

IFCO SYSTEMS UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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IFCO SYSTEMS UK LIMITED

COMPANY INFORMATION

Directors

C Taylor
W Orgeldinger
M Kendler

Secretary

FLR Nominees Limited

Company number

02997052

Registered office

Albert House
Queen Victoria Road
High Wycombe
Buckinghamshire
HP11 1AG

Independent Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

IFCO SYSTEMS UK LIMITED

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IFCO SYSTEMS UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The Directors present the strategic report and financial statements of IFCO SYSTEMS UK LIMITED ("the Company") for the year ended 30 June 2018.

Principal activities and review of the business

The Company is part of a supply-chain logistics group ("the Brambles Group"), operating primarily through the CHEP and IFCO brands. The Company specialises in the pooling of reusable unit-load equipment and the provision of associated services, focussing on the outsourced management of returnable plastic containers (RPCs).

The Company has traded satisfactorily during the year and, as part of IFCO RPC group, is continually innovating and developing its service offering to customers. The business is expected to continue to grow and 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 and listed on the Australian Stock Exchange, and all its subsidiary undertakings. The Brambles Group is headquartered in Sydney, Australia.

Key performance indicators

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 statement of profit or loss and other comprehensive income on page 7.

Financial Position

The net assets of the Company have increased by £3,214,267 from £9,979,869 at 30 June 2017 to £13,194,136 at 30 June 2018. The revenue of the Company has increased by £11,657,398 from £56,310,833 at 30 June 2017 to £67,968,231 at 30 June 2018.

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

IFCO SYSTEMS UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Principal risks and uncertainties

Financial instrument risk

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. Standard financial derivatives are used by the Brambles Group to manage financial exposure in the normal course of business in accordance with Brambles Group policies. Dealings in financial derivatives are restricted by Brambles Group approved delegated authorities. No derivatives are used for speculative purposes. Derivatives are transacted predominately with relationship banks, with individual credit limits assigned to those banks thereby limiting exposure to credit-related losses in the event of non-performance by a counterparty.

Funding and liquidity

The Company borrows from or lends to other Brambles Group companies from time to time, and has investments in overseas operations. 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

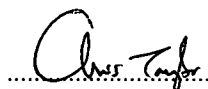
The Company has transactional currency exposures which arise from sales and purchases in currencies other than its functional currency as well as the currency risk associated with intercompany transactions in various currencies. The Brambles Group's foreign exchange exposures are managed from the perspective of protecting the shareholder value. Under the Brambles Group foreign exchange policy, foreign exchange hedging is mainly to hedge 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 intercompany transactions. Forward foreign exchange contracts are primarily used for these purposes.

Other 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 Group Annual Report 2018. 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/BXB/content/home.html.

On behalf of the Board



C. Taylor

Director

Date: 15th March 2019

IFCO SYSTEMS UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The Directors submit their report and the audited financial statements of the Company for the year ended 30 June 2018.

Results and dividends

The results for the year are set out on page 7.

The Company has not paid an interim dividend during the year (2017 : Nil). The Directors do not recommend payment of a final dividend (2017 : Nil).

Employees

Details of the number of employees and related costs can be found in note 6 to the financial statements.

Future developments

The Company is expected to continue to provide its management services in relation to RPCs with no significant changes for the foreseeable future.

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

C Taylor
W Orgeldinger
M Kendler

Financial instruments

The financial risk management objectives and the exposure to risks are discussed within the Strategic Report on page 2 in accordance with s414C (11).

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.

Going concern

The Company participates in the Brambles Group's centralised treasury arrangements and is funded by the Brambles Group through its fellow group undertaking, Brambles U.K. Limited. The Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current funding arrangements.

On the basis of their assessment of the Company's financial position, the Company's Directors have a reasonable expectation that the Company will be able to meet its liabilities as they fall due. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Post reporting date events

On 25 February 2019 Brambles announced that it has entered into a binding agreement to sell its IFCO reusable plastic containers (RPC) business to Triton and Luxinva (a wholly-owned subsidiary of the Abu Dhabi Investment Authority) for an enterprise value of US\$2.51bn. The transaction is subject to customary regulatory approvals and is expected to be completed during the second quarter of calendar year 2019.

