BRAMBLES

Brambles Industries Limited
A.C.N. 000 129 868

LEVEL 40, GATEWAY, 1 MACQUARIE PLACE, SYDNEY NSW, 2000
GPO BOX 4173, SYDNEY NSW, 2001, AUSTRALIA
TELEPHONE: (02) 9256 5222 FACSIMILE: (02) 9256 5299
INTERNATIONAL PREFIX: + 61 2

25 June, 2001.

The Manager-Listings,
Australian Stock Exchange Limited,
Exchange Centre,
20 Bridge Street,
SYDNEY, N.S.W., 2000.

Via electronic lodgement.

Dear Madam,

We advise that the proposed combining of Brambles Industries Limited with the support services of GKN plc continues to proceed satisfactorily. Mailing of an Information Memorandum to Brambles shareholders will begin today. This provides information on the Dual Listed Companies Proposal, the Brambles Shareholders' Meeting to approve the Proposal, and the various resolutions to be considered at that meeting.

The Shareholders' Meeting will be held in The Wesley Theatre at the Wesley Conference Centre, 220 Pitt Street Sydney on Thursday 26 July at 2.30pm.

Pursuant to the requirements of Listing Rule 3.17, attached is a copy of the Information Memorandum and Form of Proxy for the General Meeting of Shareholders. The Notice of Meeting is contained within the Information Memorandum.

A copy of the Information Memorandum will also be placed on the Company's website, www.brambles.com.

Yours faithfully
BRAMBLES INDUSTRIES LIMITED

D.R.Corben
Company Secretary

enc.

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Information Memorandum

Dual Listed Companies Proposal

Your Directors unanimously recommend that you vote in favour of the resolutions to approve the DLC Proposal, as described in this Information Memorandum.

THIS IS AN IMPORTANT DOCUMENT.

If you do not understand it or are in doubt as to how to act, you should consult your investment or other professional adviser immediately.

If you have sold all of your Brambles Shares, please disregard this document.

Brambles Industries Limited ABN 22 000 129 868

Brambles Industries Limited
Registered Office
Level 40, Gateway
1 Macquarie Place
Sydney NSW 2000
Australia

Share Registry
Brambles Share Registrar
c/o BT Registries Pty Limited
Level 6, The Chifley Tower
2 Chifley Square
Sydney NSW 2000
Australia

Financial Advisers to Brambles
Macquarie Bank Limited
1 Martin Place
Sydney NSW 2000
Australia

Greenhill & Co International Limited
Regent Gate
56-58 Conduit Street
London W1S 2YZ
UK

Legal Advisers to Brambles
Allen Allen & Hemsley
The Chifley Tower
2 Chifley Square
Sydney NSW 2000
Australia

Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS
UK

Auditors and Investigating Accountants
Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney NSW 2000
Australia

Shareholder Enquiries:
1800 656 530 (Australia)
+612 9207 3999 (International)
www.brambles.com

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Timetable

Monday 16 July 2001*	Meetings of GKN Shareholders to (among other things) approve the DLC Proposal to be held from 11.00 am (London Time)
Tuesday 24 July 2001	Proxy forms for the Brambles Meeting must be received at the Brambles Share Department no later than 2.30 pm (Sydney Time)
Wednesday 25 July 2001	Eligibility to vote at the Brambles Meeting determined at 9.30 am (Sydney Time)
Thursday 26 July 2001	**Brambles Meeting to be held at The Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales, Australia at 2.30 pm (Sydney Time)**
Tuesday 7 August 2001*	Expected date for Completion, at which time: • Brambles (UK) Shares will commence trading on the London Stock Exchange (8.00 am London Time); and • the DLC Structure will become effective
Wednesday 8 August 2001*	Brambles Shares expected to begin trading "ex" entitlement to: • 41 cent second interim dividend (franked to 60%) in lieu of Brambles' final dividend for the financial year ended 30 June 2001; and • Additional Brambles Shares, which are expected to trade on a deferred settlement basis
Tuesday 14 August 2001*	Expected record date for determining entitlement to: • 41 cent second interim dividend (franked to 60%) in lieu of Brambles' final dividend for the financial year ended 30 June 2001; and • Additional Brambles Shares (close of business)
Monday 20 August 2001*	Additional Brambles Shares will be issued to Brambles Shareholders under the Brambles Additional Share Issue

* Dates marked with an asterisk are indicative only and may be subject to change without notice to Brambles Shareholders. In particular, as set out in Section 5.9, Completion will occur only after either Brambles or GKN (on behalf of Brambles (UK)) gives to the other an Election Notice requiring Completion to occur. An Election Notice may only be given if and when all Conditions contained in the Merger Agreement have been satisfied (including the DLC Proposal having been approved by Brambles Shareholders, by GKN Shareholders and by certain regulatory authorities, and the GKN Demerger having been completed) or, where permitted, waived. Details of the Conditions which are yet to be satisfied (or waived) as at 18 June 2001 are set out in Section 5.8.

BRAMBLES

Brambles Industries Limited
A.C.N. 000 129 868

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GPO BOX 4173, SYDNEY NSW, 2001, AUSTRALIA
TELEPHONE: (02) 9256 5222 FACSIMILE: (02) 9256 5299
INTERNATIONAL PREFIX: + 61 2

25 June 2001

Dear Shareholder

You are being asked to approve a proposal to combine Brambles Industries Limited with the support services activities of GKN plc. The result will be the formation of a group which will be a global support services leader. The proposal will also enable Brambles to achieve its objective of deriving the full value from its current investments in support services, particularly CHEP, CLEANAWAY and Recall.

I am strongly in favour of this proposal, as are the other members of your Board of Directors. We believe it is a logical and inevitable outcome of the highly productive and successful relationship Brambles and GKN have had during the past 27 years. Indeed, it is that long term relationship, and the unique understanding that each of our companies has of the global support services business and the assets we intend to combine, that underpins our confidence in recommending this proposal to shareholders.

GKN will separate its support services activities from its engineering operations and place them in a new company, Brambles Industries plc. Brambles Industries Limited and Brambles Industries plc will then be combined under a dual listed companies (DLC) structure. Their primary listings will be in Australia and the United Kingdom respectively.

Under the proposed DLC structure, Brambles Industries Limited and Brambles Industries plc will have the benefit of operating as if they were a single economic enterprise while retaining separate legal identities and primary stock exchange listings and operating with a unified management team. The headquarters of the combined business will be in Sydney, Australia.

On completion, Brambles' shareholders will have a 57% economic interest in the combined group and GKN shareholders 43%. No premium was involved in deciding this combination ratio. To reflect the 57:43 ratio and to ensure economic equivalence of shares in the dual listed companies, Brambles will issue additional shares to its shareholders.

The "new Brambles" that will result from this proposal if it is implemented will be a unified, dynamic, global support services group designed to maximise the growth opportunities of CHEP, CLEANAWAY and Recall. It will provide a more focused investment in high growth businesses, as well as enhanced global growth opportunities, streamlined investment and

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financing processes and a single management team. The indicative market value of the combined business (based on the agreed combination ratio, a Brambles share price of A$47.20 as at the close of business on 18 June 2001 and an exchange rate of A$1 = GB£0.3751) would be approximately A$19 billion. The combined pro forma revenue for the financial year ended 30 June 2000 was more than A$7 billion.

