

CHEP UK Limited

**Annual report and financial statements
for the year ended 30 June 2018**

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Strategic Report for the year ended 30 June 2018

The directors present their Strategic Report of CHEP UK Limited ("the Company") for the year ended 30 June 2018.

Review of the business

The principal activity of the Company is the operation of a national, and part of a European, pallet and container pool. The Company is part of a supply-chain logistics group ("the Brambles Group"), operating primarily through the CHEP and IFCO brands. The Brambles Group specialises in the pooling of reusable unit-load equipment and the provision of associated services, focussing on the outsourced management of returnable pallets, crates and containers.

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

The Company has traded satisfactorily during the year and is expected to continue to do so in the future. The Company has grown pallet sector revenue against a challenging economic backdrop. The Company has experienced significant inflationary cost pressures, which have been partially mitigated through cost reduction activities during the year.

The principal subsidiaries have traded satisfactorily during the year and the ongoing businesses are expected to continue to trade satisfactorily in the future.

The Company is a wholly owned subsidiary of the Brambles Group. The Brambles Group is a global group comprising Brambles Limited, a company incorporated in Australia, limited by shares and listed on the Australian Securities Exchange, and all its subsidiary undertakings. The Brambles Group is headquartered in Sydney, Australia.

The Company applies FRS 101 - Reduced Disclosure Framework and has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking, Cyan Logistics Limited, has been notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions.

Key performance indicators (KPIs)

The directors consider that key performance indicators for the Company are neither relevant nor appropriate for an understanding of the development, performance or position of the business of the Company. The Brambles KPIs, which explain Group performance as a whole, are disclosed in the Brambles Limited Annual Report 2018.

Results

The results for the year are set out in the income statement on page 9.

Financial position

The net assets of the Company have increased by £8,953,000 from £87,173,000 at 30 June 2017 to £96,126,000 at 30 June 2018.

The directors consider the Company is in a strong and stable financial position to continue its current operations.

Principal risks and uncertainties

The Company operates robust risk management processes to ensure recognition and appropriate escalation of key financial, commercial, compliance, reputational and environmental risks. We strive to ensure sound risk management is embedded in all decision making and performance management processes. The directors believe that appropriate delegated authority and processes are in place to proactively manage emerging risks.

The principal risks and uncertainties of the Brambles Group do not form part of this report but they are disclosed in the Brambles Annual Report 2018 pages 12 & 13. Copies of the Brambles Group consolidated financial statements can be obtained from the Company Secretary at Level 10, Angel Place, 123 Pitt Street, Sydney, NSW 2000, Australia or at www.brambles.com.

Strategic Report for the year ended 30 June 2018 *(continued)*

On behalf of the Board



C Brocklehurst
Director
29th March 2019

Directors' Report for the year ended 30 June 2018

The directors present their Report and the audited financial statements of the Company for the year ended 30 June 2018.

Future developments

The directors are satisfied with the performance of the business and expect that the present level of activity will be sustained for the foreseeable future. Whilst the market is expected to remain competitive in the UK, the directors are confident that the Company is positioned to deliver profitable growth.

Dividends

The Company has paid an interim dividend on its ordinary shares during the year of £60,000,000 (2017: £45,000,000). The directors do not recommend payment of a final dividend (2017: nil).

Financial instruments

The Company manages its financial risk in conjunction with the Brambles Group. The Company is exposed to a variety of financial and market based risks, including exposure to fluctuating interest and exchange rates.

Funding and liquidity

The Company borrows from or lends to other Brambles Group undertakings from time to time. To minimise foreign exchange risks Brambles Group borrowings are arranged in the currency of the relevant operating asset to be funded.

Interest rate risk

The Brambles Group's interest rate risk policy is designed to reduce volatility in funding costs through prudent selection of hedging instruments. This policy comprises maintaining a mix of fixed and floating rate instruments within a target band over a certain time horizon. The Company has no significant exposure to external interest rate risk.

Foreign exchange risk

Under the Brambles Group foreign exchange policy, foreign exchange hedging is mainly confined to hedging transaction exposures where they exceed a certain threshold, and as soon as a defined exposure arises. New exposures may arise with external parties or by way of cross-border inter-company transactions. Forward foreign exchange contracts are primarily used for these purposes.

Directors

The directors of the Company who were in office during the year and up to the date of the signing of the financial statements were:

M Barwell
D Berry
C Brocklehurst
H Lane
D Millington (resigned 28 September 2018)

Qualifying third-party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Brambles Group also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of the Company and its directors.

Directors' Report for the year ended 30 June 2018 (continued)

Research and development

All research and development activities are undertaken by the Brambles Group at a global level, which activities comprise:

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

During the year the Company incurred no expenditure in respect of research and development.

Post balance sheet events

No material events occurred after the year end date of 30 June 2018 and before the signing of the Company's financial statements.

Employees

During the last 12 months CHEP UK and CHEP Ireland have been certified by the Top Employers Institute. The Top Employers Institute certifies excellence in the conditions that employers create for their people. Optimal employee conditions ensure that people develop themselves personally and professionally. This in turn enables companies to grow and develop.

