CHEP UK Limited

Annual report and financial statements for the year ended 30 June 2021

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Contents

	Page(s)
Strategic Report	1 to 5
Directors' Report	6 to 10
Independent auditors' report to the members of CHEP UK Limited	11 to 14
Income statement	15
Statement of comprehensive income	16
Statement of financial position	17
Statement of changes in equity	18 to 19
Notes to the financial statements	20 to 51

Strategic Report

The Directors present their Strategic Report of CHEP UK Limited ("the Company") for the year ended 30 June 2021.

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 brand. The Brambles Group manages the world's largest pool of reusable pallets and containers. As a pioneer of the sharing economy, the Brambles Group promotes the shared use of its platforms among multiple supply chain participants under a circular 'share and reuse' model known as pooling.

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 specialist container logistics businesses serving the automotive sector, as well as an Intermediate Bulk Container (IBC) pool, serving the health and personal care and food ingredients sectors.

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 the continuing backdrop of the COVID-19 pandemic with continued risks and opportunities from the uncertainty of the post pandemic recovery. Additionally, this last year saw the introduction of Phytosanitary controls on wooden packaging being introduced between Great Britain and the European Union as well as between Great Britain and Northern Ireland. This has introduced a substantial increase in the additional heat treatment services demanded that the Company planned for and delivered. The core elements of Brambles' strategy are robust against a wide range of outcomes and position the Group and the Company well to manage through near-term volatility. Nonetheless, Brambles remains agile and ready to pivot where needed in response to economic conditions and changing customer needs. Brambles is committed to supporting its customers and partners through this challenging period, to ensure the continued delivery of goods through supply chains around the world.

The Company is a wholly owned subsidiary of Brambles Limited ("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 Sydney, Australia.

Further information about the Brambles Group and copies of the Brambles Limited Annual Report, for the current and prior years, are available at www.brambles.com.

Results

The results for the year are set out in the income statement on page 15.

Financial position

The net assets of the Company have increased by £8,366,000 from £32,740,000 at 30 June 2020 to £41,106,000 at 30 June 2021. The increase principally arises due to £55,149,000 profit, which was offset by a dividend paid of £50,000,000 by the Company during the year.

Strategic Report *(continued)*

Key performance indicators (KPIs)

The Company's pooling activities are managed and operated in accordance with the Brambles Group's global 'share and reuse' business model and supporting policy frameworks. As part of a large Group, the Company has many transactions with fellow Group undertakings. Management review and control of KPI's is primarily focussed on underlying performance excluding such intra Group transactions and on a regional or global basis. Accordingly, the Directors consider that standalone-alone KPIs for the Company are neither relevant nor appropriate for an understanding of its development, performance or position of the business.

The Brambles Group KPIs, which explain Brambles Group performance as a whole, are disclosed in the Brambles Limited Annual Report 2021, pages 26 and 27. Brambles Group monitors its performance and value creation through a number of financial and non-financial metrics.

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 facing the Company (directly or indirectly) and the Brambles Group, and which might impact their ability to achieve their financial and sustainability objectives, do not form part of this report but they are described in the Brambles Limited Annual Report 2021, pages 28 to 32.

Section 172(1) statement

Section 414CZA of the Companies Act 2006 ("CA06") requires a statement which describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) of CA06 when performing their duty under section 172. This S172 statement focuses on matters of strategic importance to the Company, and the level of information disclosed is consistent with the size and complexity of the Company.

The Company's primary stakeholders are considered to be fellow Group undertakings within the Brambles Group, whether as parent, subsidiary or trading partner; the Company's employees; customers; suppliers; government agencies and other regulators. Members of the Company's ultimate parent undertaking, Brambles Limited, are also considered to be key stakeholders.

The Company, in common with all its fellow Group undertakings, operates within the strategic framework and core principles established by and for the Brambles Group. When making decisions, each director of the Company ensures that they act in good faith and in a way they consider would most likely promote the Company's success for the benefit of its members, direct and indirect, as a whole. In doing so they have regard, *inter alia*, to the matters detailed below.

References to the Company and Brambles in this s172 statement are interchangeable, unless otherwise indicated. References to the Brambles Group are to the wider Group of which the Company is part.

S172(1) (a) "the likely consequences of any decision in the long term"

The long term for the Company is inextricably linked with the strategy and objectives of the Brambles Group. The Company operates the national pallet pools in UK and Ireland as part of the global pooling operations of the Brambles Group. The Company's role in operating these national pools is delivered in such a way as to promote the long-term success of those strategies and objectives which in turn directly lead to the long-term success of the Company.

S172(1) (b) "the interests of the Company's employees"

The Company is committed to creating workplaces where all employees feel connected to the Company's purpose. The Brambles employee value proposition aims to attract capable people who want to develop their careers, develop themselves and who are passionate about creating more sustainable supply chains. Our 2025 targets reflect the issues that are important for our people. Brambles aims to provide a workplace with purpose, compassion and one that upholds the expectations of all stakeholders now and in the future.

Strategic Report *(continued)*

Section 172(1) statement *(continued)*

Brambles' Better Workplace initiative has taken on a new meaning during the COVID-19 pandemic and has become a source of stability for our people amidst ongoing uncertainty. The Company has actively engaged its employees working remotely, often also for home schooling or caring, to ensure they remain connected to their teams and peers.

S172(1) (c) "the need to foster the Company's business relationships with suppliers, customers and others"
Delivering Brambles Group's strategy requires strong mutually beneficial relationships between the Company and its suppliers. The Company participates in the Brambles Group Procurement process. The centralised procurement process vets suppliers, agrees terms and conditions, and requires agreed purchase orders in advance of all supplies being made to the Company. The Company uses preferred suppliers wherever practicable, and adheres to the agreed terms, including payment within the time limits agreed with suppliers.

The Company also fully participates in the Groups Better Supply Chains and Better Collaboration initiatives. Brambles create better supply chains by helping customers deliver life's essentials, sustainably. In practice, this means transitioning customers from single use or one-way packaging to reusable packaging. This eliminates waste and reduces demand on natural resources, accelerating the evolution to a circular economy. When we amplify the benefits by continuously sharing and reusing our platforms across collaborative networks in each region, we truly create better supply chains on a global scale.

S172(1) (d) "The impact of the Company's operations on the community and the environment"
Where relevant, the Company, and its subsidiaries, support and are compliant with the environment and community frameworks of the Brambles Group.

Brambles is working to help create a nature positive economy with re-use, resilience and regeneration at its core. It's how Brambles can create more natural and social value than we take, while bringing emissions down to zero as soon as possible. We're setting the ambition to pioneer truly regenerative supply chains. It means breaking the link between consumption and harm to the environment and society. And it means moving from degenerative systems that waste resources to regenerative models that restore nature and strengthen society; In other words, putting back in more than we take from the world. By reaching zero impact and beyond, Brambles will be the Company delivering the supply chains the world needs for the future. www.brambles.com/2025-sustainability-targets.

The Company participates in Brambles Group's three core sustainability programmes wherever relevant:

- Better Planet – *Forest Positive* commits to regenerating forests by planting two trees for every one used;, *Climate Positive* commits to achieving a climate future, and *Waste Positive* commits to reducing waste and enhancing water usage;
- Better Business – *Supply Chain Positive* commits to continuous enhancement of the world's supply chains; *Collaboration Positive* commits to increase collaborations with customers to realise environmental benefits, and *Workplace Positive* to provide a workplace with purpose and compassion; and
- Better Communities – *Food Positive* collaboration with food banks to facilitate the redistribution of food to 10 million people; *Circular Economy Transformation* through education and advocacy of 1 million people; and adopting natural and social capital accounting approaches to transparently measure and validate performance against all 2025 targets.