Branches outside the UK

The Company has one branch, registered in South Africa.

IFCO SYSTEMS UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

Statement of Directors' responsibilities

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 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.

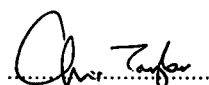
The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

The financial statements on pages 7 to 25 were approved by the Board of Directors on 15th March 2019 and signed on its behalf by



C. Taylor
Director

Registered office: Albert House, Queen Victoria Road, High Wycombe, Buckinghamshire, HP11 1AG

Independent auditors' report to the members of IFCO Systems UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, IFCO Systems 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 statement of profit or loss and other comprehensive income; the statement of changes in equity; 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, which is currently due to occur on 29 March 2019, 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.

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:

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

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 set out on page 4, 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.

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

15th March 2019

IFCO SYSTEMS UK LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
	Notes	£	£
Revenue	4	67,968,231	56,310,833
Cost of Sales		(58,328,329)	(49,057,501)
Gross profit		9,639,902	7,253,332
Administrative expenses		(6,079,981)	(5,132,868)
Operating profit	5	3,559,921	2,120,464
Finance income	8	72,021	16,294
Finance cost	9	(14,063)	(30,754)
Finance income/ (cost)- net		57,958	(14,458)
Profit before taxation		3,617,880	2,106,006
Tax on profit	10	(412,775)	(427,944)
Profit for the financial year	21	3,205,105	1,678,062
Other comprehensive income		-	-
Total other comprehensive income for the year		-	-
Total comprehensive income for the year		3,205,105	1,678,062

The notes on pages 10 to 25 are an integral part of these financial statements.

The statement of comprehensive income account has been prepared on the basis that all operations are continuing operations

IFCO SYSTEMS UK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	2018 £	2017 £
Fixed Assets			
Intangible assets - goodwill	11	1,916,971	1,916,971
Property, plant and equipment	12	3,480,119	3,390,033
		<u>5,397,090</u>	<u>5,307,004</u>
Current Assets			
Debtors	13	18,800,648	15,631,027
Cash at bank and in hand		2,331,837	827,821
		<u>21,132,485</u>	<u>16,458,848</u>
Creditors: amounts falling due within one year	14	<u>(12,801,093)</u>	<u>(11,474,213)</u>
Net current assets		<u>8,331,392</u>	<u>4,984,635</u>
Total assets less current liabilities		<u>13,728,482</u>	<u>10,291,639</u>
Creditors: amounts falling due after more than one year	15	-	-
Deferred taxation	16	(37,671)	(41,270)
Provisions for liabilities	17	<u>(496,674)</u>	<u>(270,500)</u>
Net assets		<u>13,194,137</u>	<u>9,979,869</u>
Capital and reserves			
Called up share capital	20	1,000	1,000
Other reserves		12,991	3,827
Profit and loss account	21	13,180,147	9,975,042
Total equity		<u>13,194,137</u>	<u>9,979,869</u>

The notes on pages 10 to 25 are an integral part of these financial statements.

The financial statements were approved by Board of Directors and authorised for issue on

Date: 15th March 2019

Signed on its behalf by:



C. Taylor
Director

Company Registration No. 02997052

IFCO SYSTEMS UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Share capital	Other reserves	Retained earnings	Total
	£	£	£	£
Balance at 1 July 2016	1,000	12,501	8,296,980	8,310,481
Year ended 30 June 2017				
Profit and total comprehensive income for the year	-	-	1,678,062	1,678,062
Credit relating to equity settled share-based payments	-	44,211	-	44,211
Charge from parent for equity settled share-based payments	-	(52,886)	-	(52,886)
Balance at 30 June 2017	1,000	3,827	9,975,042	9,979,869
Year ended 30 June 2018				
Profit and total comprehensive income for the year	-	-	3,205,105	3,205,105
Credit relating to equity settled share-based payments	-	46,915	-	46,915
Charge from parent for equity settled share-based payments	-	(37,751)	-	(37,751)
Balance at 30 June 2018	1,000	12,991	13,180,147	13,194,137

Other reserves comprise the equity settled share based payment reserve.