In order to ensure our employees receive relevant information in respect of the company performance, monthly business updates take place for our office and field based employees. Business performance updates are included in our Shift briefs for our employees based in Plants and mid-year and full-year "business update" meetings take place where employees are briefed on the overall performance of the Global Brambles business as well as the European and CHEP UK & Ireland business unit.

Included in these business updates will be information on any change programmes, employees are encouraged to give feedback and ideas on how we can successfully manage change in the business. Should a formal consultation process be required this will always be supported by our human resources department who will ensure correct processes and followed in line with ACAS guidelines.

All employees are encouraged to participate in the Brambles MyShare scheme, employees can easily gain access to information on the share scheme via our employee hub. For employees based in Plants, we will provide relevant marketing materials, including posters and flyers and Plant Managers will conduct specific briefings close to the time that the Share save scheme registration takes place.

CHEP UK are an equal opportunities employer. As an equal opportunities employer, we have policies and processes in place to ensure that all colleagues and job applicants receive the same treatment regardless of gender, marital status, age, nationality, disability or ethnic origin. We are fully committed inclusion & diversity. Openness to diversity widens our access to the best talent. Inclusion allows us to engage that talent fully, leading to enhanced innovation, creativity, productivity, reputation, engagement and results.

Branches outside the UK

CHEP UK Limited operates a branch in the Republic of Ireland – CHEP Ireland.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on page 1.

The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Directors' Report for the year ended 30 June 2018 (continued)

Going Concern (continued)

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



C Brocklehurst
Director
29th March 2019

Registered office: 2nd Floor, 400 Dashwood Lang Road, Boume Business Park, Addlestone, Surrey, KT15 2HJ, England

Independent auditors' report to the members of CHEP UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, CHEP UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 30 June 2018; the income statement, the statement of comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Independent auditors' report to the members of CHEP UK Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of CHEP UK Limited (continued)

Responsibilities for the financial statements and the audit (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Andrew Paynter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

29th March 2019

(All amounts are in £ thousands unless otherwise stated)

Income statement for the year ended 30 June 2018

	Note	2018	2017
Revenue	4	340,932	332,505
Operating costs		(270,189)	(252,468)
Operating profit	5	70,743	80,037
Income from subsidiary		7,361	7,454
Profit before interest and taxation		78,104	87,491
Finance income and costs	7	(1,176)	(1,729)
Finance costs – net		(1,176)	(1,729)
Profit before taxation		76,928	85,762
Tax on profit	8	(13,856)	(16,323)
Profit for the financial year		63,072	69,439

(All amounts are in £ thousands unless otherwise stated)

Statement of comprehensive income for the year ended 30 June 2018

		2018	2017
Profit for the financial year		63,072	69,439
Other comprehensive income/(expense): Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on pension scheme	18	7,876	(5,310)
Movement on deferred tax relating to pension deficit		(2,094)	1,021
Movement on deferred tax relating to change in tax rates		158	-
Exchange losses		(135)	(201)
Other comprehensive income/(expense) for the financial year, net of tax		5,805	(4,490)
Total comprehensive income for the financial year		68,877	64,949

(All amounts are in £ thousands unless otherwise stated)

Statement of financial position as at 30 June 2018

	Note	2018	2017
Fixed assets			
Intangible assets	10	3,750	7,500
Property, plant and equipment	11	31,024	24,047
Investments in subsidiaries	12	144,100	135,668
		178,874	167,215
Current assets			
Inventories	13	1,210	1,324
Trade and other receivables	14	51,213	49,733
Deferred tax asset	15	1,401	3,621
Cash and cash equivalents		7,373	2,083
		61,197	56,761
Creditors: amounts falling due within one year	16	(60,168)	(57,929)
Net current assets/(liabilities)		1,029	(1,168)
Total assets less current liabilities		179,903	166,047
Creditors: amounts falling due after more than one year	17	(67,455)	(52,261)
Provisions for liabilities and other charges	18	(16,322)	(26,613)
Net assets		96,126	87,173
Equity			
Called up share capital	20	7,935	7,935
Share premium account		6,835	6,835
Revaluation reserve		181	181
Capital contribution reserve		2,965	2,889
Retained earnings		78,210	69,333
Total shareholders' funds		96,126	87,173

The notes on pages 14 to 37 are an integral part of these financial statements.

The financial statements on pages 9 to 37 were approved for issue by the Board of directors on 29th March 2019 and were signed on its behalf.



C Brocklehurst
Director

CHEP UK Limited
Year ended 30 June 2018

(All amounts are in £ thousands unless otherwise stated)

Statement of changes in equity for the year ended 30 June 2018

	Note	Called-up share capital	Share premium account	Revaluation reserve	Capital contribution reserve	Retained earnings	Total shareholders' funds
Balance as at 1 July 2016		7,935	6,835	181	2,161	49,384	66,496
Profit for the financial year		-	-	-	-	69,439	69,439
Other comprehensive (expense)/income for the financial year							
Actuarial losses on pensions scheme	18	-	-	-	-	(5,310)	(5,310)
Movement on deferred tax relating to pension deficit		-	-	-	-	1,021	1,021
Exchange differences		-	-	-	-	(201)	(201)
Total comprehensive income for the financial year		-	-	-	-	64,949	64,949
Credit relating to equity settled share-based payments		-	-	-	2,115	-	2,115
Charge from parent for equity-settled share-based payments		-	-	-	(1,387)	-	(1,387)
Dividends paid	9	-	-	-	-	(45,000)	(45,000)
Total transactions with owners recognised directly in equity		-	-	-	728	(45,000)	(44,272)
Balance as at 30 June 2017		7,935	6,835	181	2,889	69,333	87,173

