Consolidated Financial Report

for the year ended 30 June 2020

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Consolidated Statement of Comprehensive Income

for the year ended 30 June 2020

	Note	2020 US$m	2019[1] US$m
Continuing operations			
Sales revenue	2	**4,733.6**	4,595.3
Other income		**132.1**	128.7
Operating expenses	3	**(4,098.7)**	(3,983.1)
Operating profit		**767.0**	740.9
Finance revenue		**25.0**	23.9
Finance costs		**(105.8)**	(112.4)
Net finance costs	5	**(80.8)**	(88.5)
Profit before tax		**686.2**	652.4
Tax expense	6A	**(209.0)**	(198.3)
Profit from continuing operations		**477.2**	454.1
(Loss)/profit from discontinued operations	9	**(29.2)**	1,013.6
Profit for the year attributable to members of the parent entity		**448.0**	1,467.7
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial loss on defined benefit pension plans		**(6.0)**	(10.8)
Tax benefit on items that will not be reclassified to profit or loss	6A	**1.9**	2.7
		(4.1)	(8.1)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign subsidiaries[2]	21	**(143.9)**	(85.0)
Exchange differences released to profit on divestment of IFCO	21	**-**	32.2
		(143.9)	(52.8)
Other comprehensive expense for the year		**(148.0)**	(60.9)
Total comprehensive income for the year attributable to members of the parent entity		**300.0**	1,406.8
Earnings per share (EPS) - US cents	7		
Continuing operations			
- basic		**30.8**	28.5
- diluted		**30.7**	28.4
Total			
- basic		**28.9**	92.1
- diluted		**28.8**	91.8

[1] The comparative period does not include the impact of AASB 16 *Leases* and IFCO is presented in discontinued operations.

[2] Exchange differences on translation of foreign subsidiaries have been significantly impacted by the devaluation of the Australian dollar, Latin American currencies and the South African rand net assets translated into US dollars. The June 2020 spot rate relative to the US dollar weakened 2% for the Australian dollar, 21% for the Latin American currencies and 22% for the South African rand.

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

Consolidated Balance Sheet

as at 30 June 2020

	Note	2020 US$m	2019[1] US$m
Assets			
Current assets			
Cash and cash equivalents	23	**737.3**	1,691.3
Term deposits	2	**68.6**	411.2
Trade and other receivables	10	**717.2**	768.9
Inventories	11	**67.5**	59.8
Other assets	12	**95.6**	61.5
Total current assets		**1,686.2**	2,992.7
Non-current assets			
Other receivables	10	**23.3**	52.8
Property, plant and equipment	13	**4,409.3**	4,313.2
Right-of-use leased assets[2]	1G	**598.8**	-
Goodwill and intangible assets	14	**259.6**	286.2
Deferred tax assets	6C	**96.3**	73.6
Other assets	12	**9.7**	11.8
Total non-current assets		**5,397.0**	4,737.6
Total assets		**7,083.2**	7,730.3
Liabilities			
Current liabilities			
Trade and other payables	15	**1,226.5**	1,208.5
Lease liabilities[2]	23C	**112.8**	-
Borrowings	17	**36.3**	556.8
Tax payable		**45.8**	31.7
Provisions	16	**84.9**	75.5
Total current liabilities		**1,506.3**	1,872.5
Non-current liabilities			
Lease liabilities[2]	23C	**591.4**	-
Borrowings	17	**1,777.2**	1,643.4
Provisions	16	**76.1**	14.8
Retirement benefit obligations	18	**37.7**	37.3
Deferred tax liabilities	6C	**338.1**	353.1
Other liabilities	15	**-**	1.0
Total non-current liabilities		**2,820.5**	2,049.6
Total liabilities		**4,326.8**	3,922.1
Net assets		**2,756.4**	3,808.2
Equity			
Contributed equity	19	**5,427.2**	6,187.4
Reserves	21	**(7,464.3)**	(7,322.5)
Retained earnings	21	**4,793.5**	4,943.3
Total equity		**2,756.4**	3,808.2

[1] The comparative period does not include the impact of AASB 16 *Leases*.

[2] Refer to Note 1G for the AASB 16 impact.

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

Consolidated Cash Flow Statement

for the year ended 30 June 2020

	Note	2020 US$m	2019[1] US$m
Cash flows from operating activities			
Receipts from customers		**5,446.8**	6,332.2
Payments to suppliers and employees[2]		**(3,786.2)**	(4,675.9)
Cash generated from operations		**1,660.6**	1,656.3
Interest received		**17.2**	5.3
Interest paid[2,3]		**(112.7)**	(92.7)
Income taxes paid on operating activities		**(178.2)**	(230.5)
Net cash inflow from operating activities	23B	**1,386.9**	1,338.4
Cash flows from investing activities			
Payments for property, plant and equipment		**(1,002.8)**	(1,208.4)
Proceeds from sale of property, plant and equipment[4]		**104.4**	130.0
Payments for intangible assets		**(26.3)**	(21.6)
(Payments)/net proceeds from disposal of businesses[5]		**(16.0)**	2,366.2
Net cash (outflow)/inflow from investing activities		**(940.7)**	1,266.2
Cash flows from financing activities			
Proceeds from borrowings		**554.9**	1,060.9
Repayment of borrowings		**(903.9)**	(1,316.4)
Proceeds from/(transfer to) term deposits	2	**342.6**	(411.2)
Payment of principal component of lease liabilities[2]		**(114.1)**	-
Net inflow/(outflow) from derivative financial instruments		**26.5**	(34.8)
Proceeds from issues of ordinary shares		**-**	0.2
Payments for share buy-back	19	**(645.4)**	(54.1)
Repayment of capital to shareholders	19	**(129.3)**	-
Dividends paid - ordinary[6]	8	**(290.7)**	(328.1)
Dividends paid - special	8	**(183.2)**	-
Net cash outflow from financing activities		**(1,342.6)**	(1,083.5)
Net (decrease)/increase in cash and cash equivalents		**(896.4)**	1,521.1
Cash and cash equivalents, net of overdrafts, at beginning of the year		**1,690.4**	171.3
Effect of exchange rate changes		**(56.7)**	(2.0)
Cash and cash equivalents, net of overdrafts, at end of the year	23A	**737.3**	1,690.4

1 The comparative period includes cash flows from IFCO up to its divestment in 2019 (refer Note 9).

2 Under AASB 16, lease payments of US$(140.6) million in 2020 have been reclassed from Payments to suppliers and employees, to Interest paid (within operating activities) and Payment of principal component of lease liabilities (within financing activities) (refer Note 1G). The comparative period does not include the impact of AASB 16.

3 Interest paid includes early debt repayment costs of US$(11.6) million for the US$500.0 million 144A bond, which was repaid on 5 July 2019 using the IFCO sale proceeds (refer Note 4).

4 Includes compensation for lost pooling equipment of US$103.2 million in 2020 (2019: US$102.0 million, excluding US$25.0 million for IFCO).

5 Net proceeds from disposal of businesses in 2019 includes US$2,480.4 million from the sale of IFCO, with cash received on 31 May 2019.

6 IFCO earnings up to its divestment date were included in the determination of the 2019 final ordinary dividend paid out in 2020.

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2020

	Note	Contributed equity US$m	Reserves US$m	Retained earnings US$m	Total US$m
Year ended 30 June 2019					
Opening balance at 1 July 2018		6,218.5	(7,253.7)	3,813.6	2,778.4
Profit for the year		-	-	1,467.7	1,467.7
Other comprehensive expense		-	(85.0)	(8.1)	(93.1)
FCTR released to profit on divestment of IFCO		-	32.2	-	32.2
Total comprehensive (expense)/income		-	(52.8)	1,459.6	1,406.8
Share-based payments:					
- expense recognised	20	-	17.1	-	17.1
- shares issued		-	(23.0)	-	(23.0)
- equity component of related tax		-	1.6	-	1.6
- transfer to retained earnings on divestment of IFCO		-	(0.1)	0.1	-
- other		-	(11.6)	-	(11.6)
Transactions with owners in their capacity as owners:					
- dividends declared	8	-	-	(330.0)	(330.0)
- issue of ordinary shares, net of transaction costs	19	23.0	-	-	23.0
- share buy-back	19	(54.1)	-	-	(54.1)
Closing balance as at 30 June 2019		6,187.4	(7,322.5)	4,943.3	3,808.2
Year ended 30 June 2020					
Closing balance as at 30 June 2019 as previously reported		**6,187.4**	**(7,322.5)**	**4,943.3**	**3,808.2**
Opening balance adjustment on adoption of AASB 16	1G	**-**	**-**	**(121.8)**	**(121.8)**
Revised opening balance as at 1 July 2019		**6,187.4**	**(7,322.5)**	**4,821.5**	**3,686.4**
Profit for the year		**-**	**-**	**448.0**	**448.0**
Other comprehensive expense		**-**	**(143.9)**	**(4.1)**	**(148.0)**
Total comprehensive (expense)/income		-	**(143.9)**	**443.9**	**300.0**
Share-based payments:					
- expense recognised	20	**-**	**18.4**	**-**	**18.4**
- shares issued		**-**	**(14.5)**	**-**	**(14.5)**
- equity component of related tax		**-**	**(1.8)**	**-**	**(1.8)**
Transactions with owners in their capacity as owners:					
- dividends declared	8	**-**	**-**	**(471.9)**	**(471.9)**
- issues of ordinary shares, net of transaction costs	19	**14.5**	**-**	**-**	**14.5**
- share buy-back	19	**(645.4)**	**-**	**-**	**(645.4)**
- shareholder capital return	19	**(129.3)**	**-**	**-**	**(129.3)**
Closing balance as at 30 June 2020		**5,427.2**	**(7,464.3)**	**4,793.5**	**2,756.4**

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

Notes to and Forming Part of the Financial Statements

for the year ended 30 June 2020

Note 1. About This Report

A) Basis of Preparation

These financial statements present the consolidated results of Brambles Limited (ACN 118 896 021) (Company) and its subsidiaries (Brambles or the Group) for the year ended 30 June 2020. These financial statements have been authorised for issue in accordance with a resolution of the Directors on 19 August 2020.

References to 2020 and 2019 are to the financial years ended 30 June 2020 and 30 June 2019, respectively. The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). This general purpose financial report has been prepared in accordance with Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the requirements of the *Corporations Act 2001*. It presents information on a historical cost basis, except for derivative financial instruments and financial assets at fair value through profit or loss.

The financial statements and all comparatives have been prepared using the accounting policies disclosed throughout the financial statements, which are consistent with the prior year except for leases which have been impacted by the application of the new accounting standard AASB 16 *Leases* (refer Note 1G).

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

On 25 February 2019, Brambles entered into an agreement to sell its IFCO reusable plastic containers (RPC) business, with completion of the sale occurring on 31 May 2019. Consequently, the 2019 results of IFCO have been presented in discontinued operations. The comparative period in the consolidated cash flow statement contains cash flows from IFCO up to divestment date. Comparative information has been reclassified, where appropriate, to enhance comparability.

The Covid-19 outbreak occurred in the second half of 2020 and continues beyond year end with ongoing outbreaks around the globe. Where there is a known impact in the year, the impact has been reflected in the 2020 financial statements and are disclosed in Significant Items (Note 4), Property, Plant and Equipment (Note 13) and Goodwill and Intangible Assets (Note 14).

B) Principles of Consolidation

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

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

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

C) Presentation Currency

Brambles uses the US dollar as its presentation currency because:

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

D) Foreign Currency

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

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

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

Note 1. About This Report – continued

D) Foreign Currency – continued

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The principal exchange rates affecting Brambles were:

		A$:US$	€:US$	£:US$
Average	2020	0.6692	1.1064	1.2582
	2019	0.7145	1.1404	1.2943
Year end	30 June 2020	0.6860	1.1242	1.2305
	30 June 2019	0.7005	1.1372	1.2673

E) Other Income

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

F) Critical Accounting Estimates and Judgements

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

Material estimates and judgements, including the impact of Covid-19, are found in the following notes:

- Income Tax (Note 6F)
- Property, Plant and Equipment (Note 13E)
- Irrecoverable Pooling Equipment Provision (IPEP) (Note 13D)
- Goodwill and Intangible Assets (Note 14D)

G) Changes to Accounting Standards

IFRIC 23 *Uncertainty over Income Tax Treatments*, issued by the IFRS Interpretations Committee on 7 June 2017, clarifies how the recognition and measurement requirements of IAS 12 *Income Taxes* are applied where there is uncertainty over income tax treatments. Brambles has adopted the principles of IFRIC 23 effective from 1 July 2019, with no material impact noted.