The proposal requires shareholder approval. Your Directors unanimously recommend that you vote in favour of the resolutions being proposed at the General Meeting to be held on 26 July 2001 in Sydney.

Yours sincerely

Don Argus
Chairman

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Your Vote

The DLC Resolutions

The DLC Proposal requires, among other things, the approval of Brambles Shareholders. Brambles Shareholders are asked to vote on the resolutions (**DLC Resolutions**) set out in full in the Notice of Meeting at the back of this document. In summary, the DLC Resolutions are as follows:

Resolution 1:	To approve the DLC Proposal.
Resolution 2:	To adopt the new Brambles Constitution (see Section 6.11).
Resolutions 3 to 12:	To appoint Directors to the Brambles Board (see Section 3.1).
Resolution 13:	To approve the Indemnity (see Section 3.4).
Resolutions 14 and 15:	To approve the granting of certain rights over Brambles Shares to the proposed new executive Directors (see Section 8.5).
Resolution 16:	To approve an increase in the maximum aggregate remuneration of Directors (see Section 3.5).

Resolution 2, to adopt the new Brambles Constitution, must be approved by a majority of 75% or more of the votes cast at the Meeting. The other resolutions require a majority of more than 50% of the votes cast at the Meeting.

Your Directors' recommendation

All of your Directors unanimously recommend that you vote "YES" to all of the DLC Resolutions (except that the Indemnified Directors do not make any recommendation to Brambles Shareholders in relation to the resolution to approve the Indemnity, in which they have an interest).

What should you do?

- Read the Notice of Meeting and this Information Memorandum carefully.
- If you have any questions please call the enquiry line on 1800 656 530 (freecall) in Australia or +612 9207 3999 outside Australia.
- **Exercise your right to vote.** You do not have to vote. However, your Directors believe that the DLC Proposal is a matter of importance to all Brambles Shareholders and therefore urge you to vote on the proposal.

How can you vote?

- To vote in person attend the Meeting at The Wesley Conference Centre, 220 Pitt Street, Sydney at 2.30 pm (Sydney Time) on Thursday, 26 July 2001.
- If you are not able to attend the Meeting personally, you can appoint an attorney to attend and vote for you, or you can vote by proxy by completing and signing the proxy form enclosed with this document and returning it in the enclosed pre-addressed envelope or by facsimile as soon as possible but so that it is received **NO LATER THAN** 2.30 pm (Sydney Time) on Tuesday 24 July 2001.
- Further details on how you can vote are set out on pages 12 and 13.

Important Notices

This is an important document. You should consider the contents carefully. If you have any questions, you should consult your investment or other professional adviser or call the enquiry line on 1800 656 530 (freecall) in Australia or +612 9207 3999 outside Australia.

Contents of this Information Memorandum

This Information Memorandum contains a letter from your Chairman, a Notice of Meeting and an explanation of the DLC Resolutions required to implement the DLC Proposal (including a resolution to approve Indemnities in favour of some of your Directors) which will be put to Brambles Shareholders at the Meeting. It also includes information material to the decision of Brambles Shareholders whether to approve the DLC Proposal but, generally, does not include information that has already been made available to Brambles Shareholders, such as through annual reports and disclosures to the ASX. Enclosed with this Information Memorandum are a proxy form and a pre-addressed envelope.

This document does not constitute an offer of or invitation for any person to subscribe for or purchase any securities in Brambles, GKN, Brambles (UK) or New GKN.

The information concerning the Brambles Group contained in this Information Memorandum has been provided by Brambles and its advisers **(Brambles Information)**. The information concerning the GKN Group contained in this Information Memorandum has been provided by GKN and its advisers **(GKN Information).** The information concerning the Combined Group contained in this Information Memorandum has been prepared by Brambles, based on the Brambles Information and the GKN Information. GKN has provided Brambles with a representation and warranty that all information relating to the Brambles (UK) Group which is necessary to be contained in this Information Memorandum in order to comply with applicable laws and regulations has been disclosed by GKN to Brambles, other than information already known to Brambles or which is not known to any GKN Director.

Forward-looking statements

This document includes forward-looking statements including, without limitation, forward-looking statements regarding the implementation of the DLC Proposal and the Combined Group's financial position, business strategy, and plans and objectives of management for future operations, which have been based on Brambles' and GKN's current expectations about future events. However, these forward-looking statements are subject to known and unknown risks, uncertainties and assumptions that could cause the DLC Proposal not to be implemented or actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Some of these risks are discussed in Section 4. Such forward-looking statements are based on numerous assumptions regarding satisfaction of conditions for, and the completion of, the DLC Proposal and the Combined Group's present and future business strategies and the environment in which the Combined Group will operate in the future. Matters not yet known to Brambles or GKN or not currently considered material by Brambles or GKN may impact on these forward-looking statements. The statements reflect views held only as at the date of this document. No such statement is, or is intended to be, a profit forecast.

Subject to any continuing obligations under applicable law, Brambles and GKN expressly disclaim any obligation to disseminate after the date of this document any updates or revisions to any such forward-looking statements to reflect any change in expectations, events, conditions or circumstances on which such statements are based.

ASX

A copy of this document has been provided to the ASX. Neither the ASX nor any of its officers takes any responsibility for the contents of this document.

ASIC

A copy of this document has been provided to the ASIC. Neither the ASIC nor any of its officers takes any responsibility for the contents of this document.

Information provided to GKN Shareholders

Meetings of GKN Shareholders are also being convened from 11.00 am (London Time) on 16 July 2001 to consider and, if thought fit, pass resolutions to, among other things, approve the GKN Scheme, the GKN Demerger and the DLC Proposal.

Documents setting out information material to GKN Shareholders' consideration of those matters have been sent to GKN Shareholders. Those documents comprise the Brambles (UK) Listing Particulars, the New GKN Listing Particulars and the GKN Circular.

Each of those documents is available for inspection by Brambles Shareholders, as detailed in Section 8.16.

General information

- All references to time in this document are to Sydney Time (unless the context requires otherwise).
- A number of terms used in this document have been defined in the Glossary. Defined terms are usually indicated by capital letters.
- In relation to pro forma combined financial information and historical financial information, profit and loss accounts are translated at the average rates of exchange for the relevant periods and balance sheets are translated at the period-end exchange rates.
- All combined financial results in this document are based on unaudited pro forma aggregated financial information as set out in Section 2 (unless the context requires otherwise).
- The Brambles Share price quoted in this document is as at the close of business on 18 June 2001 (being the last practicable date prior to publication of this document).
- This document is dated 25 June 2001.

Overview of the DLC Proposal

The DLC Proposal

This Information Memorandum describes a proposal (the **DLC Proposal**) to create a leading global support services group by combining your Company, Brambles Industries Limited (**Brambles**) with the support services activities of GKN plc (the **GKN Support Services Activities**).

The GKN Support Services Activities, which are GKN's 50% interests in the CHEP and CLEANAWAY joint ventures and its wholly-owned subsidiaries, CHEP South Africa, Interlake and Meineke, will if the proposal is implemented first be demerged to a new company, Brambles Industries plc (**Brambles (UK)**) whose shares will be traded on the London Stock Exchange. The balance of GKN's businesses will be owned by a separately listed company, New GKN, which will not be part of the DLC Proposal.

Immediately following the Demerger, it is proposed that Brambles and Brambles (UK) will combine in a dual listed companies structure (**DLC Structure**). To do this, they propose to enter into agreements and adopt new constitutional documents which will provide for the two groups to operate as if they were a single economic enterprise.