CHEP UK Limited
Year ended 30 June 2018

(All amounts are in £ thousands unless otherwise stated)

Statement of changes in equity for the year ended 30 June 2018 (continued)

	Note	Called-up share capital	Share premium account	Revaluation reserve	Capital contribution reserves	Retained earnings	Total shareholders' funds
Balance at 1 July 2017		7,935	6,835	181	2,889	69,333	87,173
Profit for the financial year		-	-	-	-	63,072	63,072
Other comprehensive income for the financial year							
Actuarial gains on pensions scheme	18	-	-	-	-	7,876	7,876
Movement on deferred tax relating to pension deficit		-	-	-	-	(1,936)	(1,936)
Exchange differences		-	-	-	-	(135)	(135)
Total comprehensive income for the financial year		-	-	-	-	68,877	68,877
Credit relating to equity settled share-based payments		-	-	-	933	-	933
Charge from parent for equity-settled share-based payments		-	-	-	(857)	-	(857)
Dividends paid	9	-	-	-	-	(60,000)	(60,000)
Total transactions with owners recognised directly in equity		-	-	-	76	(60,000)	(59,924)
Balance as at 30 June 2018		7,935	6,835	181	2,965	78,210	96,126

Notes to the financial statements for the year ended 30 June 2018

1 General information

CHEP UK Limited ("the Company") is an intermediate holding company of a supply-chain logistics group ("the Brambles Group"), operating primarily through the CHEP and IFCO brands. The Brambles Group specialises in the pooling of reusable unit-load equipment and the provision of associated services, focussing on the outsourced management of returnable pallets, crates and containers.

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

The Company is a wholly owned subsidiary of the Brambles Group. The Brambles Group is a global group comprising Brambles Limited, a company incorporated in Australia and listed on the Australian Securities Exchange, and all its subsidiary undertakings. The Brambles Group is headquartered in London, England.

The Company is a private limited company and is incorporated and domiciled in the UK. The address of its registered office is 2nd Floor, 400 Dashwood Lang Road, Bourne Business Park, Addlestone, Surrey, KT15 2HJ, England.

Statement of compliance with FRS 101

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"). The Company meets the definition of a qualifying entity under FRS 100, 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with FRS 101. The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 ("the Act"). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company's date of transition to FRS 101 was 1 July 2014. The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Notes to the financial statements for the year ended 30 June 2018 (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

As permitted by FRS 101, in the preparation of these financial statements the Company has (where relevant) taken full advantage of the disclosure exemptions from the requirements of IFRS in relation to the following:

- share-based payments;
- business combinations;
- non-current assets held for sale and discontinued operations;
- financial Instruments;
- fair value measurement;
- presentation of comparative information in respect of certain assets;
- presentation of a cash flow statement
- a statement of financial position as at the beginning of the preceding period;
- capital management
- standards not yet effective
- related party transactions; and
- impairment of assets.

Where required, equivalent disclosures are given in the consolidated financial statements of Brambles Limited.

New standards, amendments and IFRIC interpretations

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 June 2018, have had a material impact on the Company.

Going concern

The Company meets its day-to-day working capital requirements through its cash reserves and borrowings. The current economic conditions continue to create uncertainty particularly over the level of demand for the Company's products. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. Further information on the Company's borrowings is given in note 2.15 and 2.16.

2.2 Consolidation

The Company is a wholly owned subsidiary of Cyan Logistics Limited and of its ultimate parent, Brambles Limited. It is included in the consolidated financial statements of Brambles Limited which are publicly available. Accordingly, the Company has taken advantage of the exemption under section 401 of the Act from the requirement to prepare and deliver consolidated financial statements.

These financial statements are separate financial statements.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

Notes to the financial statements for the year ended 30 June 2018 (continued)

2 Summary of significant accounting policies (continued)

2.3 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. All other foreign exchange gains and losses are presented in the income statement within 'Operating costs.'

2.4 Property, plant and equipment

Land and buildings comprise mainly service centres for pooling equipment and offices. Land and buildings are stated at historical cost less subsequent depreciation for buildings. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

• Buildings	10 to 50 years
• Pooling equipment	5 to 10 years
• Plant and machinery	5 to 10 years
• Vehicles	4 years
• Furniture, fittings and equipment	3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Operating costs' in the income statement.

2.5 Intangible assets

Intellectual property rights

The Company's intangible assets arose from the purchase of the intellectual property rights attaching to the CHEP brand and pooling systems. The intellectual property rights are stated at their historical cost less accumulated amortisation and provision for impairment. Intangible assets are amortised on a straight-line basis over their estimated useful life of 10 years down to a residual value of zero.

Notes to the financial statements for the year ended 30 June 2018 (continued)

2 Summary of significant accounting policies (continued)

2.6 Impairment of non-financial assets

Non-financial assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.7 Financial assets

2.7.1 Classification

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The Company's loans and receivables comprise receivables and cash in the balance sheet.