AASB 16 *Leases* was adopted by Brambles from 1 July 2019. AASB 16 requires a lessee to recognise all qualifying leases on the balance sheet in the form of a lease liability and right-of-use leased asset, adjusted for deferred tax. The new standard mainly impacts property and equipment leases located at offices and service centres where Brambles is the lessee. The straight-lined operating lease expense recognised under AASB 117 *Leases* has been replaced by depreciation of the right-of-use leased asset and finance costs on the lease liability. Further details of the impact of AASB 16 are set out on pages 68 to 70.

The Group adopted the following approach and practical expedients:

- the modified retrospective approach was used on transition to AASB 16;
- in accordance with AASB 16 the comparative period was not restated and continues to reflect accounting policies under AASB 117;
- on transition, land and buildings right-of-use leased assets were valued as if AASB 16 had always been applied, but using the incremental borrowing rate as at the date of application; for all other assets the right-of-use leased asset equals the lease liability, adjusted for any prepaid or accrued lease payments recognised immediately before the date of initial application;
- the opening right-of-use leased assets excluded initial direct costs and were reduced by any existing onerous lease provisions;
- the use of hindsight was applied when reviewing lease terms;
- optional exemptions for short-term and low-value assets were applied; and
- a country-specific discount rate was applied to a portfolio of leases with reasonably similar characteristics.

New software was implemented to calculate the AASB 16 adjustments. The opening adjustments at 1 July 2019 are disclosed in Note 1G(i).

During 2019, Brambles entered into amendments with lenders of its major borrowing facilities to continue to apply AASB 117 for the calculation of the financial covenants post 30 June 2019. Brambles has amended its treasury policy to align with the new financial reporting requirements under AASB 16.

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2020

Note 1. About This Report – continued

G) Changes to Accounting Standards – continued

(i) Adjustments Recognised on Adoption of AASB 16

On adoption of AASB 16, Brambles recognised lease liabilities in relation to leases which had previously been classified as operating leases under AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019. The weighted average incremental borrowing rate, calculated by geographic region, applied to the lease liabilities on 1 July 2019 was 4.3%.

Reconciliation of operating lease commitment as at 30 June 2019 to opening lease liability as at 1 July 2019

	US$m
Operating lease commitment disclosed as at 30 June 2019	626.0
Impact of discounting	(136.8)
Exempt leases and other[1]	(10.7)
Embedded lease liability[2]	26.8
Uncommitted extension options[3]	271.4
Leases committed to at 30 June 2019, not yet commenced	(16.5)
Non-lease components included in operating lease commitment but excluded from lease liability	(18.6)
Lease liability recognised at 1 July 2019	**741.6**

[1] Exempt leases consist of short-term leases (12 months or less) and leases of low-value assets which are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. Low-value assets primarily comprise IT and small items of office furniture and operating equipment.

[2] AASB 16 requires service agreements that contain a right to use specified assets to be treated as embedded leases where Brambles controls the asset. The Group has numerous service centres which are outsourced to third parties and Brambles has a contractual right to use specific sites and assets as part of the overall service agreement. The estimated charge for the use of the assets is recognised as a lease liability.

[3] Extension options are included in a number of leases across the Group.

Balance sheet impact on application as at 1 July 2019

	As reported 30 June 2019 US$m	AASB 16 Adjustments US$m	Adjusted 1 July 2019 US$m
Right-of-use leased assets	-	632.0	**632.0**
Deferred tax assets[4]	73.6	210.5	**284.1**
Total assets impact		842.5	
Provisions[5]	90.3	56.3	**146.6**
Lease liabilities	-	741.6	**741.6**
Deferred tax liabilities[4]	353.1	166.4	**519.5**
Total liabilities impact		964.3	
Net liabilities impact		(121.8)	
Retained earnings	4,943.3	(121.8)	**4,821.5**
Total equity impact		(121.8)	

[4] AASB 16 adjustments are subject to tax-effect accounting. The gross adjustment is disclosed.

[5] Relates to adjustments made to dilapidation provisions, with a corresponding adjustment to right-of-use leased assets, offset by the release of lease straight-line provisions previously recognised under AASB 117.

Note 1. About This Report – continued

G) Changes to Accounting Standards – continued

(ii) Net Carrying Amount and Movements during the Year

	2020 US$m		
	Land and buildings	Plant and equipment	Total
Opening balance - recognised on 1 July 2019	594.5	37.5	**632.0**
Additions	51.8	18.8	**70.6**
Remeasurement of existing leases	27.7	(0.7)	**27.0**
Depreciation	(101.2)	(15.2)	**(116.4)**
Foreign exchange differences	(11.7)	(2.7)	**(14.4)**
Closing net carrying amount	561.1	37.7	**598.8**
At 30 June			
Cost	662.3	52.9	**715.2**
Accumulated depreciation	(101.2)	(15.2)	**(116.4)**
Net carrying amount	561.1	37.7	**598.8**

(iii) Leases Exempt from AASB 16 in Accordance with the Standard

	2020 US$m
Short-term lease expense	**7.2**
Low-value assets lease expense	**0.4**
Exempt lease expense	**7.6**

The profile of short-term lease commitments is consistent with 2020.

(iv) Impact of AASB 16 on Key Financial Measures

The adoption of AASB 16 resulted in a change to the amount and presentation of lease expense. In accordance with AASB 117, operating lease expense was presented within operating expenses in 2019. Under AASB 16, the lease expense is split between depreciation of the right-of-use leased assets and finance costs on lease liabilities. This has resulted in a decrease in the operating lease expense, and an increase in depreciation and finance costs in 2020.

The change in accounting policy affected the following key financial measures:

	2020 US$m		
	Pre AASB 16	AASB 16 impact	Post AASB 16
Underlying Profit	770.8	24.2	795.0
Depreciation	(477.5)	(116.4)	(593.9)
EBITDA[6]	1,422.3	140.6	1,562.9
Interest expense[7]	(78.0)	(27.8)	(105.8)
Cash Flow from Operations	603.3	140.6	743.9
Free Cash Flow	348.1	114.1	462.2
Average Capital Invested (ACI)	4,233.1	540.5	4,773.6
Return on Capital Invested (ROCI)	18.2%	(1.5%)	16.7%
Net Debt	(1,007.6)	(704.2)	(1,711.8)
Total EPS - basic (US cents)	29.1	(0.2)	28.9

[6] EBITDA is defined as earnings before interest, tax, depreciation, depreciation-like items (irrecoverable pooling equipment provision expense) and amortisation.

[7] Interest expense is inclusive of lease interest of US$26.5 million and interest on dilapidation provisions of US$1.3 million.

Note 1. About This Report – continued

G) Changes to Accounting Standards – continued

(v) Measurement of the Right-of-use Leased Asset and Lease Liability

The Group primarily leases offices, service centres, equipment and vehicles. Rental contracts are typically made for fixed periods, but may have extension or termination options. The average contract term for 2020 is 5 years. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions.

From 1 July 2019, leases are recognised as a right-of-use leased asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Principal and interest payments are reflected in the consolidated cash flow statement as financing and operating activities respectively.

Assets and liabilities arising from a lease are initially measured at present value. Lease liabilities include the present value of:

- fixed lease payments less any incentives receivable;
- variable payments based on a rate or index; and
- amounts expected to be payable relating to residual value guarantees, early termination penalties, and purchase options if reasonably certain of taking place.

Lease payments are discounted using the incremental borrowing rate calculated by geographic region. The incremental borrowing rate is the rate the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The Group is required to remeasure the lease liability and make an adjustment to the right-of-use leased asset if the lease terms and conditions are modified, in which case the lease liability is remeasured by discounting the revised lease payments. The remeasurement of the lease liability is also applied against the right-of-use leased asset.

Right-of-use leased assets are measured at cost comprising the following:
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- dilapidation costs.

The right-of-use leased asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Note 2. Segment Information – Continuing Operations

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

Brambles has four reportable segments:

- CHEP North America and Latin America (CHEP Americas);
- CHEP Europe, Middle East, Africa and India (CHEP EMEA) - including the Kegstar global business;
- CHEP Australia, New Zealand and Asia, excluding India (CHEP Asia-Pacific); and
- Corporate – corporate centre including BXB Digital (Corporate).

Segment performance is measured on sales revenue, Underlying Profit, Cash Flow from Operations and Return on Capital Invested (ROCI). Underlying Profit is the main measure of segment profit. A reconciliation between Underlying Profit and operating profit is set out on page 72.

The comparative period does not include the impact of AASB 16. Refer to Note 1G(iv) for the impact of AASB 16 on key financial measures.

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

The services provided by Brambles are deemed a single performance obligation relating to the provision of an end-to-end pooling solution and the performance obligation is satisfied over time. The issue and daily hire activities are not considered distinct services. Revenue from issue activities is deferred and recognised over the estimated period that the pooling equipment is utilised by customers, referred to as the cycle time, which is an output method. Revenue based on the daily hire model is also recognised over time. Consideration that is fixed or highly probable is included in the transaction price allocated to the performance obligation. This includes issue fees, daily hire fees and bundled upfront fees. Consideration that is variable or uncertain is recognised when the activity occurs.

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

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

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2020

Note 2. Segment Information – Continuing Operations – continued

	Sales revenue		Cash Flow from Operations[1]	
	2020 US$m	2019 US$m	2020 US$m	2019[2] US$m
By operating segment				
CHEP Americas	**2,469.0**	2,287.8	**258.3**	170.4
CHEP EMEA	**1,827.8**	1,849.1	**414.1**	228.0
CHEP Asia-Pacific	**436.8**	458.4	**132.8**	101.1
Corporate	**-**	-	**(61.3)**	(67.7)
Continuing operations	**4,733.6**	4,595.3	**743.9**	431.8

	Sales revenue	
	2020 US$m	2019 US$m
By geographic origin		
Americas	**2,469.0**	2,287.8
Europe	**1,595.8**	1,599.7
Australia	**324.7**	350.8
Other	**344.1**	357.0
Total	**4,733.6**	4,595.3

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

[2] The comparative period was prior to the adoption of AASB 16.

	Operating profit[3]		Significant Items before tax[4]		Underlying Profit[4]	
	2020 US$m	2019[2] US$m	2020 US$m	2019 US$m	2020 US$m	2019[2] US$m
By operating segment						
CHEP Americas	**342.5**	261.3	**-**	(37.1)	**342.5**	298.4
CHEP EMEA	**379.1**	431.1	**(28.0)**	(10.7)	**407.1**	441.8
CHEP Asia-Pacific	**118.0**	118.3	**-**	-	**118.0**	118.3
Corporate[5]	**(72.6)**	(69.8)	**-**	(15.0)	**(72.6)**	(54.8)
Continuing operations	**767.0**	740.9	**(28.0)**	(62.8)	**795.0**	803.7

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

[4] Underlying Profit is a non-statutory profit measure and represents profit from continuing operations before finance costs, tax and Significant Items (refer Notes 3 and 4). It is presented to assist users of the financial statements to better understand Brambles' business results.

[5] Underlying Profit for the Corporate segment includes US$16.4 million of BXB Digital costs (2019: US$14.8 million) and US$12.4 million of Shaping Our Future costs (2019: nil), representing US$6.0 million for investment in sales tools and new infrastructure; US$2.0 million for incremental investment in digital agenda; and US$4.4 million relating to investment in customer experience as well as overhead and supply chain efficiency projects.

Note 2. Segment Information – Continuing Operations – continued

	Return on Capital Invested[6]		Average Capital Invested[7]	
	2020 US$m	2019[2] US$m	2020 US$m	2019[2] US$m
By operating segment				
CHEP Americas	**14.5%**	15.4%	**2,369.6**	1,942.6
CHEP EMEA	**21.4%**	24.9%	**1,904.0**	1,776.4
CHEP Asia-Pacific	**24.1%**	27.9%	**490.6**	424.5
Corporate[8]			**9.4**	(12.9)
Continuing operations	**16.7%**	19.5%	**4,773.6**	4,130.6

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

Excluding the impact of AASB 16, ROCI for 2020 is 18.2% (refer Note 1G(iv)).