Please note that you will not be required to sell or deal with your Brambles Shares in any way as a result of the DLC Proposal.

Details of the DLC Proposal were first announced on 19 April 2001. This Information Memorandum provides additional information to assist Brambles Shareholders to assess the merits of the proposal. This overview is a summary only and Brambles Shareholders are strongly urged to read this Information Memorandum in full.

Your Directors' recommendation

All of your Directors believe the DLC Proposal is in the best interests of Brambles and its Shareholders and strongly recommend that you vote "**YES**" to all of the DLC Resolutions. (The Indemnified Directors do not make any recommendation to Brambles Shareholders in relation to the resolution to approve the Indemnity, in which they have an interest.)

Your Directors' review of the DLC Proposal is contained in Section 4.

Key features of the DLC Structure

- The DLC Structure is essentially a contractual arrangement between Brambles and Brambles (UK) under which they will operate as if they were a single economic enterprise, while retaining their separate legal identities, tax residencies and stock exchange listings. It does not involve the acquisition of one Company by the other or any transfer of shares or other assets between Brambles and Brambles (UK).

- Brambles Shareholders and Brambles (UK) Shareholders will be in substantially the same position in terms of votes, dividends and capital returns as if they held shares in a single enterprise controlling the assets of both Companies.

- Brambles Shareholders will, as at the date of implementation of the DLC Structure, collectively hold 57% of the economic and voting interests in the Combined Group. GKN Shareholders, through the Brambles (UK) Shares they will have received under the GKN Demerger, will collectively hold 43% of the economic and voting interests in the Combined Group. These relative economic and voting interests are known as the Combination Ratio.

- Brambles and Brambles (UK) will have identical Boards and unified management, with the Combined Group's headquarters to be in Sydney, Australia. The Boards will have regard to the interests of all Shareholders in the Combined Group.
- Brambles will remain incorporated and domiciled in Australia with its Shares listed on the Australian Stock Exchange. Brambles (UK) will remain incorporated and domiciled in the UK and application has been made for its Shares to be traded on the London Stock Exchange.
- On Completion, each Brambles Share and Brambles (UK) Share will have equivalent economic and voting interests in the Combined Group. To ensure that the Combination Ratio is 57% to 43%, Brambles proposes to issue Additional Brambles Shares to its Shareholders (see Section 4.4(c)). For Brambles Shareholders, the aggregate value of your investment is expected to remain the same, but it will be spread across a larger number of shares. Accordingly it is expected that the Brambles Share price will adjust downwards to reflect the larger number of Brambles Shares on issue.
- Brambles Shareholders who currently receive dividends from Brambles in Australian dollars will continue to receive dividends from Brambles in Australian dollars (franked to the extent that franking credits are available).
- The Shareholders of Brambles and Brambles (UK) will effectively vote together as a single decision-making body on matters affecting them in similar ways, such as the approval of appointment of Directors. These matters are known as Joint Electorate Actions. In the case of certain matters in relation to which the two bodies of Shareholders may have divergent interests, the Company wishing to carry out the relevant action will require the approval of the Shareholders in the other Company (voting separately) as well as the approval of its own Shareholders (voting separately). These matters are known as Class Rights Actions.

Further information on the DLC Structure is contained in Section 6.

The Combined Group

The Combined Group will operate in over 30 countries and will focus on its key global operations, being:

- CHEP – a global leader in the provision of pallet-pooling services with approximately 150 million pallets worldwide;
- CLEANAWAY – a leader in the collection, treatment, recycling and disposal of hazardous and non-hazardous waste; and
- Recall – a global business supplying highly reliable information management services.

The Combined Group will also seek to develop other global businesses, namely Brambles' contract based industrial services division and the Eurotainer joint venture between Brambles and Ermewa SA, a privately-owned Swiss company. Regional activities, such as Interlake, Meineke, Brambles Marine Group and United Transport, will also continue to be developed.

Based on the agreed Combination Ratio, the Brambles Share price of A$47.20 as at the close of business on 18 June 2001 and an exchange rate of A$1=GB£0.3751, the indicative market value of the Combined Group would be approximately A$19.2 billion (GB£7.2 billion).

On a pro forma basis, the Combined Group had sales of A$7,167 million and operating profit before interest, tax and goodwill amortisation (**EBITA**) of A$1,191 million for the year ended 30 June 2000. The Combined Group had pro forma net assets of A$3,056 million and net debt of A$4,414 million as at 31 December 2000.

Unaudited pro forma Combined Group financial information[1]

	Australian GAAP A$ (millions)	*UK GAAP GB£ (millions)*
Profit and Loss (year ended 30 June 2000)		
Trading revenue	7,167	2,807
EBITDA[2]	2,003	773
EBITA[2]	1,191	452
EBIT[2]	1,097	435
Profit after tax	592	261
Balance Sheet as at 31 December 2000		
Total assets	9,913	3,591
Net debt	4,414	1,649
Net assets	3,056	1,145

1. Accounting policies underlying the preparation of this financial information are summarised in Section 2.
2. Pre-abnormal/exceptional items.

Further information describing the operations of the Combined Group is set out in Section 1. Unaudited pro forma aggregated financial information on the Combined Group is set out in Section 2.

Further information concerning the historical financial performance of Brambles and Brambles (UK) (that is, the GKN Support Services Activities) is set out in Annexure A.

Boards and senior management

On Completion, Brambles and Brambles (UK) will have identical Boards.

Each Board will have 10 Directors. Two will be executive Directors (the Chief Executive and the Finance Director) and the balance will be non-executive Directors.

The Chairman of Brambles, Don Argus AO, will also become the Chairman of Brambles (UK). Sir David Lees, who is currently Chairman of GKN, and Mark Burrows, who is currently Deputy Chairman of Brambles, will become joint Deputy Chairmen of both Brambles and Brambles (UK).

Sir C.K. Chow, currently Chief Executive of GKN, will become the Chief Executive of the Combined Group. David Turner, currently Finance Director of GKN, will become the Finance Director of the Combined Group. Both Sir C.K. Chow and David Turner will leave GKN and relocate to the Combined Group's headquarters in Sydney upon the DLC Structure becoming effective.

Further information on the Boards and senior management is provided in Section 3.

Advantages of the DLC Proposal

The DLC Proposal has advantages for Brambles and Brambles Shareholders, including:

- Brambles Shareholders' economic interest in the high growth CHEP and CLEANAWAY joint venture businesses will increase from 50% to 57%, and Brambles Shareholders should also benefit from these high growth businesses representing a greater proportion of the Combined Group than of Brambles on a stand-alone basis
- Global growth opportunities will be enhanced by the removal of existing structural constraints and territorial limitations associated with the CHEP and CLEANAWAY joint venture businesses
- Compared to most mergers of comparable size, the integration and implementation risks of the DLC Proposal are low as the CHEP and CLEANAWAY businesses are well understood by Brambles and represent the vast majority of the value of the Brambles (UK) Group
- The creation of a unified management team for the Combined Group will allow for the streamlining of investment decisions in the CHEP and CLEANAWAY joint venture businesses
- The Combination Ratio has been agreed without the inclusion of a takeover premium, notwithstanding that Brambles Shareholders will collectively have a majority economic interest in the Combined Group
- The DLC Structure will provide improved access to capital markets and a choice of currencies for future global acquisition opportunities
- The Combined Group's headquarters will be located in Sydney, Australia
- The existing source of dividends and shareholder taxation consequences for Brambles Shareholders will be maintained
- The Combined Group will have separate domiciles and stock exchange listings in Australia (through Brambles) and the UK (through Brambles (UK)). Brambles and Brambles (UK) are also expected to be eligible for inclusion in their respective stock market indices (that is, ASX and FTSE)
- The DLC Structure avoids the potential selling pressure that could occur if Brambles Shares were offered as consideration to Brambles (UK) Shareholders, some of whom may be restricted from holding shares not included in UK indices

These advantages are more fully described in Section 4.