2.7.2 Recognition and measurement

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

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method.

2.8 Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

2.9 Impairment of financial assets

Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Notes to the financial statements for the year ended 30 June 2018 (continued)

2 Summary of significant accounting policies (continued)

2.11 Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.16 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the financial statements for the year ended 30 June 2018 (continued)

2 Summary of significant accounting policies (continued)

2.17 Current and deferred income tax (continued)

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

The Company's post-employment schemes comprise a defined contribution pension plan and a defined benefit pension plan which is closed to new members and future accrual.

Pension obligations

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders' funds in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.

Past-service costs are recognised immediately in the income statement.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Notes to the financial statements for the year ended 30 June 2018 (continued)

2 Summary of significant accounting policies (continued)

2.19 Share-based payments

The Company participates in a number of Brambles Group equity-settled, share-based compensation plans, including the MyShare employee share plan, under which the Company receives services from employees as consideration for equity instruments (options) of Brambles Limited, the ultimate parent undertaking incorporated in Australia and listed on the Australian Securities Exchange.

The awards are granted by Brambles Limited and the Company has no obligation to settle the awards. Options and share awards are fair valued by qualified actuaries at their grant dates in accordance with the requirements of IFRS 2 - *Share-based Payment*, using a binominal model. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense on a straight-line basis over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). A credit is recognised directly in shareholders' funds.

The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price); but
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company and Brambles Limited revise their estimate of the number of options that are expected to become exercisable based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised the Company is recharged by Brambles Limited for the options' total fair value as at the date of exercise. The portion of this recharge that equates to the original fair value of the options at the grant date is accounted for as a deduction from shareholders' funds, and any excess is recognised through the income statement.

Details of the share option and performance share schemes are given in the Remuneration Report (pages 30 to 34) and in Note 21 to the financial statements of the 2018 Annual Report of Brambles Limited.

2.20 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to The Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the provision of management services related to pooling equipment. Amounts disclosed as revenue are net of duties and taxes paid (Value Added Tax and local equivalents).

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

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Notes to the financial statements for the year ended 30 June 2018 (continued)

2 Summary of significant accounting policies (continued)

2.21 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.22 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.23 Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in Creditors – amounts falling due after more than one year. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.24 Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Notes to the financial statements for the year ended 30 June 2018 (continued)

3 Critical accounting estimates and judgments
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Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property plant and equipment, and note 2.4 for the useful economic lives for each class of assets.

(b) Impairment of fixed asset investments

The Company undertakes an impairment review process annually to ensure that its fixed asset investment balances are not carried at amounts that are in excess of their recoverable amounts. The recoverable amount is determined based on the higher of the value in use and fair value less costs to sell. The value in use is calculated using a discounted cash flow methodology covering a five-year period with an appropriate terminal value at the end of the period.

(c) Impairment of trade receivables

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 14 for the net carrying amount of the receivables and associated impairment provision.

(d) Defined benefit pension scheme

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 18 for the disclosures of the defined benefit pension scheme.

3.2 Critical judgements in applying the Company's accounting policies

The assumptions used in the impairment review process for the fixed assets investments, as disclosed (if relevant) in Note 12, could change in the next year and have a material effect on the carrying amounts of fixed asset investments recognised at the balance sheet date. There are no other critical judgements used in applying the Company's accounting policies which could change in the next year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date.

Notes to the financial statements for the year ended 30 June 2018 (continued)
(All amounts are in £ thousands unless otherwise stated)

4 Revenue

Analysis of revenue by geography:

	2018	2017
United Kingdom	322,561	314,435
Rest of Europe	18,371	18,070
	340,932	332,505

Analysis of revenue by category:

	2018	2017
Services	304,416	296,575
Royalty income	36,516	35,930
	340,932	332,505

5 Operating profit

Operating profit is stated after charging/(crediting):

	2018	2017
Wages and salaries	33,387	31,307
Social security costs	3,578	3,270
Other pension costs - defined contribution (Note 18)	1,264	1,080
Other pension costs - defined benefit (Note 18)	1,201	1,058
Share based payments	947	542
Staff costs	40,377	37,257
Reorganisation expense	403	285
Loss on disposal of property, plant and equipment	471	111
Operating lease charges	8,044	8,710
Foreign exchange losses/(gains)	13	(394)
Audit fees payable to the Company's auditors	54	51

Notes to the financial statements for the year ended 30 June 2018 (continued)
(All amounts are in £ thousands unless otherwise stated)

6 Employees and directors

Employees

The average monthly number of persons (including executive directors) employed by the Company during the year was:

<i>By activity:</i>	2018 Number	2017 Number
Production	798	720
Administration	177	186
	975	906

Directors

The directors' emoluments were as follows:

	2018	2017
Aggregate emoluments	1,017	1,102
	1,017	1,102

Highest paid director

The highest paid director's emoluments were as follows:

	2018	2017
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	364	404

7 Interest income and costs

Finance income	2018	2017
Interest income	4	-
Total interest income	4	-
Total finance income	4	-
Finance costs	2018	2017
Overdraft and bank borrowings	(1)	(7)
Interest expense on loans from fellow group undertakings	(1,179)	(1,722)
Total interest expense on financial liabilities not measured at fair value through profit and loss	(1,180)	(1,729)
Total finance costs	(1,180)	(1,729)