Progress against these targets is reported in the Sustainability Review 2021 available on the Brambles website.

Strategic Report *(continued)*

Section 172(1) statement *(continued)*

S172(1) (e) "the desirability of the Company maintaining a reputation for high standards of business conduct"

The Company's reputation, and responsibility for its reputation, is inextricably linked with the Brambles Group.

Brambles Group is committed to being the global leader in platform pooling and insight-based solutions to fast-moving supply chains delivered through its circular 'share and reuse' model. Having introduced the platform pooling model around the world, Brambles Group is re-invigorating it for the supply chains of tomorrow. The Company supports and participates with Brambles Group as it seeks to:

- Achieve and maintain number one positions in each region of operation;
- Lead the industry in customer service, innovation and sustainability; and
- Be an employer of choice through best-in-class safety, diversity and talent development programmes.

To deliver this strategy, Brambles has identified four focus areas which leverage the power of its circular 'share and reuse' model to deliver value for customers, employees and shareholders. These four focus areas are:

Customer Value - Brambles works with its manufacturing customers and supply chain partners to enhance the reliability, efficiency and sustainability of end-to-end supply chains. COVID-19 has demonstrated how critical supply chains are to customers and wider stakeholders. Brambles is committed to improving the customer experience further through simpler processes, additional services and enhanced platform quality.

Asset Efficiency and Network Productivity - Brambles constantly seeks to improve the productivity and sustainability of its assets and operations. Brambles works with its customers and partners to align physical networks and working practices in order to improve asset utilisation, reduce equipment loss and lower equipment damage rates. Ongoing programmes of automation and process standardisation enhance the efficiency and resilience of Brambles' operations, allowing the Group to transfer best practices from one market to another.

Digital Transformation - Brambles sees data and technology as core strengths and sources of future competitive advantage. The Group's Digital and Data team brings together its in-house technology hub, BXB Digital, with business capabilities to translate technology into business outcomes. Brambles' goal is to combine supply chain data, physical assets and domain expertise to create distinctive new capabilities as well as supporting the delivery of the other strategic themes.

Business Excellence - The Group is committed to fostering a culture of agility, innovation and continuous improvement, underpinned by the required processes and systems. Successfully attracting, retaining and empowering high calibre people is integral to Brambles' ongoing success and will become increasingly important as new skills are required in areas such as digital services, advanced analytics and automated supply chains.

S172(1) (f) "the need to act fairly as between members of the Company"

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of the Company's strategy over the long-term, taking into consideration all relevant stakeholders' interests. The Company has only one direct member, Brambles Holdings (UK) Limited, but also has regard to the members of the ultimate parent undertaking, Brambles Limited, and acts fairly in relation to all such members. Ultimately, the Directors are not required to balance the interest of members with other stakeholders and there may be occasions when not all stakeholder interests are fully aligned.

Strategic Report *(continued)*

Section 172(1) statement *(continued)*

Principal decisions

Principal decisions taken by the Directors are defined as those decisions during FY21 that are of a strategic nature and that are significant to any of the Company's key stakeholders. As outlined in the FRC Guidance on the Strategic Report, we include decisions related to capital allocation and dividend policy. We describe:

- how regard was given to likely long-term consequences of decisions including how stakeholders were considered during the decision-making process; and
- which accommodations/mitigations were made, if any, and how Directors have considered different interests and the factors taken into account.

Investments in subsidiaries

The Company holds its investments in subsidiaries on behalf of the Brambles Group. The investments are held on the understanding that they may require additional capital injections from time-to-time or be subject to reorganisation transactions initiated by Brambles. The Directors consider any request for additional capital made by a subsidiary, having regard to the financial needs of the subsidiary, its future prospects, and its role in the Brambles Group.

During the year, the Company considered and approved additional capital contributions into CHEP Maroc Sarl (incorporated in Morocco). See Note 14.

Dividends paid

Every year, the Directors assess the accumulated retained earnings of the Company and the accumulation of surplus funds. Regard is also had to the strategic, cash and capital management objectives of the wider Brambles Group. Dividend distributions are based on this matrix of metrics and wider considerations.

During 2021, the Directors noted that as at the start of the financial year the Company had accumulated distributable reserves greater than £15 million and was generating profits for FY21 in excess of £60 million. The Directors declared and paid an interim dividend of £50 million for the year. It was confirmed that payment of the dividend did not affect the Company's present or future solvency.

On behalf of the Board

Carla Brocklehurst

C Brocklehurst
Director

15th November 2021

Directors' Report

The directors present their Report and the audited financial statements of the Company for the year ended 30 June 2021.

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 £50,000,000 (2020: £110,000,000). The directors do not recommend payment of a final dividend (2020: 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. There are no hedging instruments entered into the Company during the current or preceding years.

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	(resigned 2nd November 2021)
D Berry	
C Brocklehurst	
A Rens	(resigned 14th May 2021)
M Quinn	
Andrew Shaw	(appointed 14th May 2021)

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 *(continued)*

Research and development

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 2021 and before the signing of the Company's financial statements.

Employees

During the last 12 months the Company has 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 Limited 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 to 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 Directors have assessed the liquidity requirements for the Company for at least the next 12 months from date of approval of these financial statements. They intend to manage their working capital needs on a day to day basis through realising existing resources. The Directors have also received assurance of continued financial support from an appropriate Brambles Group Company for at least 12 months from the date these financial statements.

The Directors therefore believe the Company is well placed to manage its business risks and they have a reasonable expectation the Company has adequate resources to continue their operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

Directors' Report *(continued)*

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements for the year ended 30 June 2021 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.

Streamlined energy and carbon reporting (SECR)

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations") introduced requirements for large unquoted companies to disclose their annual energy use and greenhouse gas emissions, and related information. The Company falls within scope of the SERC reporting requirements and has provided the required information below. Unless otherwise indicated, all information provided relates to FY21.

As a member of the Brambles Group, the Company participates in the Brambles sustainability initiatives. Brambles communicated its 2025 sustainability vision and supporting targets with the release of the FY20 Sustainability Review. Brambles provided an update on progress towards targets in the FY21 Sustainability Review. The vision will define a pathway where the resources Brambles depends on are regenerated, creating value by establishing more forests and drawing down more carbon than generated by the business. Brambles' commitment to a low-carbon future and how it plans to reduce carbon emissions through its entire value chain is central to our strategy.