Potential risks and disadvantages of the DLC Proposal

Your Directors believe that the DLC Proposal is in the best interests of Brambles and its Shareholders. However, in reaching this conclusion your Directors have also considered potential risks and disadvantages which may be associated with the DLC Proposal. These are discussed further in Section 4.

These potential risks and disadvantages include:

- It is expected that the DLC Proposal will result in pro forma earnings per share dilution for Brambles Shareholders in the short term when compared to the Brambles' stand-alone business plan (disregarding the effect of the Brambles Additional Share Issue) (see Section 4.4(c))
- Brambles Shareholders' economic interest in Brambles' 100% owned businesses such as Recall, Brambles' contract based industrial services division, CHEP Australia and CLEANAWAY Australia will be reduced to 57%

- Brambles Shareholders' voting interest on certain resolutions (that is, resolutions in respect of Joint Electorate Actions) will be diluted because votes cast by Brambles (UK) Shareholders on corresponding resolutions at Brambles (UK) meetings will be reflected in the voting at Brambles meetings. Brambles will also be unable to undertake certain actions designated as Class Rights Actions unless approved by Brambles (UK) Shareholders (voting separately) (see Section 6)

- Brambles and Brambles (UK) will pay matching cash dividends per share under the DLC Structure. If either Brambles or Brambles (UK) is unable to declare or pay a matching dividend, the Boards may agree a reduced dividend or alternatively the Companies may enter into transactions with each other so as to enable matching cash dividends per share to be paid, which may have adverse taxation consequences for the Companies

- There are business risks, including a change in the earnings mix and exposure to new assets and new territories for Brambles Shareholders, associated with the combination of the businesses of Brambles and Brambles (UK). In addition, the combination of the businesses of Brambles and Brambles (UK) will result in Brambles being exposed to laws and regulations to which it had no previous exposure

- Existing debt of the CHEP and CLEANAWAY joint venture businesses, which is currently not required to be reflected in either the Brambles or GKN consolidated balance sheet, will be included in the aggregated accounts of the Combined Group. This change in on-balance sheet debt will increase the gearing ratios for the Combined Group. In addition, Brambles and Brambles (UK) will provide cross guarantees such that each Company will be exposed to the credit risk of the other as regards certain future contractual obligations

- The governance and administration arrangements, and compliance with two different legal and accounting regimes (those of Australia and of the UK), associated with the DLC Structure are more complex than in stand-alone companies

Timetable

The DLC Proposal can only be implemented after all Conditions contained in the Merger Agreement (including completion of the GKN Scheme and Demerger, and the obtaining of approval from Brambles Shareholders, GKN Shareholders and certain regulatory authorities) have been satisfied (or, where permitted, waived). When those Conditions have been satisfied (or waived), either Brambles or GKN (on behalf of Brambles (UK)) may give to the other an Election Notice requiring Completion to occur. Details of the Conditions which are yet to be satisfied (or waived) as at 18 June 2001 are set out in Section 5.8.

Brambles will make an announcement to the ASX once the Conditions have been satisfied (or, where permitted, waived). This announcement will also confirm the date on which the Brambles Additional Share Issue will take place.

It is currently expected that the DLC Proposal will be implemented on or about 7 August 2001. An indicative timetable is set out on page 1.

Voting

The Meeting

Date: Thursday 26 July at 2.30 pm (Sydney Time)

Place: The Wesley Conference Centre
220 Pitt Street
Sydney NSW 2000
Australia

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Eligibility to vote
If you are registered by the Brambles Share Registrar as a Brambles Shareholder at 9.30 am (Sydney Time) on Wednesday 25 July 2001 then you are entitled to vote at the Meeting.

How to vote
You may vote by attending the Meeting in person, by attorney, by corporate representative or by proxy.

Voting in person (or by attorney)
To vote in person, attend the Meeting in person or by attorney on Thursday 26 July 2001 at The Wesley Conference Centre, 220 Pitt Street, Sydney, NSW. The Meeting will commence at 2.30 pm (Sydney Time).

If you are a corporate Shareholder and wish to appoint a representative to attend the Meeting, you should ensure that your representative can provide appropriate evidence of their appointment.

Voting by proxy
If you are not able to attend the Meeting, please vote by completing, signing and returning the enclosed proxy form as soon as possible but so that it is received **NO LATER THAN** 2.30 pm (Sydney Time) on Tuesday 24 July 2001.

You may return the proxy form by post in the pre-addressed envelope by post to the address below or by facsimile to Doug Corben, Company Secretary, on facsimile number (02) 9256 5299 (International +612 9256 5299).

Brambles Share Registrar
c/o BT Registries Pty Limited
GPO Box 4063
Sydney NSW 2001
Australia

Brambles Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the chairman of the Meeting as their proxy to vote on their behalf in accordance with their instructions. If a proxy form is returned but neither you nor your nominated proxy attends the Meeting, the chairman of the Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the chairman of the Meeting, the secretary or any director which do not contain a direction, and proxy forms which do not nominate the identity of their proxy and which do not contain a direction how to vote, will be used by the nominated officer or the chairman to vote in favour of the DLC Resolutions (except that no vote will be cast on the resolution to approve the Indemnity (Resolution 13) in respect of such proxies).

If the appointment of your proxy is signed by an attorney, the power of attorney or a certified copy of it must be sent with the proxy form. If facsimile transmission is used, the power of attorney must be certified.

Even if you appoint a proxy you may attend the Meeting. However, on any resolution on which you vote, your proxy will be treated as carrying no vote.

Questions
If you have any questions in relation to the DLC Proposal, please call the enquiry line on 1800 656 530 (freecall) in Australia or +612 9207 3999 outside Australia.

The result
The result of the votes at the Meeting will be available shortly after its conclusion and will be announced to the ASX as soon as possible. The result will also be published on the Brambles website **(www.brambles.com).**

Questions and Answers

This section answers important questions you may have. However, to fully understand the DLC Proposal, you are urged to read this Information Memorandum in full.

What is the DLC Structure?

- The DLC Structure is essentially a contractual arrangement between Brambles and Brambles (UK) under which they will operate as if they were a single economic enterprise, while retaining their separate legal identities, tax residencies and stock exchange listings. It does not involve the acquisition of one Company by the other or any transfer of shares or other assets between Brambles and Brambles (UK).
- It is designed to ensure that the Shareholders of the two Companies are in substantially the same position in terms of votes, dividends and capital returns as if they held shares in a single economic enterprise controlling the assets of both Companies.
- The Combined Group will be managed by identical Boards and a unified management team, and the Combined Group's headquarters will be located in Sydney.
- Brambles will remain an Australian company listed on the Australian Stock Exchange. It will continue to be eligible to participate in the ASX indices.
- Brambles (UK) is a UK company and its shares are expected to trade on the London Stock Exchange. It is also expected to be eligible to participate in the FTSE indices.