Notes to the financial statements for the year ended 30 June 2018 (continued)
(All amounts are in £ thousands unless otherwise stated)

7 Interest income and costs (continued)

Net finance costs	2018	2017
Interest income	4	-
Interest costs	(1,180)	(1,729)
Net finance costs	(1,176)	(1,729)

Notes to the financial statements for the year ended 30 June 2018 (continued)
(All amounts are in £ thousands unless otherwise stated)

8 Tax on profit

	2018	2017
Tax income/(expense) included in profit or loss		
Current tax:		
– UK Corporation tax on profits for the year	(13,877)	(16,188)
– Adjustments in respect of prior years	305	229
Total current tax	(13,572)	(15,959)
Deferred tax:		
Origination and reversal of timing differences	(252)	(76)
Impact of change in tax rate	27	3
Adjustments in respect of prior years	(59)	(291)
Total deferred tax	(284)	(364)
Tax on profit	(13,856)	(16,323)

	2018	2017
Tax income/(expense) included in other comprehensive income		
Deferred tax:		
– Origination and reversal of temporary differences	(2,094)	1,021
– Impact of change in tax rate	158	-
Total tax income/(expense) included in other comprehensive income	(1,936)	1,021

Tax expense for the year is lower (2017: lower) than the standard rate of corporation tax in the UK for the year ended 30 June 2018 of 19% (2017: 19.75%). The differences are explained below:

	2018	2017
Profit before taxation	76,928	85,762
Profit multiplied by the standard rate of tax in the UK of 19% (2017: 19.75%):	(14,616)	(16,938)
Effects of:		
– Income not subject to tax	1,398	1,472
– Amortisation of intangible assets	(712)	(740)
– Overseas tax	(295)	(377)
– Double tax relief	295	377
– Remeasurement of deferred tax – change in UK tax rate	27	3
– Adjustments in respect of prior years	112	(62)
– Expenses not deductible for tax purposes	(65)	(58)
Total tax charge	(13,856)	(16,323)

Notes to the financial statements for the year ended 30 June 2018 (continued)
(All amounts are in £ thousands unless otherwise stated)

8 Tax on profit on (continued)

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 20% to 19% from 1 April 2017. The Finance Act 2016, which was enacted on 15 September 2016, further reduces the main rate to 17% from 1 April 2020.

9 Dividends paid

Declared and paid during the year:	2018	2017
Dividends on ordinary shares:		
– first interim for 2018 £7.56 (2017: £5.67)	60,000	45,000

10 Intangible assets

	Intellectual property rights
<i>Cost:</i>	
At 1 July 2017	37,500
Additions	-
As at 30 June 2018	37,500
<i>Accumulated:</i>	
At 1 July 2017	30,000
Amortisation	3,750
At 30 June 2018	33,750
Net book amount	3,750
<i>Net book amount:</i>	
As at 30 June 2017	7,500
Movement during the year	(3,750)
As at 30 June 2018	3,750

The intangible asset arose from the acquisition by the Company of legal ownership of the various intellectual property rights associated with the CHEP brand and logo from a fellow group undertaking. The royalty income earned from these intellectual property rights is recognised within revenue. The intellectual property is being amortised on a straight-line basis over its useful life of 10 years down to a residual value of zero.

Intangible assets amortisation is recorded in administrative expenses in the income statement.

Notes to the financial statements for the year ended 30 June 2018 (continued)
(All amounts are in £ thousands unless otherwise stated)

11 Property, plant and equipment

	Land, buildings and leasehold improvements	Plant, machinery and motor vehicles	Capital work in progress	Total
At 30 June 2017				
Cost	14,011	56,284	3,246	73,541
Accumulated depreciation and impairment	(6,709)	(42,785)	-	(49,494)
Net book amount	7,302	13,499	3,246	24,047
Year ended 30 June 2018				
Foreign currency adjustment	3	3	0	6
Additions	7,044	54	3,043	10,141
Disposals	(14)	(432)	(24)	(470)
Reclassification	265	4,364	(4,629)	-
Depreciation	(272)	(2,428)	-	(2,700)
Closing net book amount	14,328	15,060	1,636	31,024
At 30 June 2018				
Cost	21,049	58,587	1,636	81,272
Accumulated depreciation and impairment	(6,721)	(43,527)	-	(50,248)
Net book amount	14,328	15,060	1,636	31,024

The net carrying amount of assets held under finance leases included in plant and machinery is £603,000 (2017: £679,000).

The net book value of land and buildings comprises:

	2018	2017
Freehold land	2,892	1,429
Freehold buildings	3,271	3,384
Long leasehold improvements	8,166	2,489
Short leasehold improvements	-	-
Carrying value	14,329	7,302

Notes to the financial statements for the year ended 30 June 2018 (continued)
(All amounts are in £ thousands unless otherwise stated)

12 Investments in subsidiaries

	Shares in group undertakings
At 1 July 2016	137,202
Additions	515
Disposals	(2,049)
At 30 June 2017	135,668
Additions	8,795
Return of capital	(363)
At 30 June 2018	144,100

A full listing of group undertakings as at 30 June 2018 is provided in Note 26.