Directors' Report *(continued)*

Streamlined energy and carbon reporting (SECR) *(continued)*

The Brambles Group publishes two annual reports on these matters, which are both available on www.brambles.com:

- Task Force on Climate-related Financial Disclosures 2021 Annual Review – published 2021; and
- Sustainability Review 2021 – published September 2021

UK energy use

	Energy consumption		Greenhouse gas emissions	
	2021	2020	**2021**	2020
Electricity – annual quantity of energy consumed in UK resulting from the purchase of electricity by the Company for its own use	10,214,919 kWh	10,201,529 kWh	2,169 tonnes CO_2e	2,378 tonnes CO_2e
Gas combustion – the annual quantity of energy consumed from stationary or mobile activities for which the business is responsible involving the combustion of gas	9,684,526 kWh	4,736,214 kWh	1,774 tonnes CO_2e	871 tonnes CO_2e
Transport – the annual quantity of energy consumed from activities for which the Company is responsible, involving the consumption of fuel for the purposes of transport	9,094,075 kWh	18,667,247 kWh	398 tonnes CO2e	552 tonnes CO2e

Energy efficiency action
In FY20 Brambles surpassed their 20% reduction in scope 1 and 2 carbon emissions per unit goal achieving a 33% reduction. With the FY15-FY20 sustainability goal period now closed Brambles have set new goals for the period FY21-FY25. These new goals include the adoption of Science Based Targets and emissions reductions aligned with the Paris agreement and of the highest ambition with a 1.5-degree scenario. Brambles aims to procure 100% renewable electricity by 2025.

Intensity ratio
We have chosen the metric Transport equivalent unit (TEU) as our intensity ratio. A (TEU) is an industry standard accepted measure, that is used widely in the logistics industry. CHEP pallet issue volumes to the market, are adjusted to the equivalent (TEU) based on their physical dimensions.

More information on the calculation can be found on the Brambles website:

https://www.brambles.com/Content/cms/sustainability-2021/documents/Brambles_FY21_Sustainability_Review_Supplementary_Information.pdf

This is measured by grams of CO2e per TEU issued. In FY21 Brambles intensity ratio was 97 Grams of CO2e per TEU issued. (2020: 88.2)

	2021	2020
Total tCO2e	4,340	4,021
TEUs	44,633,240	45,586,541
TEU Intensity (g/TEU)	97.2	88.2

Increase in tC02e is mainly driven by increased gas usage due to the heat treatment of Pallets following Brexit.

Directors' Report *(continued)*

Streamlined energy and carbon reporting (SECR) *(continued)*

Quantification and reporting methodology

We have used 2021 UK Government's Conversion Factors for Company Reporting which can be found on the Government website.

www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021

Carla Brocklehurst

On behalf of the Board
C Brocklehurst
Director
15th November 2021

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

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 2021 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 2021; the Income statement, the Statement of comprehensive income, 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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, 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.

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

Responsibilities for the financial statements and the audit *(continued)*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- Evaluation of management's controls designed to prevent and detect irregularities.
- Challenging assumptions and judgements made by management in their significant accounting estimates.
- Identifying and testing journal entries, in particular any journal entries posted after the period end relating to the previous year, with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

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

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 obtained 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 November 2021

(All amounts are in £ thousands unless otherwise stated)

Income statement for the year ended 30 June 2021

	Note	2021	2020
Revenue	4	**390,730**	401,576
Cost of sales		**(9,990)**	(11,691)
Gross profit		**380,740**	389,885
Administrative expenses		**(300,395)**	(306,196)
Operating profit	5	**80,345**	83,689
Income from shares in group undertakings	7	**2,733**	17,886
Gain on disposal of fixed asset investments	14	**-**	27,959
Amounts written off investments	14	**(11,460)**	(7,260)
Profit before interest and taxation		**71,618**	122,274
Finance income	8	**96**	245
Finance costs	8	**(1,225)**	(2,121)
Finance costs – net		**(1,129)**	(1,876)
Profit before taxation		**70,489**	120,398
Tax on profit	9	**(15,340)**	(15,956)
Profit for the financial year		**55,149**	104,442

(All amounts are in £ thousands unless otherwise stated)

Statement of comprehensive income for the year ended 30 June 2021

	Note	2021	2020
Profit for the financial year		**55,149**	104,442
Other comprehensive income/(expense): Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on pension scheme	20	**1,076**	(4,791)
Movement on deferred tax relating to pension deficit		**(188)**	904
Movement on deferred tax relating to change in tax rates		**1,851**	541
Exchange gains/(losses)		**113**	(22)
Other comprehensive income/(expense) for the financial year, net of tax		**2,852**	(3,368)
Total comprehensive income for the financial year		**58,001**	101,074

(All amounts are in £ thousands unless otherwise stated)

Statement of financial position as at 30 June 2021

	Note	2021	2020 Restated*
Fixed assets			
Intangible assets	11	**6,875**	7,025
Property, plant and equipment	12	**40,160**	34,565
Right-of-use assets	13	**22,719**	25,541
Investments in subsidiaries	14	**52,871**	61,965
Deferred tax asset	15	**4,167**	3,811
		126,792	132,907
Current assets			
Inventories	16	**4,000**	5,425
Trade and other receivables	17	**80,164**	77,341
Cash and cash equivalents		**3,648**	1,063
		87,812	83,829
Creditors: amounts falling due within one year	18	**(109,108)**	(104,856)
Net current liabilities		**(21,296)**	(21,027)
Total assets less current liabilities		**105,496**	111,880
Creditors: amounts falling due after more than one year	19	**(44,182)**	(55,357)
Pensions and similar obligations	20	**(20,208)**	(23,783)
Net assets		**41,106**	32,740
Equity			
Called up share capital	22	**7,935**	7,935
Share premium account		**6,835**	6,835
Revaluation reserve		**181**	181
Capital contribution reserve		**2,737**	2,372
Retained earnings		**23,418**	15,417
Total shareholders' funds		**41,106**	32,740

* Details around the restatement have been presented in Note 2.1- Restatement of prior period comparatives.

The notes on pages 20 to 51 are an integral part of these financial statements.

The financial statements on pages 15 to 51 were approved for issue by the Board of directors on October 2021 and were signed on its behalf.

Carla Brocklehurst

C Brocklehurst
Director

(All amounts are in £ thousands unless otherwise stated)

Statement of changes in equity for the year ended 30 June 2021

	Note	Called-up share capital	Share premium account	Revaluation reserve	Capital contribution reserve	Retained earnings	Total shareholders' funds
Balance as at 1 July 2019		7,935	6,835	181	2,725	24,343	42,019
Profit for the financial year		-	-	-	-	104,442	104,442
Other comprehensive income/(expense) for the financial year							
Actuarial losses on pensions scheme	20	-	-	-	-	(4,791)	(4,791)
Movement on deferred tax relating to pension deficit		-	-	-	-	1,445	1,445
Exchange differences		-	-	-	-	(22)	(22)
Total comprehensive income for the financial year		-	-	-	-	101,074	101,074
Credit relating to equity settled share-based payments		-	-	-	767	-	767
Charge from parent for equity-settled share-based payments		-	-	-	(1,120)	-	(1,120)
Dividends paid	10	-	-	-	-	(110,000)	(110,000)
Total transactions with owners recognised directly in equity		-	-	-	(353)	(110,000)	(110,353)
Balance as at 30 June 2020		7,935	6,835	181	2,372	15,417	32,740

(All amounts are in £ thousands unless otherwise stated)

Statement of changes in equity for the year ended 30 June 2021 *(continued)*

	Note	Called-up share capital	Share premium account	Revaluation reserve	Capital contribution reserves	Retained earnings	Total shareholders' funds
Balance at 30 June 2020 – previously reported		7,935	6,835	181	2,372	15,417	32,740
Balance as at 1 July 2020		7,935	6,835	181	2,372	15,417	32,740
Profit for the financial year		-	-	-	-	55,149	55,149
Other comprehensive income for the financial year							
Actuarial gains on pensions scheme	20	-	-	-	-	1,076	1,076
Movement on deferred tax relating to pension deficit		-	-	-	-	1,663	1,663
Exchange differences		-	-	-	-	113	113
Total comprehensive income for the financial year		-	-	-	-	58,001	58,001
Credit relating to equity settled share-based payments		-	-	-	1,485	-	1,485
Charge from parent for equity-settled share-based payments		-	-	-	(1,120)	-	(1,120)
Dividends paid	10	-	-	-	-	(50,000)	(50,000)
Total transactions with owners recognised directly in equity		-	-	-	365	(50,000)	(49,635)
Balance as at 30 June 2021		7,935	6,835	181	2,737	23,418	41,106

Notes to the financial statements for the year ended 30 June 2021

1 General information

CHEP UK Limited ("the Company") is an intermediate holding company of a supply-chain logistics group ("the Brambles Group"), "Brambles", or "the Group", trading primarily through the CHEP brand. The Brambles Group manages the world's largest pool of reusable pallets and containers. As a pioneer of the sharing economy, the Brambles Group promotes the shared use of its platforms among multiple supply-chain participants under a circular 'share and reuse' model known as pooling.