What are the terms of the DLC Proposal?

- On Completion, Brambles Shareholders will collectively hold 57% of the voting and economic interests in the Combined Group.
- Following the GKN Scheme and Demerger, GKN Shareholders will become shareholders of New GKN and Brambles (UK). Through their shareholdings in Brambles (UK), GKN Shareholders will collectively hold 43% of the voting and economic interests in the Combined Group on Completion.

Why was the DLC Structure chosen?

- Brambles considered a variety of transaction structures that might deliver additional value to Brambles Shareholders, including a structure in which one Company's Shareholders would exchange or tender their Shares in return for cash or Shares in the other Company. Your Directors chose the DLC Structure in preference to the other options considered.
- Your Directors believe the DLC Structure has several key advantages for Brambles Shareholders. These include:
  - avoiding the need for Shareholders to tender or exchange their Shares, which, among other benefits, avoids "flowback" of shares which sometimes results when shareholders holding shares listed on one stock exchange (for example, the LSE) exchange their shares for those listed on another stock exchange (for example, the ASX), and then immediately sell those shares because they do not want, or are unable, to hold shares which are listed on that other exchange (for example, ASX-listed shares) or which are not included in certain market indices (for example, FTSE 100);

- allowing the Companies to have access to each of the Australian and London stock markets and to maintain their eligibility for inclusion in respective local stock market indices;
- preserving current tax treatments for Brambles Shareholders and Brambles;
- avoiding any change in legal ownership of Brambles' assets; and
- allowing Brambles to continue to pay dividends in Australian dollars (franked to the extent that franking credits are available).

- None of the other options considered offered all of these advantages, although some offered some of these advantages and some offered advantages which the DLC Proposal did not. However, your Directors are of the view that none of the alternatives available has the potential to deliver as much value to Brambles Shareholders as the DLC Proposal.

What will happen to your Brambles shareholding if the DLC Proposal and the Brambles Additional Share Issue proceed?

- If the DLC Proposal is implemented, you will retain your existing Brambles Shares. You will also receive Additional Brambles Shares. As it is intended that, on Completion, each Brambles Share will have the same economic interests in the Combined Group and the same voting rights on Joint Electorate Actions as each Brambles (UK) Share, the Additional Brambles Shares are being issued so as to increase Brambles' total issued capital and achieve the agreed 57% to 43% Combination Ratio.

- The exact number of Additional Brambles Shares to be issued will depend on the number of Brambles Shares (apart from the Additional Brambles Shares) and Brambles (UK) Shares on issue immediately following the Demerger. The number of Brambles (UK) Shares on issue immediately following the Demerger will in turn depend upon the number of GKN Shares on issue when the GKN Scheme is effected, and the number of New GKN Shares on issue when the GKN Demerger is effected.

- Based on the number of Brambles Shares and the number of GKN Shares on issue as at 18 June 2001, if the DLC Proposal is implemented, each Brambles Shareholder as at the Brambles Additional Share Issue Record Date would receive approximately 3.128 Additional Brambles Shares for every existing Brambles Share held.

- The total number of Additional Brambles Shares issued to any Brambles Shareholder will be adjusted up to the nearest whole Share. If Brambles reasonably believes that a Shareholder's holdings have been manipulated to take advantage of the rounding up provisions, then any fractional entitlement may be rounded downwards.

- For example, if you hold 1,000 Brambles Shares on the Brambles Additional Share Issue Record Date, then, on Brambles' current calculations, you will receive approximately 3,128 Additional Brambles Shares, to increase your total Brambles shareholding to 4,128 Brambles Shares. Brambles will issue a notice once the exact number of Additional Brambles Shares to be issued is determined following the Demerger Record Date.

On what date must you hold Brambles Shares to be eligible for the Brambles Additional Share Issue?

- Brambles Shares are expected to begin trading 'ex' (that is, without) the entitlement to Additional Brambles Shares on 8 August 2001. Brambles Shares purchased after 7 August 2001 will not be eligible to participate in the Brambles Additional Share Issue.
- The Additional Brambles Shares are expected to trade on a deferred settlement basis from 8 August 2001. Deferred settlement trading is expected to continue until the close of trading on 20 August 2001.
- If it becomes apparent before 7 August 2001 that the timetable has been delayed or that the DLC Proposal will not be implemented (for example, because Brambles Shareholders do not approve it), then the Brambles Additional Share Issue will also be delayed or will not be implemented, as appropriate.

What will happen to the Brambles Share price and dividend given the Brambles Additional Share Issue?

- Excluding normal market movements, the aggregate value of your investment should not be affected by the Brambles Additional Share Issue. The Brambles Additional Share Issue should simply spread the value of each Brambles Share across a larger number of Brambles Shares.
- For example, if, as expected, approximately three Additional Brambles Shares are issued for each Brambles Share held, then following the issue of those Additional Brambles Shares, the value of the original Brambles Share will be spread across approximately four Brambles Shares (the original Brambles Share plus the three Additional Brambles Shares). Accordingly, it is expected that, as soon as Brambles Shares commence trading 'ex' the entitlement to Brambles Additional Shares, Brambles Shares will trade at around one quarter of their previous price. As at 18 June 2001, the Brambles Share price was A$47.20.
- Brambles has previously indicated that it plans to pay a 41 cent per share (franked to 60%) second interim dividend in lieu of a final dividend for the year ended 30 June 2001. The Additional Brambles Shares to be issued as part of the Brambles Additional Share Issue will not be entitled to receive this dividend. Going forward, all subsequent dividends will be payable on all Brambles Shares (including the Additional Brambles Shares) and, on a per share basis, will adjust to reflect the larger number of Brambles Shares on issue. Again, all other things being equal, the dividends declared on each Brambles Share after the Brambles Additional Share Issue are expected to be around one quarter of what they would have been had the Brambles Additional Share Issue not taken place.

On what date must you hold Brambles Shares to be eligible for the next Brambles dividend?

- Brambles Shares are expected to begin trading 'ex' (that is, without) the entitlement to the 41 cent second interim dividend, which is being paid in lieu of a final dividend for the year ended 30 June 2001, on 8 August 2001. Brambles Shares purchased after 7 August 2001 (and Additional Brambles Shares issued under the Brambles Additional Share Issue) will not carry an entitlement to that dividend.

Will there be any taxation consequences for you on implementation of the DLC Proposal?

- Brambles has been advised that the implementation of the DLC Structure should not generally result in Australian, UK or US tax liability for Brambles Shareholders resident in those countries.
- For a more detailed description of certain Australian, UK and US tax consequences of the DLC Proposal, see Section 7.

Will the DLC Structure reduce the ability of Brambles to pay franking credits?

- No. Under current Australian law, Brambles will retain the ability to pay franked dividends to the extent that franking credits are available.

Can you lodge a proxy vote?

- Yes. If you are not able to attend the Meeting, you may vote by completing, signing and returning the enclosed proxy form as soon as possible but so that it is received **NO LATER THAN** 2.30 pm (Sydney Time) on Tuesday 24 July 2001.
- Further details on voting by proxy are contained on page 13.

What do your Directors recommend?