During the year, the Company made additional capital injections into existing wholly owned subsidiaries as follows:

	2018	2017
CHEP Argentina SA	8,795	-
CHEP Maroc Sarl	-	311
Boxpal Ltd	-	204
	8,795	515

During June 2017, CHEP Magyarország Szolgáltató kft, incorporated in Hungary ("CHEP Hungary"), undertook a return of capital to the Company. The amount returned was HUF 720,000,000, equivalent to £2,049,000, settled in full in cash. CHEP Hungary continues to be a wholly owned 100% subsidiary of the Company.

During March 2018, the Company made additional capital injections into CHEP Argentina SA.

13 Inventories

	2018	2017
Raw materials and consumables	1,210	1,324

There is no significant difference between the replacement cost of inventories and their carrying amounts.

Notes to the financial statements for the year ended 30 June 2018 (continued)
(All amounts are in £ thousands unless otherwise stated)

14 Trade and other receivables

	2018	2017
Trade receivables	29,063	37,151
Amount due from group undertakings	5,591	4,705
Other receivables	732	644
Prepayments and accrued income	15,827	7,233
	51,213	49,733

Amounts due from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15 Deferred tax asset

	Deferred tax
At 1 July 2017	3,621
Additions to the income statement	(284)
Additions to the statement of other comprehensive income	(1,936)
At 30 June 2018	1,401

Deferred tax consists of the following deferred tax assets/(liabilities):

	2018	2017
Deferred tax assets due within 12 months	10	326
	10	326
Deferred tax assets due after more than 12 months	2,775	5,056
Deferred tax liabilities due after more than 12 months	(1,384)	(1,761)
	1,391	3,295
Total deferred tax	1,401	3,621

Notes to the financial statements for the year ended 30 June 2018 (continued)
(All amounts are in £ thousands unless otherwise stated)

15 Deferred tax asset (continued)

	Post-employment benefits	Other short-term timing differences
Deferred tax assets		
At 1 July 2016	4,535	429
(Charged)/credited to the income statement	(500)	(103)
Credited directly to other comprehensive income	1,021	-
At 30 June 2017	5,056	326
Charged to the income statement	(344)	(316)
Credited directly to other comprehensive income	(1,936)	-
At 30 June 2018	2,776	10
		Accelerated capital allowances
Deferred tax liabilities		
At 1 July 2016		(2,000)
Credited to the income statement		239
At 30 June 2017		(1,761)
Credited to the income statement		377
At 30 June 2018		(1,384)

There are no unused tax losses or unused tax credits.

16 Creditors: amounts falling due within one year

	2018	2017
Creditors	12,149	10,097
Amount due from group undertaking-	13,995	5,495
Taxation and social security	12,261	23,672
Other creditors	5,877	7,020
Accruals and deferred income	15,886	11,645
	60,168	57,929

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the financial statements for the year ended 30 June 2018 (continued)
(All amounts are in £ thousands unless otherwise stated)

17 Creditors: amounts falling due after more than one year

	2018	2017
Amounts owed to group undertakings		
- Brambles U.K. Limited	67,455	52,261

All intra-group loans to the Company as borrower comprise unsecured committed revolving loan facilities that carried interest during FY 2018 at Brambles' cost of funds plus a margin of 2.2%. During June 2018, all intra-group loan agreements were amended to decrease the interest margin from 2.2% to 0.1% with effect from 30 September 2018, and to extend the loan term from 30 September 2018 to 30 September 2021. Individual committed loan facilities comprise:

- GBP 200,000,000 (2017: GBP 200,000,000) facility from Brambles U.K. Limited dated 18 June 2012 (as amended).

18 Post-employment benefits

The Company operates a number of pension schemes for its employees.

Defined benefit scheme

The Company operates the Brambles Enterprises (1996) Pension Scheme and the CHEP Ireland Pension Scheme (together "the Schemes"), both defined benefit schemes, in respect of certain UK and Eire employees. Under the Schemes, employees are entitled to retirement benefits based upon a percentage of final salary.

The Schemes are funded, self-administered and their assets are held independently of the Company's finances. The Schemes are closed to new members and, on 30 September 2011, the Schemes closed to future accrual of pension benefits and all existing active members became deferred members. For active members at the date of closure, the link between benefits and salary has been retained in respect of the Brambles Enterprises (1996) Pension Scheme.

The Schemes' assets and the present value of their defined benefit obligations are recognised in the Company balance sheet based upon the most recent formal actuarial valuations, as at 5 April 2017, which have been updated to 30 June 2018 by independent professionally qualified actuaries to take account of the requirements of IAS 19. The present value of the defined benefit obligations were measured using the projected unit credit method.

The principal actuarial assumptions used in the IAS 19 valuations are disclosed as weighted averages of the two Schemes and were as follows:

	30 June 2018	30 June 2017
Rate of increase in salaries	2.51%	3.32%
Rate of increase in pensions	3.07%	3.31%
Discount rate	2.70%	2.47%
Consumer price inflation	1.99%	2.23%

Assumptions about mortality are made using 104% of standard S2 "All Lives" mortality tables based on members' years of birth and incorporating the CMI 2013 mortality improvements subject to a long-term rate of 1.0%.