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 Company also operates specialist container logistics businesses serving the automotive sector, as well as an Intermediate Bulk Container (IBC) pool, serving the health and personal care and food ingredients sectors.

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 Sydney, Australia.

Further information about the Brambles Group and copies of the Brambles Limited Annual Report, for the current and prior years, are available at www.brambles.com.

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

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.

Unless otherwise indicated, references to 2021 or FY21 and 2020 or FY20 are to the financial years ended 30 June 2021 and 30 June 2020, respectively.

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.

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 2021 *(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 – paragraphs 45(b) and 46 to 52 of IFRS 2;
- business combinations - paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3;
- non-current assets held for sale and discontinued operations – paragraph 33(c) of IFRS 5;
- financial instruments – IFRS 7;
- fair value measurement – paragraphs 91 to 99 of IFRS 13;
- revenue from contracts with customers - second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15;
- leases - paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16, and paragraph 58 of IFRS 16;
- presentation of comparative information in respect of certain assets – paragraph 38 of IAS 1 relating to paragraphs 79(a)(iv) of IAS 1, 73(e) of IAS16 and 118(e) of IAS 38;
- presentation of a cash flow statement – IAS 7 and paragraphs 10(d) and 111 of IAS 1;
- capital management – paragraphs 134 to 136 of IAS 1;
- standards not yet effective - paragraphs 30 and 31 of IAS 8;
- related party transactions - paragraphs 17 and 18A of IAS 24 and requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraph 40A-D of IAS 1, 'Presentation of financial statements' to present a third statement of financial position and
- impairment of assets - paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36.

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 2021, have had a material impact on the Company.

Restatement of prior period comparatives
During the year, a restatement was required for the change in presentation of the royalty receivable balance due to the Company. An amount of £27,335,000 was previously included within current liabilities instead of being presented within current assets. The comparatives for FY20 have been restated to report the correct classification of the receivable balance in the Statement of financial position and the related Notes, and are now consistent with the correct presentation shown for FY21. The measured value of the receivable has not been affected by the restatement. The impact is as follows:

	As originally reported 30 June 2020	Adjustment	Restated 30 June 2020
In the Statement of financial position:			
Trade and other receivables	50,006	27,335	77,341
Creditors: amounts falling due within one year	(77,521)	(27,335)	(104,856)
In Note 17:			
Amount due from group undertakings	4,928	27,335	32,263
In Note 18			
Accruals and deferred income	(16,010)	(27,335)	(43,345)

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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 Directors have assessed the liquidity requirements for the Company for at least the next 12 months from date of approval of these financial statements. They intend to manage their working capital needs on a day to day basis through realising existing resources. The Directors have also received assurance of continued financial support from an appropriate Brambles Group Company for at least 12 months from the date these financial statements.

The Directors therefore believe the Company is well placed to manage its business risks and they have a reasonable expectation the Company has adequate resources to continue their operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual 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, prepared in accordance with IFRS as adopted in Australia, 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.

The registered address of Brambles Limited is Level 10, Angel Place, 123 Pitt Street, Sydney, NSW 2000, Australia.

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.

(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.

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

2 Summary of significant accounting policies *(continued)*

2.4 Property, plant and equipment *(continued)*

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
• 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 12*).

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.

Purchased goodwill
The purchased goodwill was acquired as part of the reorganisation and acquisition of the Pallecon UK business operations, as explained in Note 11 and arose as part of the original acquisition of the Pallecon UK legal entity and its business by Brambles during December 2012. Purchased goodwill is stated at cost less provision for impairment.

Customer relations
The customer relationship intangible assets were acquired as part of the reorganisation and acquisition of the Pallecon UK business operations, as explained in Note 11. The customer relationships arose as part of the original acquisition of the Pallecon UK legal entity and its business by Brambles during December 2012. Customer relationships are amortised over their useful life of 10 years down to a residual value of zero.

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.

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

2 Summary of significant accounting policies *(continued)*

2.7 Financial assets

2.7.1 Classification
The Company classifies its financial assets as financial assets at amortised cost. This classification reflects the purpose for which the financial assets were acquired and is determined at initial recognition.

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:
- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The Company's financial assets at amortised cost comprise of trade receivables, other receivables, accrued income and amounts due from group undertakings.

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. Refer to Note 2.11 below.

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.

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.

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

2 Summary of significant accounting policies *(continued)*

2.11 Trade and other receivables *(continued)*

Under IFRS 9 Financial Instruments, effective for the Company from 1 July 2019, for all eligible trade and other receivables, the Company has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade and other receivables are grouped based on region and aging. Customers with heightened credit risk are provided for specifically based on historical default rates and forward-looking information. Customers with normal credit risk are provided for in line with a provision matrix based on aging and their associated risk. A lifecycle allowance is calculated on the remaining trade and other receivables balance based on historical bad debt levels. Where there is no reasonable expectation of recovery, balances are written off. This has increased the allowance for doubtful debts only marginally due to historically low levels of bad debt.

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.

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

2 Summary of significant accounting policies *(continued)*

2.17 Current and deferred income tax *(continued)*

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 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 administrative expenses.

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

2 Summary of significant accounting policies *(continued)*

2.18 Employee benefits *(continued)*

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.

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 within the capital contribution reserve.

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 20 to the financial statements of the 2021 Annual Report of Brambles Limited.

2.20 Revenue recognition

Revenue is measured in line with the new accounting standard IFRS 15 *Revenue from Contracts with Customers*, effective for the Company from 1 July 2019 (refer Note 4). Under the new accounting policy, revenue generated from the provision of pooling equipment to customers is recognised over the cycle time. Revenue is measured based on the amount of consideration the Company expects to be entitled to, in exchange for transferring promised goods or services to a customer, net of consideration payable to customers or third parties, duties and taxes paid (Value Added Tax and local equivalents).

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements. Further details around revenue recognition is given in note 4.

Notes to the financial statements for the year ended 30 June 2021 *(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

The Company primarily leases offices, service centres, equipment and vehicles. Rental contracts are typically made for fixed periods, but may have extension or termination options. Contract terms range from 36 months to 15 years. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

From 1 July 2019, leases are recognised as a right-of-use leased asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured at present value. Lease liabilities include the present value of:
- fixed lease payments less any incentives receivable;
- variable payments based on a rate or index; and
- amounts expected to be payable relating to residual value guarantees, early termination penalties, and purchase options if reasonably certain of taking place.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, then lease payments are discounted using the incremental borrowing rate calculated by geographic region. The incremental borrowing rate is the rate the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

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

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

2 Summary of significant accounting policies *(continued)*

2.23 Leases *(continued)*

The right-of-use leased asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Company has no leases as lessor.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

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.