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

8 ACI for the Corporate segment includes US$47.4 million deferred consideration receivable from First Reserve (2019: US$44.5 million). An impairment charge of US$33.0 million on the receivable has been recognised in discontinued operations in 2020, reflecting the current market conditions in the oil and gas industry (refer Note 9). ACI in 2020 includes the impact of AASB 16 (refer Note 1G(iv)).

	Capital expenditure[9]		Depreciation and amortisation	
	2020 US$m	2019 US$m	2020[10] US$m	2019[2] US$m
By operating segment				
CHEP Americas	**544.9**	551.1	**324.2**	257.2
CHEP EMEA	**358.9**	443.5	**222.7**	176.0
CHEP Asia-Pacific	**77.4**	65.1	**61.0**	48.7
Corporate	**-**	0.7	**4.3**	2.4
Continuing operations	**981.2**	1,060.4	**612.2**	484.3

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

10 Due to the impact of AASB 16, depreciation expense relating to right-of-use leased assets increased by US$116.4 million (refer Note 1G(iv)).

Note 2. Segment Information – Continuing Operations – continued

	Segment assets		Segment liabilities	
	2020 US$m	2019[2] US$m	2020 US$m	2019[2] US$m
By operating segment				
CHEP Americas	**3,205.8**	2,690.6	**1,289.1**	737.1
CHEP EMEA	**2,310.0**	2,257.4	**589.1**	466.1
CHEP Asia-Pacific	**590.1**	513.2	**204.6**	79.3
Corporate	**66.0**	84.3	**46.6**	37.7
Continuing operations	**6,171.9**	5,545.5	**2,129.4**	1,320.2
Discontinued operations	**-**	-	**-**	16.9
Total segment assets and liabilities	**6,171.9**	5,545.5	**2,129.4**	1,337.1
Cash and borrowings	**737.3**	1,691.3	**1,813.5**	2,200.2
Term deposits[11]	**68.6**	411.2	**-**	-
Current tax balances	**9.1**	8.7	**45.8**	31.7
Deferred tax balances	**96.3**	73.6	**338.1**	353.1
Total assets and liabilities	**7,083.2**	7,730.3	**4,326.8**	3,922.1
Non-current assets by geographic origin[12]				
Americas	**2,798.6**	2,322.3		
Europe	**1,716.1**	1,614.4		
Australia	**361.3**	309.6		
Other	**415.0**	405.9		
Total	**5,291.0**	4,652.2		

[11] Term deposits relate to cash deposits held with financial institutions comprising the proceeds from the divestment of IFCO. US$342.6 million was drawn down in 2020. The cash deposits cannot be used for short-term liquidity purposes, have terms less than 12 months and are measured at amortised cost.

[12] Non-current assets exclude financial instruments of US$9.7 million (2019: US$11.8 million) and deferred tax assets of US$96.3 million (2019: US$73.6 million).

Note 3. Operating Expenses – Continuing Operations

	Note	2020 US$m	2019 US$m
Employment costs		**735.8**	683.3
Service suppliers:			
- transport		**1,138.7**	1,118.1
- repairs and maintenance[1]		**786.4**	757.2
- subcontractors and other service suppliers[1]		**284.8**	309.0
Raw materials and consumables[2]		**206.9**	213.1
Occupancy[1]		**40.0**	137.1
Depreciation of property, plant and equipment[1]		**593.9**	467.8
Impairment charge - Kegstar[3]	4	**28.0**	-
Irrecoverable pooling equipment provision expense[4]		**155.7**	127.1
Amortisation of intangible assets		**18.3**	16.5
Net foreign exchange gains		**(1.5)**	(1.1)
Early debt repayment costs[5]	4	**-**	11.6
Other[6]		**111.7**	143.4
		4,098.7	3,983.1

[1] Due to the impact of AASB 16 *Leases* (refer Note 1G) repairs and maintenance expense reduced by US$(4.7) million, subcontractors expense reduced by US$(30.1) million, occupancy expense reduced by US$(105.8) million and depreciation expense relating to right-of-use leased assets increased by US$116.4 million. The comparative period does not include the impact of AASB 16.

[2] Used primarily for the repair of pooling equipment.

[3] Impairment charge of US$28.0 million recognised in the Kegstar keg-pooling business in relation to goodwill US$23.0 million, plant and equipment US$3.0 million and intangible assets US$2.0 million, reflecting the impact of Covid-19 and uncertainties over on-premise consumption and performance of the craft beer segment (refer Note 4).

[4] Loss rates reduced year-on-year whilst the overall IPEP expense increased, reflecting the higher unit cost of pallets being expensed. Asset efficiency improvements were delivered in 2020, resulting in lower capital expenditure and improved cash flows.

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

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

Note 4. Significant Items – Continuing Operations

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

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

	2020 US$m			2019 US$m		
	Before tax	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Items outside the ordinary course of business:						
- impairment charge[1]	**(28.0)**	**1.2**	**(26.8)**	-	-	-
- restructuring costs[2]	**-**	**-**	**-**	(30.2)	6.5	(23.7)
- early debt repayment costs[3]	**-**	**-**	**-**	(11.6)	-	(11.6)
- risk assessment related to asset losses in Latin America[4]	**-**	**-**	**-**	(21.0)	2.5	(18.5)
Significant Items from continuing operations	**(28.0)**	**1.2**	**(26.8)**	(62.8)	9.0	(53.8)

1 Impairment charge of US$28.0 million recognised in the Kegstar keg-pooling business in relation to goodwill US$23.0 million, plant and equipment US$3.0 million and intangible assets US$2.0 million, reflecting the impact of Covid-19 and uncertainties over on-premise consumption and performance of the craft beer segment (refer Note 13 and 14).

2 Restructuring costs in 2019 related to organisational changes of US$8.2 million and asset write-offs of US$22.0 million following and as a result of the IFCO divestment.

3 Early debt repayment costs of US$11.6 million in 2019 related to the US$500.0 million 144A bond which was repaid on 5 July 2019 using the IFCO sale proceeds, with associated interest savings realised in 2020.

4 In 2019, a detailed review of people, processes and pricing was undertaken in Latin America. Following this review, customer pricing was increased and asset recovery and asset control processes were improved. The improvements made provided additional market insight into the challenges of asset recovery in higher risk supply chains and a charge of US$21.0 million was recognised in Significant Items in 2019 to provide for assets transferred to these supply chains in prior years which were recognised to be at risk of being irrecoverable.

Note 5. Net Finance Costs – Continuing Operations

	2020 US$m	2019 US$m
Finance revenue		
Bank accounts and short-term deposits	**15.7**	6.1
Derivative financial instruments	**6.4**	15.1
Other	**2.9**	2.7
	25.0	23.9
Finance costs		
Interest expense on bank loans and borrowings[1]	**(55.7)**	(95.3)
Derivative financial instruments	**(20.2)**	(15.6)
Lease interest expense[2]	**(27.8)**	-
Other	**(2.1)**	(1.5)
	(105.8)	(112.4)
Net finance costs	**(80.8)**	(88.5)

[1] The reduction in interest expense on bank loans and borrowings is due to the repayment of debt using IFCO sale proceeds.

[2] Interest recognised on lease liabilities and dilapidation provisions (refer Note 1G(iv)).

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

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

Note 6. Income Tax

	Note	2020 US$m	2019 US$m
A) Components of Tax Expense			
Amounts recognised in the statement of comprehensive income			
Current income tax – continuing operations:			
- income tax charge		**197.8**	270.6
- prior year adjustments		**1.3**	(1.6)
		199.1	269.0
Deferred tax – continuing operations:			
- origination and reversal of temporary differences		**29.6**	(60.2)
- previously unrecognised tax losses		**(10.5)**	(6.4)
- tax rate change		**(1.2)**	1.0
- prior year adjustments		**(8.0)**	(5.1)
		9.9	(70.7)
Tax expense – continuing operations		**209.0**	198.3
Tax (benefit)/expense – discontinued operations	9	**(6.7)**	58.0
Tax expense recognised in profit or loss		**202.3**	256.3
Amounts recognised in other comprehensive income			
- on actuarial losses on defined benefit pension plans		**(1.9)**	(2.7)
Tax benefit recognised directly in other comprehensive income		**(1.9)**	(2.7)

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

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

Notes to and Forming Part of the Financial Statements – continued

for the year ended 30 June 2020

Note 6. Income Tax – continued

	Note	2020 US$m	2019 US$m
B) Reconciliation Between Tax Expense and Accounting Profit Before Tax			
Profit before tax – continuing operations		**686.2**	652.4
Tax at standard Australian rate of 30% (2019: 30%)		**205.9**	195.7
Effect of tax rates in other jurisdictions		**(30.8)**	(28.8)
Prior year adjustments		**(6.7)**	(7.8)
Prior year tax losses written-off		**0.1**	1.1
Current year tax losses not recognised		**4.5**	4.1
Foreign withholding tax unrecoverable		**10.3**	9.2
Change in tax rates		**(1.2)**	1.0
Non-deductible expenses		**14.8**	12.6
Other taxable items[1]		**24.3**	18.9
Prior year tax losses recouped/recognised		**(10.5)**	(6.4)
Other		**(1.7)**	(1.3)
Tax expense – continuing operations		**209.0**	198.3
Tax (benefit)/expense – discontinued operations	9	**(6.7)**	58.0
Total income tax expense		**202.3**	256.3

[1] Includes the impact of Base Erosion and Anti-abuse Tax (BEAT) in the US, relating to foreign payments effective 1 July 2018.

	2020 US$m		2019 US$m	
	Assets	Liabilities	Assets	Liabilities
C) Components of Deferred Tax Assets and Liabilities				
Deferred tax assets and liabilities in the balance sheet are represented by cumulative temporary differences attributable to:				
Items recognised through the statement of comprehensive income				
Employee benefits	**21.6**	**-**	18.7	-
Provisions and accruals	**38.2**	**-**	37.4	-
Losses available against future taxable income	**134.3**	**-**	122.1	-
Accelerated depreciation for tax purposes	**-**	**(569.0)**	-	(531.2)
Deferred revenue	**100.1**	**-**	98.6	-
Leases	**202.0**	**(155.9)**	-	-
Other	**79.8**	**(105.8)**	73.5	(113.4)
	576.0	**(830.7)**	350.3	(644.6)
Items recognised in other comprehensive income				
Actuarial losses/(gains) on defined benefit pension plans	**7.2**	**(0.2)**	7.9	(0.3)
Share-based payments	**5.9**	**-**	7.2	-
	13.1	**(0.2)**	15.1	(0.3)
Set-off against deferred tax (liabilities)/assets	**(492.8)**	**492.8**	(291.8)	291.8
Net deferred tax assets/(liabilities)	**96.3**	**(338.1)**	73.6	(353.1)

Note 6. Income Tax – continued

	2020 US$m		2019 US$m	
	Assets	**Liabilities**	**Assets**	**Liabilities**
D) Movements in Deferred Tax Assets and Liabilities				
At 1 July	**73.6**	**(353.1)**	38.2	(434.9)
(Charged)/credited to profit or loss	**(105.5)**	**95.6**	22.9	28.3
(Charged)/credited directly to equity	**(0.2)**	**(0.1)**	2.9	0.7
Divestment of subsidiaries	**-**	**-**	28.2	29.3
Adoption of new accounting standards	**210.5**	**(166.4)**	-	-
Offset against deferred tax (liabilities)/assets	**(79.1)**	**79.1**	(17.7)	17.7
Foreign exchange differences	**(3.0)**	**6.8**	(0.9)	5.8
At 30 June	**96.3**	**(338.1)**	73.6	(353.1)

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

Deferred tax assets and liabilities are not recognised:

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

Deferred tax assets are recognised for carried forward tax losses to the extent that the entity has sufficient taxable temporary differences or there is convincing evidence that sufficient taxable profit will be available against which the unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

At reporting date, Brambles has unused tax losses of US$671.6 million (2019: US$652.5 million) available for offset against future profits. A deferred tax asset has been recognised in respect of US$536.5 million (2019: US$492.4 million) of such losses.