- Your Directors unanimously recommend that you approve the DLC Proposal and vote "YES" to all of the DLC Resolutions, as they intend to do in respect of their own beneficial holdings (except that the Indemnified Directors make no recommendation to Brambles Shareholders and will abstain from voting on the resolution to approve the Indemnity – see Section 3.4).
- Your Directors consider that the terms of the DLC Proposal are fair and reasonable to Brambles Shareholders as a whole, and are in the best interests of your Company and Brambles Shareholders as a whole. Your Directors' assessment of the terms of the DLC Proposal and the reasons for their recommendation are set out in Section 4.
- Your Directors strongly recommend that you read all of this document. It provides further information on the DLC Proposal and includes a description of Brambles' and Brambles (UK)'s businesses (Section 1), unaudited pro forma aggregated financial information for the Combined Group (Section 2) and related historical financial information on Brambles and Brambles (UK) (Annexure A).
- The GKN Directors have also unanimously recommended that the GKN Shareholders approve the DLC Proposal at the GKN Extraordinary General Meeting to be held on 16 July 2001.

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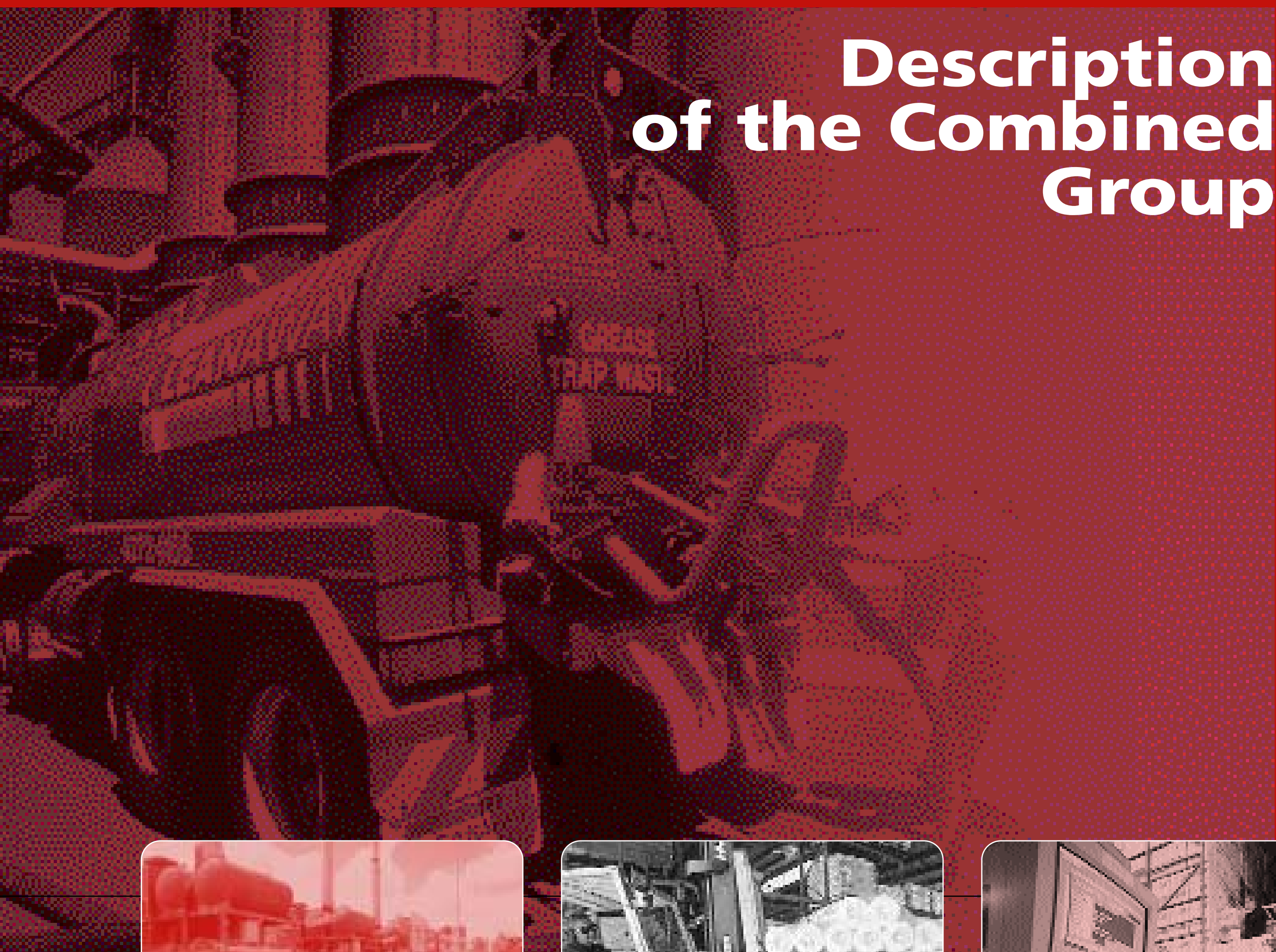
BRAMBLES

1

Description of the Combined Group



1. Description of the Combined Group

1.1 Businesses contributed to the Combined Group

On 19 April 2001, the boards of Brambles and GKN announced that they had signed an agreement (completion of which is subject to certain conditions) for the proposed combination of Brambles with GKN's Support Services Activities. In essence, the proposal involves:

- a reorganisation of the GKN Group to separate the ownership of the GKN Support Services Activities from the other activities of the GKN Group and to impose New GKN as a new holding company for the GKN Group by way of a Scheme;
- the Demerger of the GKN Support Services Activities into Brambles (UK); and
- the entry by Brambles into a dual listed companies (**DLC**) structure with Brambles (UK) (to form the Combined Group).

The GKN Support Services Activities comprise the following:

- GKN's 50% interests in the CHEP and CLEANAWAY joint ventures;
- CHEP South Africa;
- Interlake Material Handling (**Interlake**); and
- Meineke Discount Muffler Shops (**Meineke**).

Brambles' business activities to be included in the Combined Group include:

- its 50% interests in the CHEP and CLEANAWAY joint ventures;
- CHEP Australia and CHEP New Zealand;
- CLEANAWAY Australia and CLEANAWAY Taiwan;
- Recall;
- its contract based industrial services division;
- Federal Container Corporation;
- its 50% interest in a joint venture comprising Eurotainer and CCR (the tank container rental fleet of Ermewa SA);
- Brambles Marine Group;
- United Transport;
- its 50% interest in Trailer Construction & Repairing (**TCR**), a joint venture with Fraport (previously known as the Frankfurt Airport Authority);
- its wagon rental activities;
- its equipment rental activities;
- Environmental Systems Company (**ENSCO**); and
- its forklift rental activities.

As a result the Combined Group will include a number of global and regional business groups as well as a number of businesses expected to be divested as set out below. Further detail on each of these activities is given in Sections 1.5 to 1.7 below.