3 Critical accounting estimates and judgments

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.

<u>3.1 Critical accounting estimates and assumptions</u>

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) Revenue recognition
As explained in Note 4, the services provided by the Company are deemed a single performance obligation and the Company's predominant billing structure either a bundled upfront fee upon issue of pooling equipment to customers, or a daily hire fee based on the number of days the pooling equipment is used in the field by a customer. Upfront fee revenue arising is deferred and recognised over the estimated period that the pooling equipment is utilised by customers, referred to as the cycle time, which is an output method. Cycle time is based upon the average time pooling equipment is in the field with customers and averages 51 days for automotive sector and 91 days for pallets and containers.

(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 three-year period with an appropriate terminal value at the end of the period or by reference to the expected realisable net asset value, where this is more relevant, in determining the estimated recoverable amount.

(c) 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 20 for the disclosures of the defined benefit pension scheme.

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

3 Critical accounting estimates and judgments *(continued)*

(d) Lease accounting
The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company relies upon the cost of funds applicable to its individual credit-rating banding as determined by the Brambles Group treasury function. The Company used an incremental borrowing rate of 3%. This was derived from the Reuters 10 year swap rate on date of transition, plus Brambles cost of funds of 1.5%, and then rounded up to the nearest 0.5%.

3.2 Critical judgements in applying the Company's accounting policies

(a) Revenue recognition
The timing of revenue recognition is dependent upon the average cycle time of pooling equipment used in the field by customers. Changes in that average cycle time in future years could have a material effect on the amount of revenue recognised and deferred at each balance sheet date.

(b) Impairment of fixed asset investments
The assumptions used in the impairment review process for the fixed assets investments, as disclosed (if relevant) in Note 14, 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 2021 *(continued)*
(All amounts are in £ thousands unless otherwise stated)

4 Revenue

Analysis of revenue by geography:

	2021	2020
United Kingdom	**368,975**	377,670
Rest of Europe	**21,755**	23,906
	390,730	401,576

Analysis of revenue by category:

	2021	2020
Sale of goods	**10,433**	11,952
Services	**334,304**	330,031
Royalty income	**45,993**	48,731
Royalty income prior period adjustment	**-**	10,862
	390,730	401,576

For the prior year, the Australian Tax Office and HM Revenue and Customs reached agreement with the Company to amend the allocation of royalty revenue as between the Company and CHEP Technology Pty Limited, a fellow group undertaking incorporated in Australia. The Company's previous allocations of 30% of royalty revenue from the USA and 40% from the rest of the world has been amended to 35% globally. As a result of the changed allocations, the Company has recognised additional net royalty income during FY20 of £10,862,000 which relates to prior years.

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 establishes a framework for revenue recognition. It is based on the principle that revenue is recognised when control of a good or service transfers to a customer, either over time or at a point in time, depending on when performance obligations are satisfied.

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

Under IFRS 15, the services provided by the Company are deemed a single performance obligation relating to the provision of an end-to-end pooling solution and the performance obligation is satisfied over time. The issue and daily hire activities are not considered distinct services. Revenue arising from issue fees is deferred and recognised over the estimated period that the pooling equipment is utilised by customers, referred to as the cycle time, which is an output method. Revenue based on the daily hire model is recognised over time. Consideration that is fixed or highly probable is included in the transaction price allocated to the performance obligation. This includes issue fees, daily hire fees and bundled upfront fees. Consideration that is variable or uncertain continues to be recognised when the activity occurs.

Deferred revenue primarily relates to revenue that is billed on issue of pooling equipment to customers. It is recognised in the income statement over the cycle time (refer Note 2). As the cycle time is less than one year, all deferred revenue from 2020 was recognised in 2021. Deferred revenue in 2021 relates to the transaction price allocated to performance obligations that remain unsatisfied and will be satisfied in 2022.

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

(All amounts are in £ thousands unless otherwise stated)

5 Operating profit

Operating profit is stated after charging/(crediting):

	2021	2020
Wages and salaries	**45,116**	40,434
Social security costs	**4,773**	4,085
Other pension costs - defined contribution (*Note 20*)	**2,383**	2,226
Other pension costs - defined benefit *(Note 20)*	**624**	318
Share based payments	**1,216**	759
Staff costs	**54,112**	47,822

	2021	2020
Reorganisation expense	**271**	142
Depreciation charge on property, plant and equipment and leases	**9,417**	9,613
Amortisation charge on intangible assets	**150**	150
Foreign exchange losses/(gains)	**304**	(534)
Audit fees payable to the Company's auditors	**77**	77

Notes to the financial statements for the year ended 30 June 2021 *(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:

By activity:	**2021 Number**	2020 Number
Production	**980**	889
Administration	**239**	233
	1,219	1,122

Directors

The directors' emoluments were as follows:

	2021	2020
Aggregate emoluments	**1,108**	1,046
	1,108	1,046

During the year the directors received payments of £99,230 into their defined contribution pensions.

One director exercised share options during the year (2020: one). Three directors participate in the share option scheme provided by the Brambles Group (2020: three).

Highest paid director

The highest paid director's emoluments were as follows:

	2021	2020
Total amount of emoluments and amounts receivable under long-term incentive schemes	**386**	417

During the year the highest paid director received payments of £33,117 into their defined contribution pension. The highest paid director participated in the share option scheme provided by the Brambles Group.

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

(All amounts are in £ thousands unless otherwise stated)

7 Income from shares in Group undertakings

	2021	2020
Income from shares in group undertakings	**2,733**	17,886
	2,733	17,886

Full amount of income from shares in group undertakings relates to dividends received from CHEP do Brasil Ltda of £1,418,064 (2020: £17,045,341) and CHEP Magyarorszag Szolgatato kft of £1,315,288 (2020: 840,287).

8 Finance income and costs

Finance income	2021	2020
Interest income	**96**	245
Total finance income	**96**	245

Finance costs	2021	2020
Interest expense on loans from fellow group undertakings	**(207)**	(802)
Lease interest expense (Note 13)	**(675)**	(835)
Net cost on post-employment benefits (Note 20)	**(343)**	(484)
Total finance costs	**(1,225)**	(2,121)

Finance income and costs	2021	2020
Interest income	**96**	245
Interest costs	**(1,225)**	(2,121)
Net finance costs	**(1,129)**	(1,876)

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

(All amounts are in £ thousands unless otherwise stated)

9 Tax on profit

	2021	2020
Tax expense included in profit or loss		
Current tax:		
– UK Corporation tax on profits for the year	**(14,393)**	(14,886)
– Adjustments in respect of prior years	**592**	137
Total current tax	**(13,801)**	(14,749)
Deferred tax:		
Origination and reversal of timing differences	**(481)**	(765)
Impact of change in tax rate	**(1,083)**	(244)
Adjustments in respect of prior years	**25**	(198)
Total deferred tax	**(1,539)**	(1,207)
Tax on profit	**(15,340)**	(15,956)

Tax (expense)/income included in other comprehensive income/(expense)	**2021**	2020
Deferred tax:		
– Origination and reversal of temporary differences	**(247)**	904
– Impact of change in tax rate	**1,910**	541
Total tax income/(expense) included in other comprehensive income/(expense	**1,663**	1,445