The benefit for tax losses will only be obtained if:

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

No deferred tax asset has been recognised in respect of the remaining unused tax losses of US$135.1 million (2019: US$160.1 million) due to the unpredictability of future profit streams in the relevant jurisdictions. Tax losses of US$431.1 million (2019: US$434.2 million), which have been recognised in the balance sheet, have an expiry date between 2031 and 2038 (2019: between 2022 and 2038), however it is expected that these losses will be recouped prior to expiry. The remaining tax losses of US$105.4 million (2019: US$58.2 million), which have been recognised in the balance sheet, can be carried forward indefinitely.

Note 6. Income Tax – continued

D) Movements in Deferred Tax Assets and Liabilities – continued

At reporting date, undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised in the consolidated financial statements are US$961.3 million (2019: US$944.4 million). No deferred tax liability has been recognised for these amounts because Brambles controls the distributions from its subsidiaries and is satisfied that the temporary difference will not reverse in the foreseeable future.

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

E) Tax Consolidation

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

F) Tax Estimates and Judgements

Brambles is a global Group and is subject to income taxes in many jurisdictions around the world. Significant judgement is required in determining the provision for income taxes on a worldwide basis. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Brambles recognises liabilities for uncertain tax positions in accordance with IFRS interpretation IFRIC 23. Where the final tax outcome of these matters is different from amounts provided, such differences will impact the current and deferred tax provisions in the period in which such outcome is obtained.

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

G) Tax Policy

Brambles Limited has a tax policy approved by the Board of Directors, which sets out the Company’s approach to tax risk management and governance, tax planning, and dealing with tax authorities. The tax policy is included in Brambles Limited’s Code of Conduct. In addition, Brambles Limited’s Sustainability Review includes a Tax Transparency Report, prepared in accordance with the Australian Taxation Office's Voluntary Tax Transparency Code, which comprises, amongst other matters, details such as the corporate income tax paid by, and effective tax rates of, Brambles' Australian and global operations. The 2020 Tax Transparency Report is scheduled for publication in the second half of calendar year 2020 and will be posted on Brambles’ website.

Note 7. Earnings Per Share

	2020 US cents	2019 US cents
From continuing operations		
- basic	**30.8**	28.5
- diluted	**30.7**	28.4
- basic, on Underlying Profit after finance costs and tax	**32.5**	31.9
From discontinued operations[1]		
- basic	**(1.9)**	63.6
- diluted	**(1.9)**	63.4
Total Earnings Per Share (EPS)[1]		
- basic	**28.9**	92.1
- diluted	**28.8**	91.8

[1] 2019 includes earnings from IFCO operations (refer Note 9).

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

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

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

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

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

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

Note 7. Earnings Per Share – continued

	2020 Million	2019 Million
A) Weighted Average Number of Shares during the Year		
Used in the calculation of basic EPS	**1,548.7**	1,593.4
Adjustment for share rights	**4.7**	5.1
Used in the calculation of diluted EPS	**1,553.4**	1,598.5

	2020 US$m	2019 US$m
B) Reconciliations of Profit used in EPS Calculations		
Statutory profit		
Profit from continuing operations	**477.2**	454.1
(Loss)/profit from discontinued operations	**(29.2)**	1,013.6
Profit used in calculating basic and diluted EPS	**448.0**	1,467.7
Underlying Profit after finance costs and tax		
Underlying Profit (Note 2)	**795.0**	803.7
Net finance costs (Note 5)	**(80.8)**	(88.5)
Underlying Profit after finance costs before tax	**714.2**	715.2
Tax expense on Underlying Profit	**(210.2)**	(207.3)
Underlying Profit after finance costs and tax	**504.0**	507.9
Which reconciles to statutory profit:		
Underlying Profit after finance costs and tax	**504.0**	507.9
Significant Items after tax (Note 4)	**(26.8)**	(53.8)
Profit from continuing operations	**477.2**	454.1

Note 8. Dividends

A) Dividends Paid during the Year

	Interim[1] 2020 US cents	Special[2] 2020 Australian cents	Final 2019 Australian cents
Dividend per share	9.0	17.0	14.5
Cost (in US$ million)	133.4	183.2	157.3
Payment date	9 April 2020	22 October 2019	10 October 2019

[1] Effective from 1 July 2019, Brambles changed to a US dollar payout ratio based dividend policy, targeting a payout ratio of 45-60% of Underlying Profit after finance costs and tax, subject to Brambles' cash requirements, with the dividend per share declared in US cents and converted and paid in Australian cents based on an average exchange rate just prior to the dividend declaration.

[2] A special dividend of 17.0 Australian cents per share was approved at the 2019 Annual General Meeting (AGM) and paid on 22 October 2019. The special dividend was funded using proceeds from the IFCO divestment.

Total dividends paid during the year of US$473.9 million (2019: US$328.1 million) per the consolidated cash flow statement differ from the amount recognised in the consolidated statement of changes in equity of US$471.9 million (2019: US$330.0 million) due to the impact of foreign exchange movements between the dividend record and payment dates.

The Dividend Reinvestment Plan (DRP) remained suspended in 2020.

B) Dividend Declared after 30 June 2020

	Final 2020
Dividend per share (in US cents)	**9.0**
Cost (in US$ million)	**135.5**
Payment date	**8 October 2020**
Dividend record date	**10 September 2020**

As this dividend had not been declared at 30 June 2020, it is not reflected in these financial statements. A provision for dividends is only recognised where the dividends have been declared prior to the reporting date.

Total ordinary dividends declared for 2020 were 18.0 US cents per share, representing a payout ratio of 53% which is broadly in line with the prior year payout ratio, including IFCO's 2019 earnings contribution. The 2019 total ordinary dividends were 29.0 Australian cents per share.

C) Franking Credits

	2020 US$m	2019 US$m
Franking credits available for subsequent financial years based on an Australian tax rate of 30%	**33.2**	30.7

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

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

The final 2020 dividend will be franked at 30%.

Note 9. Discontinued Operations

The deferred consideration receivable from First Reserve, relating to the former Hoover Ferguson Group (HFG) investment divested in 2018, has been impaired by US$33.0 million in 2020 reflecting the current market conditions in the oil and gas industry (refer Note 10).

On 25 February 2019, Brambles entered into an agreement to sell its IFCO RPC business, with completion of the sale occurring on 31 May 2019. As a consequence, the 2019 results of IFCO have been presented in discontinued operations.

Financial information for discontinued operations is summarised below:

	Note	2020 US$m	2019 US$m
Sales revenue		**-**	1,010.7
Other income		**-**	1.2
Operating expenses[1]		**(35.9)**	(898.8)
Operating (loss)/profit (excluding profit or loss on divestments)		**(35.9)**	113.1
Operating results (excluding profit or loss on divestments) relate to:			
- Impairment of receivable[2]		**(33.0)**	-
- IFCO		**(1.0)**	115.2
- other discontinued operations		**(1.9)**	(2.1)
		(35.9)	113.1
Gain on divestment of IFCO before tax		**-**	959.3
Total operating (loss)/profit for the year		**(35.9)**	1,072.4
Finance costs		**-**	(0.8)
(Loss)/profit before tax		**(35.9)**	1,071.6
Tax benefit/(expense)[3]		**6.7**	(58.0)
(Loss)/profit for the year from discontinued operations		**(29.2)**	1,013.6
Net cash (outflow)/inflow from operating activities		**(7.2)**	241.1
Net cash outflow from investing activities[4]		**(16.0)**	(191.4)
Net cash outflow from financing activities		**-**	(10.4)
Net (decrease)/increase in cash and cash equivalents		**(23.2)**	39.3

1 Depreciation and amortisation within operating expenses in 2020 is nil (2019: US$105.7 million related to IFCO operations).

2 The impairment charge on the deferred consideration receivable from First Reserve of US$33.0 million, is recognised as a Significant Item outside the ordinary course of business (2019: US$959.3 million related to the gain on sale of IFCO and other IFCO divestment costs).

3 Tax expense in 2019 included US$13.6 million tax expense in relation to the gain on divestment of IFCO and a US$44.3 million tax expense on IFCO's operating activities.

4 Net cash outflow from investing activities for 2020 include costs paid on disposal of IFCO.

Note 10. Trade and Other Receivables

	2020 US$m	2019 US$m
Current		
Trade receivables	**548.1**	604.2
Allowance for doubtful receivables	**(17.2)**	(14.7)
Net trade receivables	**530.9**	589.5
Other debtors	**74.5**	77.1
Unbilled revenue	**111.8**	102.3
Total trade and other receivables	**717.2**	768.9
Non-current		
Other receivables[1]	**23.3**	52.8
	23.3	52.8

[1] Other receivables in 2020 includes deferred consideration of US$47.4 million due from First Reserve (2019: US$44.5 million). An impairment charge of US$33.0 million on the receivable has been recognised in 2020 reflecting the current market conditions in the oil and gas industry (refer Note 9).

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

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

The allowance for doubtful receivables has been established based on AASB 9 *Financial Instruments*. For all eligible trade and other receivables, Brambles applies the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade and other receivables are grouped based on region and aging. Customers with heightened credit risk are provided for specifically based on historical default rates and forward-looking information. Customers with normal credit risk are provided for in line with a provision matrix based on aging and their associated risk. A lifecycle allowance is calculated on the remaining trade and other receivables balance based on historical bad debt levels. Where there is no reasonable expectation of recovery, balances are written off. Subsequent recovery of amounts previously written off are credited against other expenses in the consolidated statement of comprehensive income. An allowance of US$7.3 million (2019: US$2.0 million) has been recognised as an expense in the current year for trade and other receivables in line with the Group accounting policy.

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

Note 10. Trade and Other Receivables – continued

	Trade receivables		Other debtors	
	2020 US$m	2019 US$m	2020 US$m	2019 US$m
At 30 June, the ageing analysis of trade receivables and other debtors by reference to due dates was as follows:				
Not past due	**489.2**	516.7	**60.6**	50.0
Past due 0–30 days but not impaired	**26.0**	40.4	**2.3**	6.8
Past due 31–60 days but not impaired	**7.6**	13.6	**1.3**	4.9
Past due 61–90 days but not impaired	**2.6**	6.6	**1.3**	1.8
Past 90 days but not impaired	**5.5**	12.2	**9.0**	13.6
Impaired	**17.2**	14.7	**-**	-
	548.1	604.2	**74.5**	77.1

Refer to Note 22 for other financial instruments' disclosures.

Note 11. Inventories

Raw materials and consumables	**59.2**	50.0
Finished goods	**8.3**	9.8
	67.5	59.8

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

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

Note 12. Other Assets

Current		
Prepayments	**74.4**	46.8
Current tax receivable	**9.1**	8.7
Derivative financial instruments	**12.1**	6.0
	95.6	61.5
Non-current		
Derivative financial instruments	**9.7**	11.8
	9.7	11.8

Refer to Note 22 for other financial instruments' disclosures.

Note 13. Property, Plant and Equipment

A) Net Carrying Amounts and Movements during the Year

	2020 US$m			2019 US$m		
	Land and buildings	**Plant and equipment**	**Total**	**Land and buildings**	**Plant and equipment**	**Total**
Opening carrying amount	**43.3**	**4,269.9**	**4,313.2**	48.9	5,090.8	5,139.7
Additions[1]	**10.4**	**970.8**	**981.2**	8.2	1,208.2	1,216.4
Divestment of subsidiaries	**-**	**-**	**-**	(7.4)	(1,075.7)	(1,083.1)
Disposals	**(0.1)**	**(107.0)**	**(107.1)**	-	(182.7)	(182.7)
Depreciation charge[2]	**(4.5)**	**(473.0)**	**(477.5)**	(5.1)	(555.2)	(560.3)
Impairment charge[3]	**-**	**(3.0)**	**(3.0)**	-	-	-
IPEP expense[4]	**-**	**(155.7)**	**(155.7)**	-	(141.2)	(141.2)
Foreign exchange differences	**(2.3)**	**(139.5)**	**(141.8)**	(1.3)	(74.3)	(75.6)
Closing carrying amount	**46.8**	**4,362.5**	**4,409.3**	43.3	4,269.9	4,313.2
At 30 June						
Cost	**92.1**	**6,530.6**	**6,622.7**	85.8	6,371.1	6,456.9
Accumulated depreciation[5]	**(45.3)**	**(2,165.1)**	**(2,210.4)**	(42.5)	(2,101.2)	(2,143.7)
Accumulated impairment[3]	**-**	**(3.0)**	**(3.0)**	-		-
Net carrying amount	**46.8**	**4,362.5**	**4,409.3**	43.3	4,269.9	4,313.2

1 In 2020 capital expenditure related to discontinued operations is nil (2019: US$156.0 million).

2 In 2020 depreciation charge related to discontinued operations is nil (2019: US$92.5 million).

3 Impairment charge of US$3.0 million recognised in the Kegstar keg-pooling business in relation to plant and equipment, reflecting the impact of Covid-19 and uncertainties over on-premise consumption and performance of the craft beer segment (refer Note 13E and 14D).