Global businesses	*Regional businesses*	*Businesses expected to be divested*
CHEP	Interlake (North America)	Wagon rental (Europe)
CLEANAWAY	Meineke (North America)	Equipment rental (US, Australia, Germany)
Recall	Brambles Marine Group (Australia)	ENSCO (US)
Contract based industrial services	United Transport (Australia)	Forklift rental (France)
Eurotainer JV	Federal Container Corporation (North America, Europe, Asia)	
	TCR JV (Europe)	

A summary of the pro forma sales and operating profit before tax and abnormal items for the Combined Group by business activity and by region, which has been extracted without material adjustment from Section 2 of this document, is set out below:

	Australian GAAP							
	Six months ended 31 December 2000				*Year ended 30 June 2000*			
	Sales		*Operating profit*[(1)]		*Sales*		*Operating Profit*[(1)]	
	A$m	*%*	*A$m*	*%*	*A$m*	*%*	*A$m*	*%*
By business								
Pallet and container pooling (CHEP)	1,367	33	333	54	2,322	32	563	50
Waste management (CLEANAWAY)	1,026	25	107	18	1,714	24	178	16
Industrial services	407	10	21	3	715	10	53	5
Other – continuing	705	17	90	15	1,187	17	159	14
To be divested	587	15	61	10	1,229	17	164	15
	4,092	100	612	100	7,167	100	1,117	100
By region of origin								
Europe	1,962	48	323	53	3,418	48	586	53
Americas	1,285	31	201	33	1,977	28	301	27
Australia/New Zealand	823	20	85	14	1,747	24	205	18
Rest of world	22	1	3	–	25	–	25	2
	4,092	100	612	100	7,167	100	1,117	100

1. Before tax and abnormal items, excluding unallocated costs (see Section 2.7).

1.2 Strategy for the Combined Group

The Combined Group will be a leading global support services group whose principal focus will be on the following key global businesses:

- CHEP;
- CLEANAWAY; and
- Recall.

These businesses have a strong growth record; in the four years to 30 June 2000, their combined turnover grew at a compound annual rate of approximately 20%.

The Combined Group will also seek to expand its other two global businesses, being its contract based industrial services division and its Eurotainer joint venture with Ermewa SA, a privately owned Swiss-based company. Regional activities within the Combined Group such as Meineke, Interlake, Brambles Marine Group and United Transport will also continue to be developed.

The financial profiles of the businesses within the Combined Group are complementary. Operations such as CHEP in North America, which require further investment during their period of rapid growth, can be funded using cash generated by more mature businesses such as CHEP's UK operations and certain regional activities, and from the financing facilities available to the Combined Group.

Brambles' existing strategy of rationalisation of other parts of its business portfolio will continue. The proceeds of any disposals will be retained for the benefit of the Combined Group.

1.3 Corporate structure

Following implementation of the DLC Structure and through their respective interests in Brambles and Brambles (UK), Brambles Shareholders will collectively have a 57% economic and voting interest in the Combined Group and Brambles (UK) Shareholders will collectively have a 43% economic and voting interest in the Combined Group. The subsidiaries and associated company holdings of Brambles and Brambles (UK) will not be affected by the DLC Structure, as it will not involve any transfer of assets or cross shareholdings between the companies. It will involve the issue by each Company of a Special Voting Share to a special purpose company owned and controlled by Law Debenture, a UK trustee company.

A more detailed description of the operation of the DLC Structure and related issues can be found in Section 6.

1.4 Environmental regulation and compliance

The activities of the Combined Group, and in particular those of CLEANAWAY, will include the treatment and disposal of hazardous and non-hazardous waste. Other activities will entail using, handling and storing materials which are capable of causing environmental impairment.

The businesses which will comprise the Combined Group have procedures in place to comply with the numerous laws and regulations governing environmental protection, liability, land use, planning and other matters. These extensive laws and regulations are continually evolving in response to technological advances and other developments and may in future impose even more rigorous standards and requirements.

The Combined Group will require that all of its businesses follow strict environmental compliance procedures which in the environmentally sensitive industries entail following environmental management systems and regular inspection. The complexity of the management systems followed varies according to the nature of the activities carried out in a particular operating location.

The nature of the businesses which will comprise the Combined Group means they have incurred and are expected to continue to incur costs associated with the maintenance, closure and post-closure of sites and facilities as well as expenses and liabilities for environmental matters including remediation of operating and other sites, landfill sites and facilities.

1.5 Global businesses

1.5.1 CHEP

CHEP is the world's pioneer, and a leader, in the provision of pooling services for pallets and automotive crates. CHEP is also a leader in the supply of re-usable transit packaging, particularly for fresh produce. Many of the developed world's leading international FMCG (fast moving consumer goods) companies' supply chains are serviced by CHEP. They require fast availability of high quality pallets and other types of standard loading equipment and transit packaging wherever they operate to facilitate the efficient operation of their supply chains.

Your Directors believe that CHEP is one of the few internationally recognised support services brand names. It has operations in more than 30 countries and employs approximately 6,800 people globally. In the financial year ended 30 June 2000, CHEP had an aggregate turnover of A$2,322 million (GB£909 million).

CHEP's global operational headquarters will be in Orlando, Florida, US.

(a) *History*

In 1958 CHEP, then known as the Commonwealth Handling Equipment Pool, was purchased by Brambles from the Australian Government. Brambles developed the CHEP businesses in Australia as a wholly owned business before expanding into New Zealand in 1974. As the CHEP business grew, Brambles sought to expand the business into new geographic markets. Given Brambles' lack of European presence at the time and the need for additional capital to establish new pallet pools, Brambles' management introduced the CHEP pallet pooling concept into the UK in 1975 by way of a joint venture. The chosen partner was GKN.

Encouraged by the success of the UK joint venture, GKN and Brambles decided to develop their pallet pooling joint venture activities further. The CHEP business expanded as follows:

1978 Belgium, Holland, Ireland
1980 Canada[1], France
1984 Germany
1988 Spain
1990 US
1992 Italy
1993 Portugal
1994 Malaysia, Singapore[2]
1995 Chile, Mexico
1996 Austria, Switzerland
1997 Scandinavia
1998 Hong Kong, Brazil, Greece
1999 Argentina

1. Initially in a joint venture with Canadian Pacific. Brambles acquired 100% control in July 1988 and sold 50% to GKN in 1990.
2. Brambles commenced operations in Malaysia and Singapore and sold a 50% interest in those operations to GKN in 1997.

In 1979 GKN established CHEP South Africa as a wholly owned subsidiary in consultation with Brambles (which was prevented from investing by Australian governmental restrictions). This business was expanded into Namibia in 1989, Zimbabwe in 1996 and Botswana in 1998.

(b) Operations

The CHEP businesses in Europe, the Americas and Asia will continue to be held as 50:50 joint ventures between Brambles and Brambles (UK). The CHEP businesses in Australia and New Zealand will continue to be wholly owned by Brambles and the CHEP business in Southern Africa will be wholly owned by Brambles (UK). The CHEP businesses will, however, effectively be operated as part of a single economic entity under the DLC Structure and include the following activities:

(i) Pallet pooling

A pallet is a wooden or plastic loading device used for the transport of bulk goods along all parts of the supply chain. Pallets are used inter alia to reduce distribution costs, protect product quality, improve productivity and facilitate standard unitised product movements. Pallets are available in different sizes, weights, costs and designs to fit the product being transported.

CHEP currently operates a pool, which in December 2000 comprised around 150 million pallets, principally in North America and Europe where the highly developed distribution and retailing infrastructures allow customers to derive maximum advantage from the CHEP pallet pooling system. CHEP also operates pallet pools in Australia, New Zealand, Southern Africa, South America and Asia.

CHEP customers pay either a trip fee or a rental fee for the pallet. This payment is often passed on to the recipient of the goods distributed on the pallet. The fee includes a time based component and a component for repairs and maintenance which are handled by the pool.