IFCO SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1 General Information

Company information

IFCO SYSTEMS UK LIMITED ("the Company") is part of a supply-chain logistics group ("the Brambles Group"), operating primarily through the CHEP and IFCO brands. The Company specialises in the pooling of reusable unit-load equipment and the provision of associated services, focussing on the outsourced management of returnable plastic containers (RPCs).

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 Stock Exchange, and all its subsidiary undertakings. The Brambles Group is headquartered in Sydney, Australia.

IFCO SYSTEMS UK LIMITED is a private limited Company and is incorporated and domiciled in the UK. The registered office is Albert House, Queen Victoria Road, High Wycombe, Buckinghamshire, HP11 1AG.

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 FRS100, 'Application of Financial Reporting Requirements' as issued by the Financial Reporting Council.

2 Summary of significant accounting policies

2.1 Basis of preparation

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.

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 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.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £.

IFCO SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

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.

2.2 Going concern

The Company participates in the Brambles Group's centralised treasury arrangements and is funded by the Brambles Group through its fellow group undertaking, Brambles U.K. Limited. The Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current funding arrangements.

On the basis of their assessment of the Company's financial position, the Company's Directors have a reasonable expectation that the Company will be able to continue to meet its liabilities as they fall due. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.3 Revenue

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.

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.

IFCO SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

2 Significant accounting policies (continued)

2.4 Goodwill

Intangible assets represent purchased goodwill arising on the acquisition of the RPC business of CHEP UK Limited, a fellow Brambles Group undertaking, on 1 October 2011, and is stated at cost less provision for impairment. Cost represents the book carrying value on the date of transition to IFRS on 1 July 2014.

2.5 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

Tangible fixed assets are stated at cost less depreciation. Freehold land is not depreciated. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold land and buildings	5 years
Fixtures, fittings and equipment	4 years
Plant and machinery	4 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 12).

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

2.6 Impairment of tangible and intangible 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 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.

IFCO SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

2 Significant accounting policies (continued)

2.8 Financial assets

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.

Loans and receivables

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.

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.

Impairment of financial assets

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.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

2.9 Financial liabilities

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.

IFCO SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

2 Significant accounting policies (continued)

2.9 Financial liabilities (continued)

Other financial liabilities (continued)

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.

Borrowing costs

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

2.10 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.

2.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current 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.

Deferred tax

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.

IFCO SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

2 Significant accounting policies (continued)

2.12 Retirement benefits

The Company's post-employment schemes comprise a defined contribution pension plan.

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.

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.

2.13 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 binomial 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 22 to 42) and in Note 21 to the financial statements of the 2018 Annual Report of Brambles Limited.

IFCO SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

2 Significant accounting policies (continued)

2.14 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.

2.15 Foreign exchange

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.

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 'Other operating income.'

2.16 Provisions

Provisions for dilapidations are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 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 paid or approved by the Company's shareholders.

IFCO SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

3 Critical accounting estimates and judgements

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.

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 12 for the carrying amount of the property plant and equipment, and Note 2.5 for the useful economic lives for each class of assets.

(b) 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 13 for the net carrying amount of the receivables and associated impairment provision.

Critical judgements in applying the entity's accounting policies

There are no 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.

IFCO SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

4 Revenue

An analysis of the Company's turnover is as follows:

Geographical market

	Revenue	
	2018	2017
	£	£
UK	66,723,437	54,934,352
Europe	779,975	773,942
Rest of World	464,819	602,539
	<u>67,968,231</u>	<u>56,310,833</u>

5 Operating Profit

Operating profit for the year is stated after charging/ (crediting):