4 In 2020 IPEP expense related to discontinued operations is nil (2019: US$14.1 million).

5 Includes the IPEP provision of US$105.7 million (2019: US$83.0 million).

The net carrying amounts above include capital work in progress of US$129.0 million (2019: US$85.9 million).

B) Recognition and Measurement

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

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to Brambles. Repairs and maintenance are expensed in the consolidated statement of comprehensive income in the period they are incurred.

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

Note 13. Property, Plant and Equipment – continued

C) Depreciation of Property, Plant and Equipment

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

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

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

D) Irrecoverable Pooling Equipment Provision

Loss is an inherent risk of pooling equipment operations. Brambles' pooling equipment operations around the world differ in terms of business models, market dynamics, customer and distribution channel profiles, contractual arrangements and operational details. Brambles monitors its pooling equipment operations using detailed key performance indicators (KPIs) and conducts audits continuously to confirm the existence and the condition of its pooling equipment assets and to validate its customer hire records. During these audits, which take place at Brambles' plants, customer sites and other locations, pooling equipment is counted on a sample basis and reconciled to the balances shown in Brambles' customer hire records. The irrecoverable pooling equipment provision (IPEP) is subject to a number of judgements and estimates, which are informed by historical statistical data in each market, including the outcome of audits and relevant KPIs. The impact of Covid-19 has been considered in estimating the IPEP provision including updating the key assumptions for the latest estimated and actual loss rates. IPEP is presented within accumulated depreciation.

E) Recoverable Amount of Non-current Assets

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

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

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

Kegstar global has been adversely impacted by Covid-19 and uncertainties over on-premise consumption and performance of the craft beer segment. As a result the keg-pooling equipment has been written down to the recoverable amount and an impairment charge of US$3.0 million recognised in the statement of comprehensive income (refer Note 4).

Note 14. Goodwill and Intangible Assets

A) Net Carrying Amounts and Movements during the Year

	2020 US$m				2019 US$m			
	Goodwill	Software	Other[1]	Total	Goodwill	Software	Other[1]	Total
Opening carrying amount	**220.8**	**36.0**	**29.4**	**286.2**	911.7	38.1	73.0	1,022.8
Additions	**-**	**15.1**	**7.5**	**22.6**	-	14.1	7.5	21.6
Disposals	**-**	**-**	**(0.1)**	**(0.1)**	-	(1.8)	-	(1.8)
Divestment of subsidiaries	**-**	**-**	**-**	**-**	(667.1)	(3.4)	(30.0)	(700.5)
Amortisation charge[2]	**-**	**(10.1)**	**(8.2)**	**(18.3)**	-	(10.7)	(19.0)	(29.7)
Impairment charge[3]	**(23.0)**	**(0.6)**	**(1.4)**	**(25.0)**	-	-	-	-
Foreign exchange differences	**(5.3)**	**(0.1)**	**(0.4)**	**(5.8)**	(23.8)	(0.3)	(2.1)	(26.2)
Closing carrying amount	**192.5**	**40.3**	**26.8**	**259.6**	220.8	36.0	29.4	286.2
At 30 June								
Gross carrying amount	**215.5**	**176.9**	**72.9**	**465.3**	220.8	165.1	68.2	454.1
Accumulated amortisation	**-**	**(136.0)**	**(44.7)**	**(180.7)**	-	(129.1)	(38.8)	(167.9)
Accumulated impairment[3]	**(23.0)**	**(0.6)**	**(1.4)**	**(25.0)**	-	-	-	-
Net carrying amount	**192.5**	**40.3**	**26.8**	**259.6**	220.8	36.0	29.4	286.2

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

2 In 2020 amortisation charge related to discontinued operations is nil (2019: US$13.2 million).

3 Based on a fair value less costs to sell model used for impairment testing, goodwill and intangibles of US$25.0 million in the Kegstar keg-pooling business have been impaired, reflecting the impact of Covid-19 and uncertainties over on-premise consumption and performance of the craft beer segment (refer Note 14D).

Note 14. Goodwill and Intangible Assets – continued

B) Summary of Carrying Value of Goodwill by CGU

	2020 US$m	2019 US$m
CHEP Europe	**129.4**	131.4
CHEP Asia-Pacific	**53.0**	54.7
Kegstar Australia and New Zealand (ANZ)	**-**	23.5
CHEP Americas	**10.1**	11.2
Total goodwill	**192.5**	220.8

C) Recognition and Measurement

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

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

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

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

Useful lives have been established for all non-goodwill intangible assets. Amortisation charges are expensed in the consolidated statement of comprehensive income on a straight-line basis over those useful lives. Estimated useful lives are reviewed annually.

The expected useful lives of intangible assets are generally:

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

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

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

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

Note 14. Goodwill and Intangible Assets – continued

D) Goodwill Recoverable Amount Testing

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

The recoverable amount of goodwill is determined based on the higher of the value in use and the fair value less costs to sell calculations undertaken at the CGU level. The value in use is calculated using a discounted cash flow methodology covering a three-year period, including the impact of Covid-19, with an appropriate terminal value at the end of that period.

Based on the review performed, an impairment loss of US$25.0 million has been recognised in the consolidated statement of comprehensive income (refer Note 4) in relation to Kegstar, an Australian keg-pooling business acquired in 2014. Goodwill of US$23.0 million and intangible assets of US$2.0 million have been fully impaired. The recoverable amount of the Kegstar ANZ CGU is based on fair value less costs to sell, using a discounted cash flow. The business has been materially impacted by Covid-19 due to severe restrictions on the industry in 2020, and uncertainties over on-premise consumption and performance of the craft beer segment.

The carrying amount of goodwill in the other CGUs at reporting date is fully supported. The key assumptions on which management has based its cash flow projections were:

Cash flow forecasts

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

Revenue growth rates

Revenue growth rates used are based on management's latest three-year plan. Three-year growth rates for CHEP Europe and CHEP Asia-Pacific CGUs were 1.4% and 7.7% respectively. Sensitivity testing was performed on these CGUs and a reasonably possible decline in these rates would not cause the carrying value of the CGUs to exceed their recoverable amount.

Terminal value

The terminal value calculated is determined using the stable growth model, having regard to the weighted average cost of capital (WACC) and terminal growth factor appropriate to each CGU. The terminal growth rate used in the financial projections was 1.9% for CHEP Europe and 2.2% for CHEP Asia-Pacific.

Discount rates (pre-tax)

Discount rates used are the pre-tax WACC and include a premium for market risks appropriate to each country in which the CGU operates. Weighted average pre-tax WACC used was 9.8% (pre-tax rates: CHEP Europe 9.0% and CHEP Asia-Pacific 12.3%). Weighted average pre-tax WACC rates used for 2019 impairment reviews were 8.7%.

Sensitivity

The Brambles pooling equipment business, excluding Kegstar, has not been materially impacted by Covid-19 in 2020 as it operates in an essential services market. Downside scenarios were prepared to sensitise the models. Reasonable changes to key assumptions in the Kegstar model do not materially impact the impairment loss recognised. For the remaining CGUs, any reasonable change to the above key assumptions would not cause the carrying value to materially exceed the recoverable amount. Consideration has also been given to climate change risk.

Note 15. Trade and Other Payables

	2020 US$m	2019 US$m
Current		
Trade payables	**438.4**	420.7
GST/VAT and other payables	**134.4**	147.4
Deferred revenue	**422.1**	410.8
Accruals	**227.3**	228.1
Derivative financial instruments	**4.3**	1.5
Total trade and other payables	**1,226.5**	1,208.5
Non-current		
Other liabilities	**-**	1.0
	-	1.0

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

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

Deferred revenue primarily relates to revenue that is billed on issue of pooling equipment to customers. It is recognised in the consolidated statement of comprehensive income over the cycle time (refer Note 2). As the cycle time is less than one year, all deferred revenue from 2019 was recognised in 2020. Deferred revenue in 2020 relates to the transaction price allocated to performance obligations that remain unsatisfied and will be satisfied in 2021.

Refer to Note 22 for other financial instruments' disclosures.

Note 16. Provisions

	2020 US$m		2019[1] US$m	
	Current	Non-current	Current	Non-current
Employee entitlements	**72.4**	**5.4**	61.3	3.5
Other[2]	**12.5**	**70.7**	14.2	11.3
	84.9	**76.1**	75.5	14.8

[1] The comparative period does not include the impact of AASB 16 *Leases*.

[2] Other includes US$70.9 million relating to dilapidation provisions on leases as well as other provisions relating to litigation and other known exposures.

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

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in the consolidated statement of comprehensive income.

Note 16. Provisions – continued

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

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

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

Note 17. Borrowings

	2020 US$m		2019 US$m	
	Current	**Non-current**	**Current**	**Non-current**
Unsecured				
Bank overdrafts	**-**	**-**	0.9	-
Bank loans	**27.5**	**149.3**	28.8	2.6
Loan notes[1]	**8.8**	**1,627.9**	527.1	1,640.8
	36.3	**1,777.2**	556.8	1,643.4

[1] On 5 July 2019, Brambles repaid the US$500.0 million April 2020 144A bond using the IFCO proceeds.

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

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

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

Note 18. Retirement Benefit Obligations

A) Defined Contribution Plans

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

Note 18. Retirement Benefit Obligations – continued

A) Defined Contribution Plans – continued

US$18.0 million (2019: US$20.5 million) has been recognised as an expense in the consolidated statement of comprehensive income, representing contributions paid and payable to these plans by Brambles at rates specified in the rules of the plans, all of which relate to continuing operations.

B) Defined Benefit Plans

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

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

The plan assets and the present value of the defined benefit obligations recognised in Brambles' balance sheet are based upon the most recent formal actuarial valuations, which have been updated to 30 June 2020 by independent professionally qualified actuaries and take account of the requirements of AASB 119. For all plans, the valuation updates have used assumptions, assets and cash flows as at 31 May 2020. There has been no material change in assumptions, assets and cash flows between 31 May and 30 June. The present value of the defined benefit obligations and past service costs were measured using the projected unit credit method. Past service cost is recognised immediately to the extent that the benefits are already vested.

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

A net expense of US$2.2 million has been recognised in the consolidated statement of comprehensive income in respect of defined benefit plans (2019: US$6.2 million), of which US$1.6 million net expense relates to continuing operations (2019: US$5.6 million). Included within the total expense recognised during the year is net interest cost of US$0.5 million (2019: a one-off Guaranteed Minimum Pension (GMP) equalisation adjustment of US$3.8 million and US$0.3 million net interest cost).

The amounts recognised in the balance sheet are as follows:

	2020 US$m	2019 US$m
Present value of defined benefit obligations	**299.6**	286.7
Fair value of plan assets	**(261.9)**	(249.4)
Net liability recognised in the balance sheet	**37.7**	37.3

Currency variations and a significant decrease in the discount rate, largely offset by an increase in the market value of plan assets, were the key drivers for the changes in the present value of defined benefit obligations and the fair value of plan assets. Benefits paid during the period were US$6.8 million (2019: US$7.7 million). There are a number of principal assumptions used in the actuarial valuations of the defined benefit obligations. These principal assumptions are the discount rate of 1.6% (2019: 2.4%) for the plans operating in the United Kingdom and 9.2% (2019: 9.3%) for the South African plan; the pension increase rate of 2.80% - 3.45% (2019: 3.30% - 3.65%) in the United Kingdom plans and the inflation rate for the South African plan of 4.75% (2019: 5.88%). A change of 25 basis points in the discount rate or other key assumptions may have a material impact on the defined benefit obligation.