Notes to the financial statements for the year ended 30 June 2018 (continued)
(All amounts are in £ thousands unless otherwise stated)

18 Post-employment benefits (continued)

The expected return on scheme assets is based on market expectations at the beginning of the year for returns over the entire life of the benefit obligation.

The amounts included within operating profit and in the Statement of comprehensive income were as follows:

	2018	2017
<i>Amounts included within operating profit:</i>		
Administration expenses	(554)	(427)
Finance costs	(3,270)	(3,323)
Finance income	2,623	2,692
Recognised in operating profit (Note 5)	(1,201)	(1,058)
	2018	2017
<i>Amount included within the Statement of comprehensive income</i>		
Return on Plan assets (excluding interest income)	(2,615)	7,473
Actuarial changes arising from:		
- changes in demographic assumptions	2,958	46
- changes in financial assumptions	7,533	(12,829)
Recognised in the Statement of comprehensive income	7,876	(5,310)

Changes in the present value of the defined benefit pension obligation are analysed as follows:

	Assets	Liabilities	Total
As at 1 July 2016	98,708	(122,578)	(23,870)
- exchange rate differences	383	(366)	17
- administration expense	(427)	-	(427)
- interest income/(expense)	2,692	(3,323)	(631)
- employer contributions	3,608	-	3,608
- benefits paid	(4,641)	4,641	-
- remeasurement gains/(losses)	7,473	(12,783)	(5,310)
Defined benefit obligation at 30 June 2017	107,796	(134,409)	(26,613)
- exchange rate differences	40	(34)	6
- administration expense	(554)	-	(554)
- interest income/(expense)	2,623	(3,270)	(647)
- employer contributions	3,610	-	3,610
- benefits paid	(4,378)	4,378	-
- remeasurement gains/(losses)	(2,615)	10,491	7,876
Defined benefit obligation at 30 June 2018	106,522	(122,844)	(16,322)

Notes to the financial statements for the year ended 30 June 2018 (continued)
(All amounts are in £ thousands unless otherwise stated)

18 Post-employment benefits (continued)

The fair value of the Schemes' assets were:

	2018	2017
Equities	24,124	24,294
Bonds	33,839	33,971
Liability driven investment funds	36,084	35,996
Liquidity fund	11,608	4,476
Property	301	8,606
Other	566	453
Total market value of assets	106,522	107,796

Employer contributions to the Schemes based on pensionable pay ceased on 30 September 2011.

The obligation to contribute to the Schemes is covered by their trust deeds and/or legislation. Funding levels and contributions for the Schemes are based on regular actuarial advice and remain effective until agreed otherwise with the trustees of the Schemes. Comprehensive actuarial valuations are made at no more than three yearly intervals.

An objective of the valuations is to be fully funded on an ongoing funding basis. To achieve this objective, the actuaries have used the Attained Age method. The Attained Age Unit method derives a capital value for past service liabilities by discounting assumed benefit payments back to the valuation date. The capital value of benefits due to be earned in the year after the valuation date are divided by the total pensionable payroll to give a future service contribution rate. Assets have been taken at their market value.

Funding recommendations made by the actuaries are based on various economic and demographic assumptions. The main economic assumptions applied for funding purposes have been based upon a yield curve approach, and over the next 50 years cover the following ranges: price inflation (CPI) 1.78% to 3.51%; discount rate 0.51% to 3.49%; and pension increase 1.51% to 4.10%.

Using the above-mentioned actuarial assumptions as to the Schemes' future experience, additional annual contributions of £2.9 million are being paid to remove the identified deficit over a period 6.5 years from 1 July 2015.

Contributions paid to the Schemes during 2018 were £3,610,000 (2017: £3,608,000). It is estimated that the amount of contributions to be paid to the Schemes during 2019 will be £3,623,000.

Defined contribution scheme

In addition, the Company operates a number of defined contribution schemes. The assets of these schemes are held in separately administered trusts or insurance policies. The amount recognised as an expense for the defined contribution scheme was: £1,264,499 (2017: £1,080,361)

Notes to the financial statements for the year ended 30 June 2018 (continued)
(All amounts are in £ thousands unless otherwise stated)

19 Share-based payments

Performance shares

Certain employees of the Company have the opportunity to receive an annual equity grant in the form of long-term incentive ("LTI") share awards in Brambles Limited. Vesting occurs three years from the date the award is granted and is subject to satisfaction of performance conditions over a three-year performance period. If awards vest, they are exercisable for up to six years from the date of grant. The exercise price for all awards is nil.

Employee share plan

MyShare is a Brambles Group vehicle developed to encourage share ownership and retention across the Brambles Group. Employees of the Company may buy up to A\$5,000 of shares in Brambles Limited each year, which Brambles Limited then matches on a one for one basis after a two year qualifying period (provided the employee remains in employment at vesting). The exercise price for all matching shares is nil.

The Company recognises a share-based payment expense based on the fair value of the awards granted, and an equivalent credit directly in equity as a capital contribution.

When the options are exercised, the Company is recharged by Brambles Limited for the options' total fair value as at the date of exercise. The portion of this recharge that equates to the original fair value of the options at the grant date is accounted for as a deduction from shareholders' funds, and any excess is recognised through the income statement.