Tax expense for the year is higher (2020: lower) than the standard rate of corporation tax in the UK for the year ended 30 June 2021 of 19% (2020: 19%). The differences are explained below:

	2021	2020
Profit before taxation	**70,489**	120,398
Profit before taxation multiplied by the standard rate of tax in the UK of 19% (2020: 19%):	**(13,393)**	(22,876)
Effects of:		
– Income not subject to tax – income from shares in group undertakings	**519**	3,398
– Income not subject to tax – gain on disposal of fixed asset investments	**176**	5,312
– Overseas tax	**(384)**	(414)
– Double tax relief	**384**	414
– Remeasurement of deferred tax – change in UK tax rate	**(1,083)**	(245)
– Adjustments in respect of prior years	**618**	(60)
– Expenses not deductible for tax purposes:		
- amounts written off fixed asset investments	**(2,177)**	(1,379)
– other	**-**	(106)
Total tax charge	**(15,340)**	(15,956)

The tax rate for the current year is the same as the prior year, being 19%, effective since 1 April 2017. The tax rate reduction to 17% from April 2020 previously enacted as part of the Finance Act 2016 (on 6 September 2016), will now remain at 19%. This change was enacted in the Finance Act 2020 on 22 July 2020. The Finance Act 2021, enacted on 10 June 2021, has increased the tax rate to 25% with effect from 1 April 2023. Deferred tax assets and liabilities measured at 19%, but expected to unwind after 1 April 2023, have been remeasured at 25% during the year.

Notes to the financial statements for the year ended 30 June 2021 *(continued)*
(All amounts are in £ thousands unless otherwise stated)

10 Dividends paid

Declared and paid during the year:	**2021**	2020
Dividends on ordinary shares:		
– first interim for 2021 £6.30 (2020: £13.86)	**50,000**	110,000

11 Intangible assets

	Purchased goodwill	Intellectual property rights	Customer relationships	Total
Cost:				
At 1 July 2020	6,662	37,500	1,500	45,662
Additions	-	-	-	-
As at 30 June 2021	6,662	37,500	1,500	45,662
Accumulated:				
At 1 July 2020	-	(37,500)	(1,137)	(38,637)
Amortisation	-	-	(150)	(150)
At 30 June 2021	-	(37,500)	(1,287)	(38,787)
Net book amount	6,662	-	213	6,875
Net book amount:				
As at 30 June 2020	6,662	-	363	7,025
Movement during the year	-	-	(150)	(150)
As at 30 June 2021	6,662	-	213	6,875

The purchased goodwill and customer relationship intangible assets were acquired as part of the reorganisation and acquisition of the Pallecon UK business operations in FY19. Both amounts arose as part of the original acquisition of the Pallecon UK legal entity and its business by Brambles during December 2012. Purchased goodwill is carried at cost less accumulated impairment losses and is not amortised. It has an indefinite useful life. Customer relationships are amortised over their useful life of 10 years down to a residual value of zero.

The intellectual property 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 2021 *(continued)*

(All amounts are in £ thousands unless otherwise stated)

12 Property, plant and equipment

	Land, buildings and leasehold improvements	Plant, machinery and motor vehicles	Capital work in progress	Total
At 30 June 2020				
Cost	19,973	65,720	4,054	89,747
Accumulated depreciation and impairment	(6,370)	(48,812)	-	(55,182)
Net book amount	13,603	16,908	4,054	34,565
Year ended 30 June 2021				
Foreign currency adjustment	(33)	(69)	(10)	(112)
Additions	-	196	9,855	10,051
Disposals	(23)	(73)	(233)	(329)
Reclassification	33	10,524	(10,557)	-
Depreciation	(487)	(3,528)	-	(4,015)
Closing net book amount	13,093	23,958	3,109	40,160
At 30 June 2021				
Cost	19,870	72,591	3,109	95,570
Accumulated depreciation and impairment	(6,777)	(48,633)	-	(55,410)
Net book amount	13,093	23,958	3,109	40,160

The net book value of land and buildings comprises:

	2021	2020
Freehold land	**2,891**	2,915
Freehold buildings	**7,978**	8,279
Long leasehold improvements	**2,224**	2,409
Carrying value	**13,093**	13,603

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

(All amounts are in £ thousands unless otherwise stated)

13 Right-of-use assets

The Company primarily leases offices, service centres, equipment and vehicles used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

(i) Amounts recognised in the statement of financial position

Right-of-use assets:	Land and buildings	Plant, machinery equipment and motor vehicles	Total
At 30 June 2020			
Cost	28,544	2,940	**31,484**
Accumulated depreciation	(4,258)	(1,685)	**(5,943)**
Net carrying amount	24,286	1,255	**25,541**
Year ended 30 June 2021			
Foreign exchange differences	(43)	(4)	**(47)**
Additions	-	2,177	**2,177**
Disposals	(36)	-	**(36)**
Remeasurement of existing leases	486	-	**486**
Depreciation	(4,078)	(1,324)	**(5,402)**
Closing net carrying amount	20,615	2,104	**22,719**
At 30 June 2021			
Cost	28,901	5,113	**34,014**
Accumulated depreciation	(8,286)	(3,009)	**(11,295)**
Net carrying amount	20,615	2,104	**22,719**

	2021	2020
Lease liabilities		
Current	(5,724)	(5,757)
Non-current	(18,145)	(22,116)
	(23,869)	(27,873)

(ii) Amounts recognised in the income statement

	2021	2020
Interest expense (included in finance cost)	675	835
Expense relating to leases of low value assets that are not shown above as short-term leases (included in administrative expenses)	333	500
	1,008	1,335

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

(All amounts are in £ thousands unless otherwise stated)

13 Right-of-use assets *(continued)*

Future minimum lease payments as at 30 June 2021 are as follows:

	2021	2020
Not later than one year	5,724	5,776
Later than one year and not later than five years	15,394	15,239
Later than five years	5,172	10,395
Total gross payments	26,290	31,410
Impact of finance expenses	(2,421)	(3,537)
Carrying amount of liability	23,869	27,873

The Company initially applied IFRS 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information was not restated and the cumulative effect of initially applying IFRS 16 was recognised in retained earnings at the date of initial application.

The total cash outflow for leases in 2021 was £6,862,753 (2020: £7,210,000).

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

(All amounts are in £ thousands unless otherwise stated)

14 Investments in subsidiaries

	Shares in group undertakings
At 1 July 2019	137,219
Additions	1,217
Disposals	(69,211)
Impairment	(7,260)
At 30 June 2020	61,965
Additions	2,366
Impairment charge for the year	(11,460)
At 30 June 2021	52,871

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

	2021	2020
CHEP Argentina SA	2,366	1,217
	2,366	1,217

Impairment Testing

In respect of the carrying value of the company's investment in subsidiaries, assessments are undertaken at least annually to determine whether there have been any events or changes in circumstances that indicate that the carrying value may be impaired. An impairment review is carried out when such indicators are present by comparing the carrying value of a subsidiary to its recoverable amount. The recoverable amount of investments is determined based on the higher of the value in use and the fair value less costs to sell calculations undertaken.

The impairment recognised during 2021 arises from the regular annual impairment review undertaken by the directors, conducted during September 2021 on a value-in-use basis using trading and using cash flow forecasts prepared by the Brambles Group. The value in use is calculated using a discounted cash flow methodology covering a three-year period with an appropriate terminal value at the end of that period or by reference to the expected realisable net asset value, where this is more relevant, in determining the estimated recoverable amount.