Brambles has no legal obligation to settle this liability with an immediate contribution or additional one-off contributions. Brambles intends to continue to make contributions to the plans at the rates recommended by the plans' actuaries when actuarial valuations are obtained. Additional annual contributions of US$6.2 million (2019: US$6.3 million) are being paid to remove the identified deficits over a period of up to eight years (2019: nine years).

Note 19. Contributed Equity

	Shares	US$m
Total ordinary shares, of no par value, issued and fully paid:		
At 1 July 2018	1,591,901,323	6,218.5
Issued during the year[1]	2,900,351	23.0
Share buy-back[2]	(6,039,299)	(54.1)
At 30 June 2019	1,588,762,375	6,187.4
At 1 July 2019	**1,588,762,375**	**6,187.4**
Issued during the year[1]	**1,928,769**	**14.5**
Share buy-back[2]	**(85,658,579)**	**(645.4)**
Shareholder capital return[3]	**-**	**(129.3)**
At 30 June 2020	**1,505,032,565**	**5,427.2**

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

[2] As announced on 25 February 2019, Brambles will perform an on-market share buy-back of up to US$1.65 billion using the proceeds from the IFCO divestment. The cumulative total of shares repurchased and cancelled to 30 June 2020 is US$699.5 million, of which US$645.4 million occurred in 2020.

[3] A capital return of 12.0 Australian cents was approved at the 2019 AGM and paid on 22 October 2019. The capital return was funded using the proceeds from the IFCO divestment.

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

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

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

Note 20. Share-Based Payments

The Remuneration Report sets out details relating to the Brambles share plans (pages 50 and 52), together with details of performance share rights and MyShare matching conditional rights issued to the Executive Directors and other Key Management Personnel (pages 51 to 52). Rights granted by Brambles do not result in an entitlement to participate in share issues of any other corporation.

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

A) Grants over Brambles Limited Shares

Grant date	Expiry date	Balance at 1 July	Granted during year	Exercised during year	Forfeited / lapsed during year	Balance at 30 June
2020						
Performance share rights						
Awards granted in prior periods		5,263,284		(1,046,326)	(1,013,546)	3,203,412
15 July 2019	15 July 2025	-	11,602	-	-	11,602
15 Oct 2019	15 Oct 2025	-	2,607,326	(19,453)	(104,074)	2,483,799
4 Nov 2019	4 Nov 2025	-	1,606	-	-	1,606
14 Nov 2019	14 Nov 2025	-	112,225	-	-	112,225
MyShare matching conditional rights						
2018 Plan Year	31 Mar 2020	1,026,459	-	(968,256)	(58,203)	-
2019 Plan Year	31 Mar 2021	339,268	717,127	(15,915)	(79,558)	960,922
2020 Plan Year	31 Mar 2022	-	463,101	(489)	(7,233)	455,379
Total rights		**6,629,011**	**3,912,987**	**(2,050,439)**	**(1,262,614)**	**7,228,945**
2019 (summarised comparative)						
Total rights		7,457,199	3,543,412	(3,048,036)	(1,323,564)	6,629,011

Of the above grants, 160,807 were exercisable at 30 June 2020.

		2020	2019
Weighted average data:			
- fair value at grant date of grants made during the year	A$	**10.26**	9.71
- share price at exercise date of grants exercised during the year	A$	**11.37**	11.29
- remaining contractual life at 30 June	years	**3.8**	4.0

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

Note 20. Share-Based Payments – continued

A) Grants Over Brambles Limited Shares – continued

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

The cost of cash-settled share rights is charged to the consolidated statement of comprehensive income over the relevant vesting periods, with a corresponding increase in provisions.

B) Fair Value Calculations

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

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

	2020	2019
Weighted average share price	**A$11.59**	A$11.01
Expected volatility	**20%**	20%
Expected life	**2 – 3 years**	2 – 3 years
Annual risk-free interest rate[1]	**0.68%**	1.94 – 2.00%
Expected dividend yield	**3.00%**	3.00%

[1] The decline in the annual risk-free interest rate is reflective of the movement in the yield on Australian government bonds.

The expected volatility was determined based on a four-year historic volatility of Brambles' share prices.

C) Share-Based Payments Expense

Brambles recognised a total expense of US$18.4 million (2019: US$17.1 million) relating to equity-settled share-based payments and US$1.7 million (2019: US$1.6 million) relating to cash-settled share-based payments. Of these amounts, nil (2019: US$2.1 million) related to discontinued operations.

Note 21. Reserves and Retained Earnings

A) Movements in Reserves and Retained Earnings

	Reserves					
	Share-based payments US$m	Foreign currency translation US$m	Unification US$m	Other US$m	Total US$m	Retained earnings US$m
Year ended 30 June 2019						
Opening balance	80.3	(333.4)	(7,162.4)	161.8	(7,253.7)	3,813.6
Actuarial loss on defined benefit plans	-	-	-	-	-	(8.1)
Foreign exchange differences	-	(85.0)	-	-	(85.0)	-
FCTR released to profit on divestment of IFCO	-	32.2	-	-	32.2	-
Share-based payments:						
- expense recognised	17.1	-	-	-	17.1	-
- shares issued	(23.0)	-	-	-	(23.0)	-
- equity component of related tax	1.6	-	-	-	1.6	-
- transfer to retained earnings on divestment of IFCO	(0.1)	-	-	-	(0.1)	0.1
- other	(11.6)	-	-	-	(11.6)	-
Dividends declared	-	-	-	-	-	(330.0)
Profit for the year	-	-	-	-	-	1,467.7
Closing balance as at 30 June 2019	64.3	(386.2)	(7,162.4)	161.8	(7,322.5)	4,943.3
Year ended 30 June 2020						
Opening balance as previously reported	**64.3**	**(386.2)**	**(7,162.4)**	**161.8**	**(7,322.5)**	**4,943.3**
Opening balance adjustment on adoption of AASB 16	**-**	**-**	**-**	**-**	**-**	**(121.8)**
Revised opening balance	**64.3**	**(386.2)**	**(7,162.4)**	**161.8**	**(7,322.5)**	**4,821.5**
Actuarial loss on defined benefit plans	**-**	**-**	**-**	**-**	**-**	**(4.1)**
Foreign exchange differences[1]	**-**	**(143.9)**	**-**	**-**	**(143.9)**	**-**
Share-based payments:						
- expense recognised	**18.4**	**-**	**-**	**-**	**18.4**	**-**
- shares issued	**(14.5)**	**-**	**-**	**-**	**(14.5)**	**-**
- equity component of related tax	**(1.8)**	**-**	**-**	**-**	**(1.8)**	**-**
Dividends declared	**-**	**-**	**-**	**-**	**-**	**(471.9)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**448.0**
Closing balance as at 30 June 2020	**66.4**	**(530.1)**	**(7,162.4)**	**161.8**	**(7,464.3)**	**4,793.5**

1 Exchange differences on translation of foreign subsidiaries have been significantly impacted by the devaluation of the Australian dollar, Latin American currencies and the South African rand net assets translated into US dollars. The June 2020 spot rate relative to the US dollar weakened 2% for the Australian dollar, 21% for the Latin American currencies and 22% for the South African rand.

Note 21. Reserves and Retained Earnings – continued

B) Nature and Purpose of Reserves

Share-based payments reserve
This comprises the cumulative share-based payment expense recognised in the statement of comprehensive income in relation to equity-settled options and share rights issued but not yet exercised. Refer to Note 20 for further details.

Foreign currency translation reserve
This comprises cumulative exchange differences arising from the translation of the financial statements of foreign subsidiaries, net of qualifying net investment hedges. The relevant accumulated balance is recognised in the consolidated statement of comprehensive income on disposal of a foreign subsidiary.

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

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

Note 22. Financial Risk Management

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

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

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

A) Financial Assets and Liabilities

Financial assets are recognised when Brambles becomes a party to the contractual provisions of the instrument and are classified in the following two categories: financial assets at fair value through profit or loss; and amortised cost, as disclosed in the respective notes.

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

Refer to Note 17 for the recognition of interest bearing financial liabilities. Refer to Note 1G for the recognition of lease liabilities.

The fair values of all financial assets and liabilities held on the balance sheet as at 30 June 2020 equal the carrying amount, with the exception of loan notes, which have an estimated fair value of US$1,708.9 million (2019: US$2,264.7 million) compared to a carrying value of US$1,636.7 million (2019: US$2,167.9 million). Financial assets and liabilities held at fair value (other than loan notes) are estimated using Level 2 estimation techniques, which uses inputs that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The fair value of loan notes has been calculated using Level 1 valuation techniques, which uses directly observable unadjusted quoted prices in active markets for identical assets or liabilities.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturities at the balance sheet date. The fair value of interest rate swap contracts is calculated as the present value of the forward cash flows of the instrument after applying market rates and standard valuation techniques.

B) Derivative and Hedging Activities

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

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

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

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

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

Note 22. Financial Risk Management – continued

C) Market Risk

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

Interest rate risk

Brambles' exposure to potential volatility in finance costs, is predominantly in euros and US dollars on borrowings. This is managed by maintaining a mix of fixed and floating-rate instruments within select target bands over defined periods. In some cases, interest rate derivatives are used to achieve these targets synthetically. As at 30 June 2020, Brambles also has exposure to variability in finance revenue through its holdings of cash and term deposits in Australian dollars.

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

	Note	2020 US$m	2019 US$m
Financial assets (floating rate)			
Cash at bank		**204.7**	357.7
Short-term deposits		**463.9**	836.5
		668.6	1,194.2
Weighted average effective interest rate at 30 June		**0.6%**	1.7%
Financial assets (fixed rate)			
Short-term deposits		**68.7**	497.1
Term deposit	2	**68.6**	411.2
Other receivables	10	**23.3**	52.8
		160.6	961.1
Weighted average effective interest rate at 30 June		**1.5%**	**2.3%**
Financial liabilities (floating rate)			
Bank overdrafts		**-**	0.9
Bank loans		**161.6**	28.8
Interest rate swaps (notional value) – fair value hedges		**168.6**	170.6
Net exposure to cash flow interest rate risk		**330.2**	200.3
Weighted average effective interest rate at 30 June		**1.1%**	**2.2%**
Financial liabilities (fixed rate)			
Loan notes		**1,636.7**	2,167.9
Bank loans		**15.2**	2.6
Lease liabilities		**704.2**	-
Interest rate swaps (notional value) – fair value hedges		**(168.6)**	(170.6)
Net exposure to fair value interest rate risk		**2,187.5**	1,999.9
Weighted average effective interest rate at 30 June		**3.0%**	**3.3%**

Note 22. Financial Risk Management – continued

C) Market Risk – continued

Interest rate swaps – fair value hedges

Brambles entered into interest rate swap transactions with various banks, swapping €150.0 million of the €500.0 million 2024 Euro medium-term fixed-rate notes (EMTN) to variable rates. The interest rate swaps and debt have been designated in a hedging relationship at a hedge ratio of 1:1. The fair value of the interest rate swaps are adjusted for credit risk, measured by reference to credit default swaps for the interest rate swap counterparties, which is a source of ineffectiveness. Movement in credit risk does not dominate the hedge relationship. The credit valuation adjustment to the swaps at 30 June 2020 is US$0.1 million (2019: US$0.1 million).

In accordance with AASB 9, the carrying value of the loan notes has been adjusted to increase debt by US$12.9 million (2019: US$15.1 million) in relation to changes in fair value attributable to the hedged risk. The fair value of interest rate swaps at reporting date was US$12.6 million (2019: US$14.8 million).

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

Fair value hedge	Hedged item	Hedging instrument
Description	€150m of the €500m EMTN	€150m interest rate swaps
Nominal amount (US$m)	168.6	168.6
Carrying amount (US$m)	171.6	12.6
Change in fair value (US$m)	12.9	12.9
Hedge ineffectiveness (US$m)	Nil	Nil
Balance sheet account impacted	Non-current borrowings	Other assets
Statement of comprehensive income account impacted		Finance revenue/finance costs

The gain or loss from remeasuring the interest rate swaps at fair value is recorded in profit or loss together with any changes in the fair value of the hedged asset or liability that is attributed to the hedged risk. For 2020, all interest rate swaps were effective hedging instruments.