	2018	2017
	£	£
Wages and salaries	2,711,743	2,192,643
Social security costs	188,345	166,023
Other pension costs	119,520	118,520
Share based payments	44,831	44,211
	<u>3,064,439</u>	<u>2,521,397</u>
Staff costs		
	<u>3,064,439</u>	<u>2,521,397</u>
Net foreign exchange losses	66,308	147,911
Audit fees payable to the Company's auditors	60,861	61,241
Depreciation of property, plant and equipment	885,667	835,117
Operating lease rentals	1,558,341	1,065,417
	<u>1,558,341</u>	<u>1,065,417</u>

6 Employees

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

	2018	2017
	Number	Number
Administration	16	17
Warehouse	15	15
Sales	6	5
	<u>37</u>	<u>37</u>

IFCO SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

7 Director's emoluments

Directors' aggregate emoluments were as follows:

	2018 £	2017 £
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	265,315	264,410

Highest paid director

The highest paid director's emoluments were as follows:

	2018 £	2017 £
The total amount of emoluments and amounts (excluding shares) receivable under long term incentive schemes	265,315	264,410

Two (2017 : two) of the Directors did not receive emoluments or any other benefits as described in Schedule 5 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 from the Company during the year (2017 : Nil). Those Directors receive remuneration from IFCO SYSTEMS GmbH as employees of that Company and, due to the non-executive nature of their services, it is not appropriate to make an apportionment of their emoluments in respect of the Company.

8 Finance income and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	72,021	16,294

9 Finance cost and similar expenses

	2018 £	2017 £
Interest paid to group undertakings	14,063	30,754

10 Tax on profit on ordinary activities

	2018 £	2017 £
Current tax		
Current year taxation	776,861	443,321
Double taxation relief	(9,239)	-
Adjustments in respect of prior periods	(364,864)	(15,377)
Overseas tax paid	13,615	-
	416,373	427,944

IFCO SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

10 Tax on profit on ordinary activities (continued)

Deferred tax

Origination and reversal of temporary differences	(4,003)	27,981
Changes in tax rates	(4,432)	(1,063)
Adjustments in respect of prior years	4,837	(14,466)
	<u>(3,599)</u>	<u>12,452</u>
Tax on profit on ordinary activities	<u>412,775</u>	<u>427,944</u>

Tax expense for the year is lower (2017: higher) 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	<u>3,617,880</u>	<u>2,106,006</u>
Expected tax charge based on a corporation tax rate of 19% (2017: 19.75%)	687,397	415,936
Expenses not deductible in determining taxable profit	85,461	42,913
Adjustments in respect of prior years	(360,028)	(29,842)
Overseas tax	13,615	-
Double taxation relief	(9,239)	-
Effect of change in UK corporation tax rate	(4,432)	(1,063)
Tax charge for the year	<u>412,775</u>	<u>427,944</u>

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 2017, which was enacted on 15 September 2017, further reduces the main rate to 17% from 1 April 2020. The deferred tax assets and liabilities have been updated to reflect the reduction in the rates.

11 Intangible assets - goodwill

Goodwill £

Cost

At 1 July 2017	<u>1,916,971</u>
At 30 June 2018	<u>1,916,971</u>
Carrying amount	
At 30 June 2017	<u>1,916,971</u>
At 30 June 2018	<u>1,916,971</u>

IFCO SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

11 Intangible assets- goodwill (continued)

On 1 October 2011, the Company acquired the RPC business of CHEP UK Limited, a fellow Brambles Group undertaking, for total consideration of £7,701,932, settled in full in cash. The book and fair value of assets acquired comprised tangible fixed assets £2,610,932 and current liabilities (£772,677). Consideration in excess of the net assets acquired represents purchased goodwill of £5,863,677. Under old UK GAAP the goodwill was being amortised over 5 years. The carrying value following transition to IFRS in the year ended 30 June 2016 was £1,916,971.