Details of the share option and performance share schemes are given in the Remuneration Report (pages 30 to 34) and in Note 21 to the financial statements of the 2018 Annual Report of Brambles Limited.

20 Called up share capital

Ordinary shares of £1.00 each

	No.	£'000
Allotted and fully paid		
At 1 July 2017	7,935,458	7,935
Issued during the year	-	-
At 30 June 2018	7,935,458	7,935

All shares rank pari passu in all respects.

21 Contingent liabilities

The Company, in conjunction with certain companies within the Brambles Group in the United Kingdom, is party to a composite guarantee structure with a clearing bank for set-off arrangements to a net maximum of £18,000,000 (2017: £18,000,000).

In the ordinary course of business, the Company becomes involved in litigation. Provisions are recognised for known obligations where the existence of the liability is probable and can be reasonably quantified. As the outcomes of these matters remain uncertain, contingent liabilities exist for possible amounts eventually payable that are in excess of the amounts provided.

Notes to the financial statements for the year ended 30 June 2018 (continued)
(All amounts are in £ thousands unless otherwise stated)

22 Capital and other commitments

At 30 June, the Company had the following capital commitments

	2018	2017
Contracts for future capital expenditure not provided in the financial statements	70	240

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2018	2017
Not later than one year	2,360	501
Later than one year and not later than five years	2,756	2,674
Later than five years	16,619	25,220
	21,735	28,395

23 Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries of Brambles Limited.

See Note 6 for disclosure of the directors' remuneration.

There are no other related party transactions.

24 Controlling parties

The immediate parent undertaking is Cyan Logistics Limited, which is incorporated in England and Wales.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Brambles Limited, which is incorporated in Australia. Copies of all Brambles Group financial statements are available from 2nd Floor, 400 Dashwood Lang Road, Bourne Business Park, Addlestone, Surrey, KT15 2HJ.

The ultimate controlling party is Brambles Limited.

25 Events after the end of the reporting year

No material events occurred after the year end date of 30 June 2018 and before the signing of the Company's financial statements.

Notes to the financial statements for the year ended 30 June 2018 (continued)
(All amounts are in £ thousands unless otherwise stated)

26 Group undertakings

Nature of business	Address of registered office	Place of incorporation	Holding	Class of Shares
<u>Pallet pooling</u>				
CHEP Ireland (branch)	Jamestown Business Park, Jamestown Road, Finglas, Dublin	Eire	100%*	Branch
CHEP Maroc Sarl	Local Satas, Zone Industrielle Tassila, 80 000 Agadir	Morocco	100%*	Ordinary
CHEP Magyarország Szolgálató Kft	1113 Budapest, Nagyszőlös utca 11-15. BCW Irodaház. ép. IV, Em	Hungary	100%*	Ordinary
CHEP do Brasil Ltda	Rua Surubim, 577, 16 Andar, Brooklin, CEP: 04571-050, Sao Paulo	Brazil	100%*	Ordinary
CHEP Taiwan Ltd	12F-1, No. 142, Sec. 3 Minchuen E. Road, Jhongshan District, Taipei, 104	Taiwan	100%*	Ordinary
CHEP Argentina SA	Av. Del Libertador 767, Piso 5°, Off 505, Buenos Aires	Argentina	100%*	Ordinary
CHEP Uruguay SA	Luis A Herrera 1248, Piso 12° Torre B, Montevideo	Uruguay	100%	Ordinary
CHEP Österreich GmbH	Mariahilferstasse 123/3, 1060, Vienna	Austria	100%*	Ordinary
CHEP SK S.r.o.	Bratislava 2, Trnavská cesta 50, 821 02	Slovakia	100%*	Ordinary
CHEP (Thailand) Ltd	589/134 Central City Bangna Building, Room No. OI-24-D2A, 24th Floor, Bangna-Trad Road, Bangna, Bangkok	Thailand	100%*	Ordinary
Brambles (Hong Kong) Ltd	16th-19th Floors, Prince's Building, 10 Chater Road, Central, Hong Kong	China	100%*	Ordinary
CHEP (China) Company Ltd	19F Xu Hui Yuan Building Shanghai	China	72.27%	Ordinary
CHEP Saudi Arabia Ltd	Hoshan Complex, Al-Ahsa Street, Malaz Area, Riyadh 11623	Saudi Arabia	95%*	Ordinary
Boxpal Ltd	Upperton Industrial Estate, Peterhead, Aberdeenshire, AB42 3GL	Scotland	100%*	Ordinary
CHEP Equipment Pooling NV	Bedrijvenlaan 1, 2800 Mechelen	Belgium	26%*	Ordinary
CHEP Equipment Pooling NV – UK Branch	2nd Floor, 400 Dashwood Lang Road, Boume Business Park, Addlestone, Surrey, KT15 2HJ	England and Wales	26%	Branch
<u>Intermediate Bulk Containers</u>				
CHEP Pallecon Solutions (Thailand) Ltd	589/134 Central City Bangna Building, Room No. OI-24-D2A, 24th Floor, Bangna-Trad Road, Bangna, Bangkok	Thailand	100%	Ordinary

Holdings marked * are held directly by the Company. All other holdings are held by subsidiary undertakings.