As a consequence of the regular annual impairment review undertaken by the directors, the Company has recognised an impairment of £11,460,000 (2020: £7,260,000) to write down the carrying value of certain subsidiaries to their expected realisable net asset values which are considered to be equivalent to their estimated recoverable amounts.

A full listing of group undertakings as at 30 June 2021 is provided in Note 28.

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

(All amounts are in £ thousands unless otherwise stated)

14 Investments in subsidiaries *(Continued)*

Impairments:
The impairment charge for the year comprises:

	Country of incorporation	**2021**	2020
CHEP Argentina SA	Argentina	**7,994**	2,680
CHEP Maroc Sarl	Morocco	**3,466**	1,180
CHEP (Thailand) Ltd	Thailand	-	710
Brambles (Hong Kong) Ltd	Hong Kong	-	2,690
		11,460	7,260

The key assumptions on which management has based its cash flow projections were:

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

Revenue growth rates
Revenue growth rates used are based on management's latest three-year plan. Principal rates used are tabled below. Sensitivity testing was performed on the valued investments and a reasonably possible decline in these rates would not cause the carrying value of the investments to exceed its recoverable amount.

Terminal value
The terminal value calculated after year three is determined using the stable growth model, having regard to the weighted average cost of capital (WACC) and terminal growth factor appropriate to each investment. The terminal growth rates are tabled below.

Discount rates (pre-tax)
Discount rates used are the pre-tax WACC and include a premium for market risks appropriate to each country in which the investment operates. Pre-tax WACCs used are tabled below.

Sensitivity
Any reasonable change to the above key assumptions would not cause the carrying value of any of the investments to materially exceed its recoverable amount.

Assumptions for principal investments by region	Revenue growth rates	Terminal value	Discount rates (pre-tax)
Europe, Africa and Middle East	0%	2%	14%
Americas	35%	2%	89%
Asia-Pacific	13%	2%	9%

Notes to the financial statements for the year ended 30 June 2021 *(continued)*
(All amounts are in £ thousands unless otherwise stated)

15 Deferred tax asset

	Deferred tax
At 1 July 2020	3,811
Additions to the income statement	(1,539)
Additions to the statement of other comprehensive income	1,663
Adoption of new accounting standards (IFRS 16)	232
At 30 June 2021	4,167

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

	2021	2020
Deferred tax assets due after more than 12 months	**5,876**	5,251
Deferred tax liabilities due after more than 12 months	**(1,709)**	(1,440)
	4,167	3,811
Total deferred tax	**4,167**	3,811

Deferred tax assets	Leases – lease liability	Post-employment benefits	Other short-term timing differences
At 1 July 2019	-	3,703	(44)
Charged to the income statement	(909)	(629)	(107)
Credited directly to other comprehensive income	-	1,445	-
Adoption of new accounting standards (IFRS 16)	6,734	-	-
At 30 June 2020	5,825	4,519	(151)
Credited/(charged) to the income statement	73	(1,130)	363
Credited directly to other comprehensive income	-	1,663	-
At 30 June 2021	5,898	5,052	212

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

(All amounts are in £ thousands unless otherwise stated)

15 Deferred tax asset *(continued)*

Deferred tax liabilities	Accelerated capital allowances	Leases – right of use assets
At 1 July 2019	(940)	-
(Charged)/credited to the income statement	(349)	787
Adoption of new accounting standards (IFRS 16)	-	(5,880)
At 30 June 2020	(1,289)	(5,093)
Credited to the income statement	(613)	-
At 30 June 2021	(1,902)	(5,093)

There are no unused tax losses or unused tax credits.

16 Inventories

	2021	2020
Raw materials and consumables	**4,000**	5,425

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

17 Trade and other receivables

	2021	2020 Restated
Trade receivables	**29,810**	**27,289**
Amount due from group undertakings	**31,490**	**32,263**
Other receivables	**376**	**876**
Prepayments and accrued income	**18,488**	**16,913**
	80,164	**77,341**

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

As explained in Note 2.1, the balance previously reported in FY20 for Amounts due from group undertakings has been restated. The previous balance of £4,928,000 has been increased by £27,335,000 to £32,263,000. See also Note 18.

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

(All amounts are in £ thousands unless otherwise stated)

18 Creditors: amounts falling due within one year

	2021	2020 Restated
Creditors	**16,936**	**17,894**
Lease liabilities	**5,724**	**5,757**
Amount due to group undertakings	**23,886**	**16,753**
Taxation and social security	**11,061**	**21,107**
Accruals and deferred income	**51,501**	**43,345**
	109,108	**104,856**

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

As explained in Note 2.1, the balance previously reported in FY20 for Accruals and deferred income has been restated. The previous balance of £16,010,000 has been increased by £27,335,000 to £43,345,000. See also Note 17.

19 Creditors: amounts falling due after more than one year

	2021	2020
Lease Liabilities	**18,145**	22,116
Amounts owed to group undertakings		
- Brambles U.K. Limited	**22,273**	22,786
- Brambles Finance plc	**3,764**	10,455
	44,182	55,357

All intra-group loans to the Company as borrower comprise unsecured committed revolving loan facilities that carried interest during FY21 at Brambles' cost of funds plus a margin of 0.1% or 1.1%. Individual committed loan facilities comprise:

- GBP 200,000,000 (2020: GBP 200,000,000) facility from Brambles U.K. Limited dated 30 June 2021 (as amended);
- GBP 20,000,000 (2020: GBP 15,000,000) facility from Brambles U.K. Limited dated 30 June 2021 (as amended); and
- EUR 8,000,000 (2020: EUR 8,000,000) facility from Brambles Finance plc dated 30 June 2021 (as amended).

On 30 June 2021, the Company (as borrower) and Brambles U.K. Limited entered into two new loan agreements to replace the two agreements dated 18 June 2012 (as amended) with immediate effect, and with Brambles Finance plc into a new loan agreement to replace the one dated 28 August 2012 (as amended), also with immediate effect. All these new loan agreements comprise unsecured committed revolving loan facilities and are for GBP200,000,000, GBP20,000,000 and EUR 8,000,000, respectively. All three carry interest at Brambles' cost of funds plus a margin of zero and are available for drawdown from 30 June 2021 onwards. The committed term of each facility is for three years to 30 June 2024, with an automatic extension to 30 June 2025 unless otherwise advised by either party in writing prior to 30 June 2022.

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

(All amounts are in £ thousands unless otherwise stated)

20 Pensions and similar obligations

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 held in the funds are governed by local regulations and practice in the United Kingdom. Responsibility for the governance of the Schemes including investment decisions and contribution schedules lies jointly with the principal employer, Brambles Enterprises Limited, the Company and the trustees of the Schemes.

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 2021 by independent professionally qualified actuaries to take account of the requirements of IAS 19. The valuation updates have used assumptions, assets and cash flows as at 31 May 2021. There has been no material change in assumptions, assets and cash flows between 31 May and 30 June. The present value of the defined benefit obligations 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 2021	30 June 2020
Rate of increase in salaries	**3.25%**	2.65%
Rate of increase in pensions	**3.22%**	2.79%
Discount rate	**1.95%**	1.52%
Consumer price inflation	**2.70%**	2.12%

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%.