Sensitivity analysis

Based on the Australian dollar floating rate financial assets and floating rate financial liabilities outstanding at 30 June 2020, if Australian interest rates were to increase or decrease by 50 basis points with all other variables held constant, profit after tax for the year would have been US$2.2 million higher/lower (2019: US$5.3 million higher/lower).

Foreign exchange risk

Exposure to foreign exchange risk generally arises in either the value of transactions translated back to the functional currency of a subsidiary or the value of assets and liabilities of overseas subsidiaries when translated back to the Group’s reporting currency.

Foreign exchange hedging is used when a transaction exposure exceeds certain thresholds and as soon as a defined exposure arises. Within Brambles, exposures may arise with external parties or, alternatively, by way of cross-border intercompany transactions. Forward foreign exchange contracts are primarily used to manage exposures from normal commercial transactions such as the purchase and sale of equipment and services, intercompany interest and royalties. Given that Brambles both generates income and incurs expenses in its local currencies of operation, these exposures are not significant.

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

Note 22. Financial Risk Management – continued

C) Market Risk – continued

Foreign exchange risk – continued

Currency profile

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

	US dollar US$m	Aust. dollar US$m	Sterling US$m	Euro US$m	Other US$m	Total US$m
2020						
Financial assets	**301.8**	**643.8**	**14.5**	**155.3**	**266.5**	**1,381.9**
Financial liabilities	**1,234.9**	**105.8**	**76.4**	**1,280.2**	**263.1**	**2,960.4**
2019						
Financial assets	712.3	1,538.8	43.9	201.8	265.8	2,762.6
Financial liabilities	1,159.5	14.0	31.6	1,256.2	161.1	2,622.4

Forward foreign exchange contracts – cash flow hedges

During 2020, Brambles entered into forward foreign exchange transactions with various banks in a variety of cross-currencies for terms ranging up to eight months.

For 2020 and 2019, all foreign exchange contracts were effective hedging instruments. The fair value of these contracts at reporting date was nil (2019: nil).

Other forward foreign exchange contracts

Brambles enters into other forward foreign exchange contracts for the purpose of hedging various cross-border intercompany loans to overseas subsidiaries. In this case, the forward foreign exchange contracts provide an economic hedge against exchange fluctuations on foreign currency loan balances. The face value and terms of the foreign exchange contracts match the intercompany loan balances. Gains and losses on realignment of the intercompany loans and foreign exchange contracts to spot rates are offset in the consolidated statement of comprehensive income. Consequently, these foreign exchange contracts are not designated for hedge accounting purposes and are classified as held for trading. The fair value of these contracts at reporting date was a net asset of US$4.9 million (2019: net liability of US$1.5 million).

Hedge of net investment in foreign entity

At 30 June 2020, €350.5 million (US$394.0 million) of the 2024 EMTN has been designated as a hedge of the net investment in Brambles' European subsidiaries and is being used to partially hedge Brambles' exposure to foreign exchange risks on these investments. For 2020 and 2019, there was no ineffectiveness to be recorded from such partial hedges of net investments in foreign entities.

Sensitivity analysis

Based on the financial instruments held at 30 June 2020, if exchange rates were to weaken/strengthen against the US dollar by 10% with all other variables held constant, the transaction exposure within profit after tax for the year would not have been material. However, the impact on equity would have been US$27.8 million lower/higher (2019: US$28.3 million lower/higher) as a result of the incremental movement through the foreign currency translation reserve relating to the effective portion of a net investment hedge.

Note 22. Financial Risk Management – continued

D) Liquidity Risk

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

Bank credit facilities are generally structured on a committed multi-currency revolving basis and at balance date had maturities ranging out to January 2025. Borrowings under the bank credit facilities are floating-rate, unsecured obligations with covenants and undertakings typical for these types of arrangements.

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

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

The average term to maturity of the committed borrowing facilities and the loan notes is equivalent to 4.2 years (2019: 4.0 years). These facilities are unsecured and are guaranteed as described in Note 31B.

Borrowing facilities maturity profile

	Year 1 US$m	Year 2 US$m	Year 3 US$m	Year 4 US$m	>4 years US$m	Total US$m
2020						
Total facilities	**376.9**	**471.3**	**404.4**	**663.3**	**1,500.6**	**3,416.5**
Facilities used[1]	**(27.8)**	**(1.5)**	**-**	**(562.1)**	**(1,216.5)**	**(1,807.9)**
Facilities available	**349.1**	**469.8**	**404.4**	**101.2**	**284.1**	**1,608.6**
2019						
Total facilities	765.0	637.6	475.7	183.7	1,983.5	4,045.5
Facilities used[1]	(530.7)	(5.6)	-	(2.1)	(1,638.4)	(2,176.8)
Facilities available	234.3	632.0	475.7	181.6	345.1	1,868.7

[1] Facilities used represent the principal value of loan notes and borrowings of US$1,802.3 million and letters of credit of US$5.6 million drawn against the relevant facilities to reflect the correct amount of funding headroom. The loan note and borrowings amount differs by US$11.2 million (2019: US$29.0 million) from loan notes and borrowings as shown in the balance sheet, which are measured on the basis of amortised cost as determined under the effective interest method and include accrued interest, transaction costs and fair value adjustments on certain hedging instruments.

Note 22. Financial Risk Management – continued

D) Liquidity Risk – continued

Maturities of financial liabilities

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

	Year 1 US$m	Year 2 US$m	Year 3 US$m	Year 4 US$m	>4 years US$m	Total contractual cash flows US$m	Carrying amount (assets)/ liabilities US$m
2020							
Non-derivative financial liabilities							
Trade payables	438.4	-	-	-	-	438.4	438.4
Bank loans	30.1	3.5	1.9	1.9	151.1	188.5	176.8
Loan notes	42.4	42.4	42.4	604.5	1,126.8	1,858.5	1,636.7
Lease liabilities	135.0	118.5	107.5	98.0	365.4	824.4	704.2
	645.9	164.4	151.8	704.4	1,643.3	3,309.8	2,956.1
Financial guarantees[2]	27.4	-	-	-	-	27.4	-
	673.3	164.4	151.8	704.4	1,643.3	3,337.2	2,956.1
Derivative financial (assets)/liabilities							
Net settled interest rate swaps							
- fair value hedges	(2.9)	(3.5)	(3.3)	(3.1)	-	(12.8)	(12.6)
Gross settled forward foreign exchange contracts							
- (inflow)	(462.3)	-	-	-	-	(462.3)	(4.9)
- outflow	457.4	-	-	-	-	457.4	-
	(7.8)	(3.5)	(3.3)	(3.1)	-	(17.7)	(17.5)

Note 22. Financial Risk Management – continued

D) Liquidity Risk – continued

	Year 1 US$m	Year 2 US$m	Year 3 US$m	Year 4 US$m	>4 years US$m	Total contractual cash flows US$m	Carrying amount (assets)/ liabilities US$m
2019							
Non-derivative financial liabilities							
Trade payables	420.7	-	-	-	-	420.7	420.7
Bank overdrafts	0.9	-	-	-	-	0.9	0.9
Bank loans	30.6	0.3	0.3	2.3	1.4	34.9	31.4
Loan notes	560.9	42.7	42.7	42.7	1,744.9	2,433.9	2,167.9
	1,013.1	43.0	43.0	45.0	1,746.3	2,890.4	2,620.9
Financial guarantees[2]	28.9	-	-	-	-	28.9	-
	1,042.0	43.0	43.0	45.0	1,746.3	2,919.3	2,620.9
Derivative financial (assets)/liabilities							
Net settled interest rate swaps							
- fair value hedges	(3.0)	(3.5)	(3.1)	(3.0)	(2.6)	(15.2)	(14.8)
Gross settled forward foreign exchange contracts							
- (inflow)	(673.2)	-	-	-	-	(673.2)	(1.5)
- outflow	671.7	-	-	-	-	671.7	-
	(4.5)	(3.5)	(3.1)	(3.0)	(2.6)	(16.7)	(16.3)

[2] Refer to Note 25 a) for details on financial guarantees. The amounts disclosed above are the maximum amounts allocated to the earliest period in which the guarantee could be called. Brambles does not expect these payments to eventuate.

Note 22. Financial Risk Management – continued

E) Credit Risk Exposure

Brambles is exposed to credit risk on its financial assets, which comprise cash and cash equivalents, term deposits, trade and other receivables and derivative financial instruments. The exposure to credit risks arises from the potential failure of counterparties to meet their obligations. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial instruments, including the mark-to-market of hedging instruments where they represent an asset in the balance sheet. Brambles has short-term deposits with maturities between one to four months totalling US$377.4 million. A total of US$308.8 million is deposited with banks rated AA- by Standard & Poor's and US$68.6 million is deposited with banks rated A+ by Standard & Poor's. All remaining short-term deposits are at-call. Other than the term deposits described above and non-current receivables due from First Reserve totalling US$47.4 million (refer Note 10), there is no concentration of credit risk.

Brambles trades only with recognised, creditworthy third parties. Collateral is generally not obtained from customers. Customers are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Credit limits are set for individual customers and approved by credit managers in accordance with an approved authority matrix. These credit limits are regularly monitored and revised based on historic turnover activity and credit performance. In addition, overdue receivable balances are monitored and actioned on a regular basis.

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

F) Capital Risk Management

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

Brambles manages its capital structure to be consistent with a solid investment-grade credit rating. At 30 June 2020, Brambles held investment-grade credit ratings of BBB+ from Standard & Poor's and Baa1 from Moody's Investors Service.

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

Brambles considers its capital to comprise:

	2020 US$m	**2019 US$m**
Total borrowings	**1,813.5**	2,200.2
Total lease liabilities	**704.2**	-
Less: cash and cash equivalents	**(737.3)**	(1,691.3)
Less: term deposits	**(68.6)**	(411.2)
Net debt	**1,711.8**	97.7
Total equity	**2,756.4**	3,808.2
Total capital	**4,468.2**	3,905.9

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

- the ratio of net debt (excluding term deposits) to EBITDA is to be no more than 3.5 to 1; and
- the ratio of EBITDA to net finance costs is to be no less than 3.5 to 1.

Loan covenant ratios are calculated excluding the impact of AASB 16 *Leases* and on a 12-month rolling basis. EBITDA for the purpose of loan covenant calculations is Underlying Profit before interest, tax, depreciation and amortisation.

Brambles has complied with these financial covenants for 2020 and prior years.

Note 23. Cash Flow Statement – Additional Information

A) Reconciliation of Cash

	2020 US$m	2019 US$m
For the purpose of the consolidated cash flow statement, cash comprises:		
Cash at bank and in hand	**204.7**	357.7
Short-term deposits[1]	**532.6**	1,333.6
Cash and cash equivalents	**737.3**	1,691.3
Bank overdraft (Note 17)	**-**	(0.9)
	737.3	1,690.4

[1] Short-term deposits recognised within cash and cash equivalents have maturities of three months or less and are measured at amortised cost.

Cash and cash equivalents include deposits with financial institutions and other highly liquid investments which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Bank overdrafts are presented within borrowings in the balance sheet.

Cash and cash equivalents include balances of US$0.2 million (2019: US$0.2 million) used as security for various contingent liabilities and are not readily accessible.

Brambles has various master netting and set-off arrangements covering cash pooling. An amount of US$2.3 million has been reduced from cash at bank and overdraft at 30 June 2020 (2019: US$1.2 million).