12 Property, plant and equipment

	Freehold land and buildings	Fixtures, fittings and equipment	Plant and machinery	Total
	£	£	£	£
Cost				
At 1 July 2017	963,437	24,778	7,162,123	8,150,338
Additions	-	257,024	718,729	975,753
Disposals	-	-	-	-
At 30 June 2018	963,437	281,802	7,880,852	9,126,091
Accumulated depreciation and impairment				
At 1 July 2017	581,319	22,314	4,156,672	4,760,305
Charge for the year	189,218	6,200	690,248	885,667
Eliminated on disposal	-	-	-	-
At 30 June 2018	770,537	28,514	4,846,920	5,645,972
Carrying amount				
At 30 June 2017	382,118	2,464	3,005,451	3,390,033
At 30 June 2018	192,900	253,288	3,033,932	3,480,119

13 Debtors

	2018 £	2017 £
Trade debtors	14,799,058	15,047,680
PY Amounts due from fellow group undertakings	-	205,423
Amounts due from fellow group undertakings	3,672,434	-
Prepayments and accrued income	329,156	377,924
	18,800,648	15,631,027

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

IFCO SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

14 Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	4,297,957	2,705,603
Amounts due to fellow group undertakings	2,905,880	2,809,136
Accruals and deferred income	4,154,048	4,334,297
Corporate tax income	1,165,365	1,354,855
Social security and other taxation	277,843	270,322
	<u>12,801,093</u>	<u>11,474,213</u>

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

15 Creditors: amounts falling due after more than one year

	2018	2017
	£	£
Amounts due to group undertakings	-	-

The intra-group loan to the Company as borrower comprised an unsecured committed revolving loan facility that carried interest during FY 2018 at Brambles' cost of funds plus a margin of 2% to 2.2%. During June 2018 all long-term intra group loan agreements were repaid.

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period

	£
Deferred tax liability at 1 July 2016	28,817
Deferred tax movements in prior year	
Prior year reversal of timing differences	12,453
Deferred tax liability at 1 July 2017	41,270
Deferred tax movements in current year	
Charged to profit or loss	(3,599)
Deferred tax liability at 30 June 2018	<u>37,671</u>

IFCO SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

16 Deferred taxation (continued)

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so.
The deferred tax balance (after offset) for financial reporting purposes was as follows:

2018	2017
£	£
37,671	41,270

17 Provisions for liabilities

2018	2017
£	£
496,674	270,500

The balance at the 30 June 2018 comprises a provision for future dilapidation costs to which the Company was committed in relation to a repairing lease on the Company's Wakefield, Warrington and Wellingborough business premises.

18 Retirement benefit schemes

Defined contribution schemes

The Company contributes to a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £119,520 (2017: £118,520).

IFCO SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

19 Share-based payment transactions

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 24 to 42) and in Note 21 to the financial statements of the 2018 Annual Report of Brambles

20 Called up share capital

	2018 £	2017 £
Ordinary share capital		
<i>Issued and fully paid</i>		
1,000 ordinary shares of £1 each (2017: 1,000 ordinary shares of £1 each)	1,000	1,000

21 Profit and loss account

	2018 £	2017 £
At 1 July	9,975,042	8,296,980
Profit for the financial year	3,205,105	1,678,062
At 30 June	13,180,147	9,975,042

22 Contingent liabilities

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.

IFCO SYSTEMS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

23 Operating lease commitments

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £	2017 £
Not later than one year	1,425,921	688,051
Later than one year and not later than five years	4,538,703	843,983
Later than five years	332,760	-
	<hr/>	<hr/>
	6,297,384	1,532,034
	<hr/>	<hr/>

24 Events after the reporting date

On 25 February 2019 Brambles announced that it has entered into a binding agreement to sell its IFCO reusable plastic containers (RPC) business to Triton and Luxinva (a wholly-owned subsidiary of the Abu Dhabi Investment Authority) for an enterprise value of US\$2.51bn. The transaction is subject to customary regulatory approvals and it is expected to be completed during the second quarter of the calendar year 2019.

25 Controlling party

The immediate parent undertaking is IFCO SYSTEMS GMBH which is incorporated in Germany.

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 Unit 2 Weybridge Business Park, Addlestone Road, Addlestone, Surrey, KT15 2UP.

The ultimate controlling party is Brambles Limited.

26 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 7 for disclosure of Directors' remuneration.

There are no other related party transactions.