in certain countries and beyond that I shouldn't comment.

Question: (Cameron McDonald, Deutsche Bank) So just on that, have you had that discussion internally or is this the first announcement that they'll be reading that 750 people are going to lose their job?

Mike Ihlein: It varies, depend on where you are. Some parts of the world already know, in fact there were some reductions in staff numbers in the first half, that's the $8 million redundancy costs or restructuring costs through the first half. So generally speaking quite a number of people are aware of that and that communication process is happening today and over the next few weeks.

Question: (Cameron McDonald, Deutsche Bank) Just a final question. On the pallet platforms that you were talking about before and the delay of the blue step pallet, can you tell us what the already sunk costs in research and development are for that product?

Mike Ihlein: It's very small. We haven't capitalised costs associated with that. We have a small amount, but it's very, very small and could I also given that we're heading close to 12.30 could we just keep to a couple of questions. Anthony we will come back to you in the room in just a moment because there are people that haven't had a question yet.

Question: (Paul Lyon, Evans & Partners online) Touch on the price mix outlook, so obviously a contribution this half but recently in the US you've had channel mix to Walmart and product mix to private label probably late in the half. But looking at volume outlook for some of your key customers, Kraft, PMG, Unilever et cetera all with negative volume territory, how do you see that going forward, what are your customers doing to address it and are they asking you to help in potentially their business going forward being at lower margin product.

Mike Ihlein: Look a number of major customers are suffering volume declines, as you know, they've released a lot of their results and depending on which one they are and all of them are doing a lot of extra work around marketing dollars and so on to try and generate more volume, for us, they continue to talk to us about are there more efficient ways for us to do business with them on their pallet requirements to reduce their costs. That's not a price discussion with us, but are there more efficient ways that they can do that.

In some cases, that includes where they might have a volume of goods on whitewood and how about we move more quickly now to blue because they can save some money. I don't expect that we're going to - well we'll probably continue to see potentially some risk around organic volume but we're doing a good job on pricing mix that generally speaking we should expect to continue to offset that, with new business being the positive over and above that.

Question: (Anthony, unidentified) Just two questions then briefly if I can, contracted capex from customers, what is that figure, how many customers are getting new pallets and have you moved them off without adjusting the pricing I guess? Second question I had just relates back to competition, plastic pallets, you mentioned IGPS, can you make a plastic pallet work at the same per trip cost as what they're offering which is similar to your wooden pallet cost per trip?

Mike Ihlein: On capex on existing customers, I'd like to comment but I won't because we're in discussions with them about how to remove them off. It's not the thing that's fundamental to the number of pallets that are in the pool because it's the combination of some of those requirements plus imports and of course we're managing both. The customers that we are talking to, they are very open to find an alternative solution because they know if this can result in lower costs for the supply chain, our supply chain, that that's good for the overall business. But of course we also recognise we need to find a pallet that works.

So we're working with all of those customers and there's only a handful of them, to see how we can make that work in their more highly automated systems. We've already made some really good progress and we'll obviously update the market as we find better solutions for that. It's too early to comment yet.

On competition, could we make a plastic pallet work? We've been accruing business for 50 years, if anybody can make a plastic pallet work and be effective, I think we could, more so than probably anyone else. But it's going to come down to not so much can you offer it at a certain price, the solution may be that it is deployed in certain very high volume channels, for example, where the turns are much faster. So this is not simply a question of trade off or cost this therefore you charge this and do you make an adequate return. I think we'll have to look at every aspect of our business to look at whether or not that might make some sense, including the capital costs of the pallet of course.

But I think a number of issues will have to be addressed around some challenges even the existing pallet providers in the market have around fire retardancy and the damage that they even get to their plastic pallets which is not inconsequential and, as you know, if you have damage to a plastic pallet, you have to write it off, you can't repair it. So you need to make sure you've got your economics right before you embark on that. We'd be prepared to look at it.

Question: (Joe [Schliemann], UBS) Just a quick question, you mentioned pallet flows into the US pool from imports and then you're actively looking at managing the scenario. Can you just expand on exactly what you aim to do there? Second question if I can, in terms of the scrapping of pallets, do you have a sense of the ongoing costs that you're avoiding by scrapping them and the cost savings you expect to make going forward?

Mike Ihlein: On the imports Joe, you can do that one of two ways, one of three ways actually. Customer business that we may have been targeting to get over the next two to three years we may just delay and the trade off here is the gross contribution you might make on renting a pallet to that particular customer versus when it lands in the US, the cost of looking after that pallet when you've got excess. That's an economic trade off, it's a pretty easy number for us to do.

Secondly, where you might have existing business, we may even be prepared to consider an up-charge on pallets coming into the US, or work with those customers for a temporary period to convert them back to white where it just doesn't make economic sense for us to look after them in the US.

On scrapping of pallets - what was the question there - oh the cost of avoiding, yes we have a very good understanding and obviously we wouldn't be investing and spending $99 million unless we felt that we would get a return on that in terms of avoiding costs that otherwise would arise over the course of the next two to three years.

Pallets are expensive to look after, both in terms of storage and relocation, obviously you've got the depreciation costs as well, but that if we have all of those there, that would have otherwise resulted in many millions of dollars of costs and we'll get that benefit back effectively by avoiding that cost over the period FY09 through to FY11, but yes we know the number, we're not quoting the number.

Question: (Matthew Ryeland, unidentified) Just a quick one, can you comment on the relative quality of the imported pallets into the US, is the first question? The second one is, with the scrapping, how many physically scrapped per annum and are you typically only going to be scrapping just the really low quality older pallets?

Mike Ihlein: The imports into the US generally speaking are, with very few exceptions, brand new and the challenge on that is that we have to buy them. So given that you don't need more pallets in the US, you've got this conundrum of, well you've got an import customer, we have to buy a new pallet, that's capex, right? So to the extent we can manage that, that's capex that we save and I think that's a good thing in this current cash environment we find ourselves in. So they're all new.

The second question was the rate of traffic. Well normally in our US business we probably scrap a couple of million pallets a year anyway, this is ones that you just can't repair anymore, but this programme here that we're talking about is an acceleration of scrapping of seven million, so if we did nothing, it would take you probably four years to scrap that number of incremental pallets, maybe five years.

The quality of pallets we're scrapping, obviously to the extent that we can, we'll be trying to ensure that obviously the poorer quality pallets are the ones that get scrapped. But of course we're taking here what, 8% or 9% of our total pool out so our major focus will be firstly on freeing up the congestion in our network, getting the excess pallets out of our market, but making sure where we can we keep an eye on obviously not getting rid of the good ones. But the focus is really around the excess and avoiding the storage and relocation costs over the next two to three years. That's where the big costs are.

Question: (Matthew Ryeland, unidentified) Thanks for that.

Mike Ihlein: Okay, unless there's one more desperate question in the room, we'll - anybody else? No, well look thanks for your attendance here today, especially at short notice and thank you for your questions. We'll adjourn it there. Thank you very much.

End of Transcript