Note 23. Cash Flow Statement – Additional Information – continued

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

	2020 US$m	2019 US$m
Profit after tax	**448.0**	1,467.7
Adjustments for:		
- depreciation and amortisation	**612.2**	590.0
- IPEP expense	**155.7**	141.2
- net gain on divestments	**-**	(959.3)
- net (gain)/loss on disposal of property, plant and equipment	**(2.3)**	56.3
- impairment of goodwill, intangibles and plant and equipment	**28.0**	-
- other valuation adjustments	**(7.0)**	(4.1)
- equity-settled share-based payments	**18.4**	17.1
- finance revenues and costs	**(14.7)**	1.9
Movements in operating assets and liabilities, net of acquisitions and disposals:		
- decrease/(increase) in trade and other receivables	**43.9**	(132.6)
- increase in prepayments	**(33.0)**	(8.6)
- increase in inventories	**(9.6)**	(1.0)
- increase/(decrease) in deferred taxes	**15.1**	(36.1)
- increase in trade and other payables	**107.3**	122.7
- increase in tax payables	**9.3**	61.9
- increase in provisions	**12.8**	18.8
- other	**2.8**	2.5
Net cash inflow from operating activities	**1,386.9**	1,338.4

Note 23. Cash Flow Statement – Additional Information – continued

C) Reconciliation of Movement in Net Debt

	2020 US$m	2019 US$m
Net debt at beginning of the year	**97.7**	2,308.1
Adjust for AASB 16 opening lease liabilities	**741.6**	-
Net cash inflow from operating activities	**(1,386.9)**	(1,338.4)
Net cash outflow from investing activities	**924.7**	1,100.0
Net payments/(proceeds) from disposal of businesses, net of cash disposed	**16.0**	(2,366.2)
Payments for share buy-back less proceeds from share issues	**645.4**	53.9
Return of capital to shareholders	**129.3**	-
Dividends paid - ordinary	**290.7**	328.1
Dividends paid - special	**183.2**	-
Net (inflow)/outflow from derivative financial instruments	**(26.5)**	34.8
Interest accruals, lease capitalisation and other	**58.9**	13.5
Foreign exchange differences	**37.7**	(36.1)
Net debt at end of the year	**1,711.8**	97.7
Being:		
Current borrowings	**36.3**	556.8
Current lease liabilities	**112.8**	-
Non-current borrowings	**1,777.2**	1,643.4
Non-current lease liabilities	**591.4**	-
Cash and cash equivalents	**(737.3)**	(1,691.3)
Term deposits	**(68.6)**	(411.2)
Net debt at end of the year	**1,711.8**	97.7

D) Non-cash Financing or Investing Activities

Apart from the MyShare Dividend Reinvestment Plan and the adoption of AASB 16 *Leases,* there were no financing or investing transactions during the year which had a material effect on the assets and liabilities of Brambles that did not involve cash flows.

Note 24. Commitments

Capital Expenditure Commitments

Capital expenditure, principally relating to property, plant and equipment, contracted for but not recognised as liabilities at reporting date was as follows:

	2020 US$m	2019 US$m
Within one year	**74.0**	106.8
Between one and five years	**-**	-
	74.0	106.8

Note 25. Contingencies

a) Subsidiaries have contingent unsecured liabilities in respect of guarantees given relating to leases, workers compensation insurance and other obligations totalling US$27.4 million (2019: US$28.9 million), of which US$21.1 million (2019: US$22.5 million) is also guaranteed by Brambles Limited and US$5.6 million (2019: US$5.6 million) is also guaranteed by Brambles Limited and certain of its subsidiaries under a deed of cross-guarantee and is included in Note 31B.

b) Brambles guarantees certain Iron Mountain (formerly Recall) lease obligations. To the extent any claims or liabilities arise under those guarantees and are caused by an Iron Mountain Group company, Iron Mountain has indemnified Brambles under the Demerger Deed relating to the demerger of Brambles' former Recall business.

c) Environmental contingent liabilities

Brambles' activities have previously included the treatment and disposal of hazardous and non-hazardous waste through subsidiaries and corporate joint ventures. In addition, other activities of Brambles entail using, handling and storing materials which are capable of causing environmental impairment.

As a consequence of the nature of these activities, Brambles has incurred and may continue to incur environmental costs and liabilities associated with site and facility operation, closure, remediation, aftercare, monitoring and licensing. Provisions have been made in respect of estimated environmental liabilities at all sites and facilities where obligations are known to exist and can be reliably measured.

However, additional liabilities may emerge due to a number of factors including changes in the numerous laws and regulations which govern environmental protection, liability, land use, planning and other matters in each jurisdiction in which Brambles operates or has operated. These extensive laws and regulations are continually evolving in response to technological advances, scientific developments and other factors. Brambles cannot predict the extent to which it may be affected in the future by any such changes in legislation or regulation.

d) Brambles continues to defend a consolidated class action raised on behalf of certain shareholders who acquired shares during the period between 18 August 2016 and 20 February 2017. Brambles has filed its defence in the consolidated action. It is not possible to determine the ultimate impact, if any, of the action upon Brambles, and it continues to vigorously defend the proceedings.

In the ordinary course of business, Brambles becomes involved in litigation. Provisions have been made for known obligations where the existence of the liability is probable and can be reasonably quantified. Receivables have been recognised where recoveries, for example from insurance arrangements, are virtually certain.

As the outcomes of these matters remain uncertain, contingent liabilities exist for any potential amounts payable.

Note 26. Auditor's Remuneration

	2020 US$'000	2019 US$'000
Audit and review services:		
- PwC Australia	**1,987**	2,521
- Other PwC network firms	**2,528**	3,773
Total audit and review services[1]	**4,515**	6,294
Other assurance services (which could be performed by other firms):		
- PwC Australia	**83**	-
- Other PwC network firms	**9**	9
Total other assurance services	**92**	9
Total remuneration for audit, review and other assurance services	**4,607**	6,303
Other services:		
- IFCO divestment related - PwC Australia	**-**	188
- IFCO divestment related - other PwC network firms	**-**	2,099
- Tax advisory services - other PwC network firms	**4**	37
- Other - PwC Australia	**11**	9
- Other - other PwC network firms	**6**	36
Total other services[2]	**21**	2,369
Total auditor's remuneration	**4,628**	8,672

1 During 2019, US$961,000 was spent on the audit and review of IFCO financial statements relating to the divestment process, of which US$244,000 was paid to PwC Australia and US$717,000 was paid to other PwC network firms.

2 Other services during 2020 primarily related to compliance projects and tax consulting advice. Other services during 2019 primarily related to due diligence and other financial reporting procedures associated with the dual-track separation of IFCO through a demerger or sale of the business.

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

Note 27. Key Management Personnel

A) Key Management Personnel Compensation

	2020 US$'000	2019 US$'000
Short-term employee benefits	**5,203**	6,491
Post-employment benefits	**86**	130
Other benefits	**32**	35
Share-based payment expense[1]	**2,839**	3,523
	8,160	10,179

[1] 2019 includes US$1.0 million related to Key Management Personnel who were designated good leaver status following the divestment of IFCO.

B) Other Transactions with Key Management Personnel

Other transactions with Key Management Personnel are set out in Note 28A.

Further remuneration disclosures are set out in the Directors' Report on pages 33 to 52 of the Annual Report.

Note 28. Related Party Information

A) Other Transactions

Other transactions entered into during the year with Directors of Brambles Limited, with Director-related entities, with Key Management Personnel (KMP, as set out in the Directors' Report), or with KMP-related entities were on terms and conditions no more favourable than those available to other employees, customers or suppliers and include transactions in respect of the employee option plans, contracts of employment, service agreements with Non-Executive Directors and reimbursement of expenses. Any other transactions were trivial in nature.

B) Other Related Parties

A subsidiary has a non-interest bearing advance outstanding as at 30 June 2020 of US$979,164 (2019 US$999,860) to Brambles Custodians Pty Limited, the trustee under Brambles' employee loan scheme. This scheme enabled employees to acquire shares in Brambles Industries Limited (BIL) and has been closed to new entrants since August 2002.

Note 28. Related Party Information – continued

C) Material Subsidiaries

The principal subsidiaries of Brambles during the year were:

		% interest held at reporting date	
Name	**Place of incorporation**	**2020**	**2019**
CHEP USA	USA	**100**	100
CHEP Canada Corp	Canada	**100**	100
CHEP UK Limited	UK	**100**	100
CHEP Equipment Pooling NV	Belgium	**100**	100
CHEP España SA	Spain	**100**	100
CHEP Deutschland GmbH	Germany	**100**	100
CHEP South Africa (Proprietary) Limited	South Africa	**100**	100
CHEP Australia Limited	Australia	**100**	100
CHEP Mexico SRL	Mexico	**100**	100
Brambles USA Inc.	USA	**100**	100
Brambles Finance plc	UK	**100**	100
Brambles Finance Limited	Australia	**100**	100

In addition to the list above, there are a number of other non-material subsidiaries within Brambles.

Investments in subsidiaries are primarily by means of ordinary or common shares. Shares in subsidiaries are recorded at cost, less provision for impairment.

Material subsidiaries which prepare statutory financial statements report a 30 June balance date, with the exception of CHEP Mexico SRL, which reports a 31 December balance date.

Note 29. Events After Balance Sheet Date

Other than those outlined in the Directors' Report or elsewhere in these financial statements, no other events have occurred subsequent to 30 June 2020 and up to the date of this report that have had a material impact on Brambles' financial performance or position.

Note 30. Net Assets Per Share

	2020 US cents	2019 US cents
Based on 1,505.0 million shares (2019: 1,588.8 million shares):		
- Net tangible assets per share[1]	**165.9**	221.7
- Net assets per share[1]	**183.1**	239.7

[1] The movement primarily reflects reduced cash and term deposit balances used to fund the capital management programme.

Net tangible assets per share is calculated by dividing total equity attributable to the members of the parent entity, less goodwill and intangible assets, by the number of shares on issue at year end.

Net assets per share is calculated by dividing total equity attributable to the members of the parent entity by the number of shares on issue at year end.

Note 31. Parent Entity Financial Information

A) Summarised Financial Data of Brambles Limited

	Parent entity	
	2020 US$m	**2019 US$m**
(Loss)/profit for the year	**(18.0)**	1,428.8
Other comprehensive expense for the year[1]	**(167.7)**	(281.7)
Total comprehensive (expense)/income	**(185.7)**	1,147.1
Current assets	**1.6**	3.0
Non-current assets	**5,338.1**	7,662.3
Total assets	**5,339.7**	7,665.3
Current liabilities	**6.0**	-
Non-current liabilities	**-**	921.9
Total liabilities	**6.0**	921.9
Net assets	**5,333.7**	6,743.4
Contributed equity	**5,427.2**	6,187.4
Share-based payment reserve	**54.4**	46.3
Foreign currency translation reserve	**(952.9)**	(785.2)
Retained earnings	**805.0**	1,294.9
Total equity	**5,333.7**	6,743.4

[1] Comprises foreign currency translation movements.

Note 31. Parent Entity Financial Information – continued

A) Summarised Financial Data of Brambles Limited – continued

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements except for investments and receivables from subsidiaries. In the parent entity financial information, investments in subsidiaries are accounted for at cost and receivables from subsidiaries are held at amortised cost. Where appropriate, receivables from subsidiaries have been adjusted for expected credit losses. Dividends received from investments in subsidiaries are recognised as revenue.

B) Guarantees and Contingent Liabilities

Brambles Limited and certain of its subsidiaries are parties to a deed of cross-guarantee which supports global financing credit facilities available to certain subsidiaries. Total facilities available amount to US$1,500.2 million (2019: US$1,613.7 million), of which US$140.6 million (2019: US$5.6 million) has been drawn.

Brambles Limited and certain of its subsidiaries are parties to a guarantee which supports notes of US$500.0 million (2019: US$1,000.0 million) issued by a subsidiary to qualified institutional buyers in accordance with Rule 144A and Regulation S of the United States Securities Act.

Brambles Limited and certain of its subsidiaries are parties to a guarantee which supports notes of €1,000.0 million (2019: €1,000.0 million) issued by two subsidiaries in the European bond market.

Brambles Limited has guaranteed repayment of certain facilities and financial accommodations made available to certain subsidiaries. Total facilities and financial accommodations available amount to US$449.6 million (2019: US$464.8 million), of which US$64.9 million (2019: US$57.1 million) has been drawn.

Brambles Limited was served with class action proceedings in 2018 which has been disclosed as a contingent liability (refer Note 25d).

C) Contractual Commitments

Brambles Limited did not have any contractual commitments for the acquisition of property, plant and equipment at 30 June 2020 or 30 June 2019.

Directors' Declaration

In the opinion of the Directors of Brambles Limited:

(a) the financial statements and notes set out on pages 61 to 117 are in accordance with the *Corporations Act 2001,* including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the financial position of Brambles Limited as at 30 June 2020 and of its performance for the year ended on that date;

(b) there are reasonable grounds to believe that Brambles Limited will be able to pay its debts as and when they become due and payable.

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

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

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

J P Mullen

Chairman

G A Chipchase

Chief Executive Officer

19 August 2020