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 as an expense are as follows:

	2021	2020
Total cost recognised as an expense:		
Service costs	**(624)**	(318)
Interest costs	**(2,289)**	(3,122)
Interest income	**1,946**	2,638
	(967)	(802)

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

(All amounts are in £ thousands unless otherwise stated)

20 Pensions and similar obligations *(continued)*

	2021	2020
Amount included within the Statement of comprehensive income		
Return on Plan assets (excluding interest income)	**(1,540)**	12,595
Actuarial changes arising from:		
- changes in demographic assumptions	**10**	(686)
- changes in financial assumptions	**2,606**	(16,700)
Recognised in the Statement of comprehensive income	**1,076**	(4,791)

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

	Assets	Liabilities	Total
As at 1 July 2019	114,105	(135,882)	(21,777)
- exchange rate differences	147	(118)	29
- administration expense	(318)	-	(318)
- interest income/(expense)	2,638	(3,122)	(484)
- employer contributions	3,558	-	3,558
- benefits paid	(2,979)	2,979	-
- remeasurement gains/(losses)	12,595	(17,386)	(4,791)
Defined benefit obligation at 30 June 2020	129,746	(153,529)	(23,783)
- exchange rate differences	(503)	417	(86)
- administration expense	(624)	-	(624)
- interest income/(expense)	1,946	(2,289)	(343)
- employer contributions	3,552	-	3,552
- benefits paid	(3,188)	3,188	-
- remeasurement gains/(losses)	(1,540)	2,616	1,076
Defined benefit obligation at 30 June 2021	129,389	(149,597)	(20,208)

The fair value of the Schemes' assets were:

	2021	2020
Equities	**9,909**	21,347
Bonds	**27,966**	24,593
Liability driven investment funds	**42,593**	51,328
Liquidity fund	**33,201**	18,544
Property	**13,608**	9,761
Other	**2,112**	4,173
Total market value of assets	**129,389**	129,746

The Schemes' liabilities are expected to mature over a period of approximately twenty years, based on a weighted average duration.

Notes to the financial statements for the year ended 30 June 2021 *(continued)*
(All amounts are in £ thousands unless otherwise stated)

20 Pensions and similar obligations *(continued)*

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 £4.0 million are being paid to remove the identified deficit over a period 7 years from 1 July 2021.

Contributions paid to the Schemes during 2021 were £3,552,000 (2020: £3,558,000). It is estimated that the amount of contributions to be paid to the Schemes during 2022 will be £4,370,000.

Schemes' Risks

a Asset volatility
The Schemes' liabilities are calculated using a discount rate set with reference to corporate bond yields; if the Schemes' assets underperform this yield, this will create a deficit.

As the Schemes mature, they are gradually transferring investments to liability driven investment funds and index linked bonds in order to more closely match the maturing liability profile.

However, in view of the long-term nature of the Schemes' liabilities and the strength of the supporting group, a level of continuing equity investment remains an appropriate element of the long-term strategy to manage the Schemes efficiently.

b Changes in bond yields
A decrease in corporate bond yields will increase Schemes' liabilities, although this will be partially offset by an increase in the value of the Schemes" bond holdings.

c Life expectancy
The majority of the Schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the Schemes' liabilities.

d Inflation risk
The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although caps of between 2.5% to 5% on the level of inflationary increases are in place). Certain of the Schemes' assets are either unaffected by (e.g. fixed interest bonds) or loosely correlated with (e.g. equities) inflation, meaning that an increase in inflation may also increase the deficit.

e. GMP Equalisation
An allowance for additional benefits due to GMP equalisation was made in 2019. No additional allowance has been made in the current year disclosures.

Notes to the financial statements for the year ended 30 June 2021 *(continued)*
(All amounts are in £ thousands unless otherwise stated)

20 Pensions and similar obligations *(continued)*

Sensitivity analysis
The sensitivity of the closing present value of the defined benefit obligation to changes in the following weighted principal assumptions is:

	2021	2020
Discount rate plus 25 basis points	**(141,215)**	(145,128)
Discount rate minus 25 basis points	**(154,133)**	(159,038)
Inflation rate plus 25 basis points	**(151,947)**	(156,959)
Inflation rate minus 25 basis points	**(143,411)**	(147,186)

The above sensitivity analyses are based on a change in an assumption, while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (that is, present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumption used in preparing the sensitivity analysis did not change compared to the previous year.

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: £2,383,000 (2020: £2,226,000).

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

(All amounts are in £ thousands unless otherwise stated)

21 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$6,000 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 48 to 53) and in Note 22 to the financial statements of the 2021 Annual Report of Brambles Limited.

22 Called up share capital

Ordinary shares of £1.00 each

	No.	£'000
Allotted and fully paid		
At 1 July 2020	7,935,458	7,935
At 30 June 2021	7,935,458	7,935

All shares rank *pari passu* in all respects.

23 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 euro €40,000,000 (2020: two composite guarantee structures, euro €30,000,000 and sterling £10,000,000, respectively).

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. The Company is not aware of any contingent liabilities.

Notes to the financial statements for the year ended 30 June 2021 *(continued)*
(All amounts are in £ thousands unless otherwise stated)

24 Capital and other commitments

At 30 June, the Company had the following capital commitments

	2021	2020
Contracts for future capital expenditure not provided in the financial statements	**576**	83

25 Controlling parties

The immediate parent undertaking is Cyan Logistics Limited, which is registered 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.

The registered office of Brambles Limited is Level 10, Angel Place, 123 Pitt Street, Sydney, NSW 2000, Australia.

26 Events after the end of the financial year

No material events occurred after the year end date of 30 June 2021 and before the signing of the Company's financial statements.

27 Related party transaction

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

There are no other related party transactions.

Notes to the financial statements for the year ended 30 June 2021 *(continued)*

(All amounts are in £ thousands unless otherwise stated)

28 Group undertakings	Registered office (or equivalent)	Holding	Class of Shares
Pallet pooling			
CHEP Ireland (branch)	Jamestown Business Park, Jamestown Road, Finglas, Dublin, Eire	100%*	Branch
CHEP Maroc Sarl	71, Angle Boulevard Mohamed, V et Rue Azilal, 3ème Etage, Casablanca, Morocco	100%*	Ordinary
CHEP Magyarorszag Szolgatato kft	Rubin Business Centre, 1118 Budapest, Dayka Gabor u.3, 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. De 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 Osterreich GmbH	Mariahilferstrasse 123/3, 1060 Wien, Austria	100%*	Ordinary
CHEP SK S.r.o.	Trnavska cesta 50, 821 02, Bratislava, Slovakia	100%*	Ordinary
CHEP (Thailand) Ltd	589/161 Central City Tower 1, 31st Floor, Room A, Debaratana Road, Bangna Nue Sub-District, Bangna District, Bangkok, Thailand	49.9%*	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, 1089 Zhong Shan Nan' Er Road, Xuhui District, Shanghai, 200030, China	72.27%	Ordinary
CHEP Saudi Arabia Ltd	Hoshan Complex, Al-Ahsa Street, Malaz Area, Riyadh 11623, Saudi Arabia	100%*	Ordinary
Boxpal Ltd	Upperton Industrial Estate, Peterhead, Aberdeenshire, AB42 3GL, Scotland	100%*	Ordinary
Intermediate bulk containers			
CHEP Pallecon Solutions (Thailand) Ltd	589/161 Central City Tower 1, 31st Floor, Room A, Bangna Nue Sub-District, Bangna District, Bangkok, Thailand	100%	Ordinary

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