The pooling system operated by CHEP allows pallets to circulate throughout the whole of the supply chain, passing from a pallet/container depot to the producer or manufacturer, to the retail distribution centre, to the retail outlet and then back to the pallet/container depot (or in some cases directly to a producer). CHEP then redistributes the pallets from the pallet/container depot back to customers or other points in the supply chain where there is a demand for them.

The CHEP pooling system provides significant benefits to supply chain participants. These include cost savings compared to the inefficiencies and overheads inherent in operating and administering their own pallet requirements. Other benefits include securing the use of higher quality pallets with the potential for reduced product damage compared to using other methods of transport or to using lower quality pallets. Adoption of the CHEP system encourages greater standardisation which is generally beneficial to the supply chain.

The market sector for pallet pooling is split into primary segments (such as dry grocery and fast moving consumer goods) and secondary segments (such as home hardware and garden products). The potential global pallet pooling market continues to increase as Western style retail distribution is introduced in developing countries. Pallet pooling (wooden and plastic, mainly the former) generated approximately 87% of CHEP's revenue in the year ended 30 June 2000.

(A) Competitive position

CHEP's global reach and scale, combined with its proven logistics and supply chain management capability and its established pallet pools and infrastructure in over 30 countries, make it a world leader in the provision of pallet pooling services.

To achieve this leadership position, CHEP has had to make a significant level of investment over a number of years in order to develop the infrastructure, information technology and logistics systems necessary to build and maintain its pallet pooling service, with the result that CHEP has often experienced lengthy initial periods before achieving breakeven levels when entering new geographical markets. Whilst CHEP does not currently have a competitor with the same global reach, were one to emerge it could have an adverse effect on the growth prospects of the business.

Key regional competitors include Canadian Pallet Corporation (Canada), Algeco/Le Pallet Rouge and Logipal (Europe), JPRL (Japan), IFCO Systems (Canada), GE Loscam (Australia and Asia) and Pallet Exchange Company (US). In addition, manufacturers of one-way disposable packaging and disposable wooden pallets also compete with CHEP.

(B) *Growth opportunities*

CHEP's pallet business has strong growth potential arising from the following opportunities:

- **Highly fragmented nature of the wooden pallet segment:** Your Directors believe that the substantial majority of the combined primary and secondary pallet segments is not yet managed through a pooling system. CHEP is seeking to win new contracts and to improve its position both in the primary dry grocery and FMCG segments and in secondary segments. CHEP's experience in established territories (for instance, Australia, New Zealand and the UK) has shown that the CHEP pallet pooling system can achieve high penetration rates.

- **Geographical expansion of CHEP's pallet pooling operations:** Opportunities exist for the introduction of pallet pooling in new territories such as in Eastern Europe, parts of South America and Asia, as well as for the increased use of pallets in developing economies. As a global leader, CHEP is well placed to take advantage of growth in new geographic areas.

- **Product development:** CHEP is developing new products to assist customers, including the introduction of higher value plastic pallets for specialist applications and the use of information technology to track customer pallet movements, thereby improving supply chain services.

(ii) Re-usable transit packaging

Re-usable transit packaging (RTP) consists of re-usable/returnable plastic containers that substitute for corrugated cardboard secondary packaging. Typical RTP applications are collapsible or nestable plastic crates for the transport of fruit and vegetables from growers direct to supermarket retailers. The use of RTP reduces product damage and transit related costs, improves product and retailer presentation and reduces packaging wastage. Using a similar business model to that for pallet pooling, CHEP has started an RTP service in Europe and North America. RTP pooling revenue represented just over 4% of CHEP's revenue in the year ended 30 June 2000 and has been growing rapidly. As at December 2000, CHEP operated a pool of approximately 30 million RTP containers, principally in Europe and North America.

(A) *Competitive position*

CHEP's major competitors in RTP include Europool Systems (Benelux), IFCO Systems (Europe, US), Hays (UK), Logitek (UK) and various retailer owned pools. Emerging RTP competitors in the US include Georgia-Pacific and Hays. In addition, manufacturers of corrugated cardboard boxes compete with CHEP's RTP activities.

CHEP has established a significant position in the western European RTP sector and, with the exception of Germany, has gained contracts in a number of major western European countries. CHEP has extended its key retailer relationships and executed new contracts in countries such as the UK, France, Spain, Italy, Belgium and in Scandinavia.

Growth in the US has been driven by increasing use of RTP at Wal*Mart, Kroger and Meijer.

(B) Growth opportunities

The development of the RTP sector is being primarily driven by retailers who are seeking to improve supply chain efficiency by requiring suppliers to implement the use of RTP.

Supply chain participants in the agricultural sector are increasingly realising the operational and long-term financial benefits of RTP over corrugated cardboard. Your Directors expect that over time increasing environmental pressure for recycling will lead to further accelerated adoption of RTP for manufactured products.

(iii) Autocrates

Autocrates are used by suppliers to deliver manufactured parts directly to the assembly lines of automotive original equipment manufacturers (**OEMs**). This system avoids double handling of parts as automotive components move directly from suppliers to manufacturers.

As at December 2000, CHEP operated an autocrate pooling service with over six million autocrates, primarily in Europe, with key customers including Ford and General Motors. CHEP operates autocrates services on a small scale in Australia and Southern Africa and has plans to expand into the US.

Autocrates generated approximately 6% of CHEP's revenue in the year ended 30 June 2000.

(A) Competitive position

CHEP's main global competition arises from the ownership and management of containers by automotive original equipment manufacturers or suppliers. CHEP also competes with one-way shipment corrugated cardboard suppliers.

In addition, CHEP's autocrate competitors in the autocrates market include CAPS in the Americas, GEF Box, Logtech (owned by Linpac) and TNT in Europe and Rent-a-tainer and Saflin in Southern Africa.

(B) Growth opportunities

Your Directors believe that the increased use of standard platforms and global sourcing by OEMs is likely to provide further opportunity for the wider development of the use of autocrates in markets both within and outside Europe.

(c) Recent developments

In addition to various levels of outsourcing services provided to manufacturers and retailers, CHEP is continuing to increase the services associated with its pallet, RTP and autocrate pooling services on a global basis.

By late 1998 market penetration in the US had reached a level where it became necessary to embark on a major programme to consolidate depot operations. This involved progressively creating around 25 large highly mechanised depots to replace some 200 small unmechanised depots with which the pool had been launched. The principal benefits of this programme (which is continuing) are the maintenance of consistent pallet quality and consistent service levels.

CHEP's growth in the US has been accelerated by two major programmes. During 2000, The Home Depot advocated to its suppliers that they ship products to the corporation's stores and distribution centres using CHEP pallets. This new programme followed a major success in 1999 when Wal*Mart advocated use of CHEP's pallet pooling system to its suppliers. Since then, over 500 new Wal*Mart suppliers have joined the CHEP pool.

The Wal*Mart and The Home Depot initiatives have afforded CHEP entry into new supply chains, and resulted in the recent signings of manufacturers such as Castrol in the automotive aftermarket sector, Pursell in home improvement and hardware and Hewlett Packard in computer and home electronics. These new signings are expected to accelerate CHEP's conversion of key distributors in these sectors.

In Europe, recent contract wins with Kraft, Nestlé and Reckitt Benckiser will generate further revenue growth. It is anticipated that these contracts will help to open up the German market, an area of high potential growth. In southern Europe, expansion in the retail sector has progressed through an agreement with Carrefour.

CHEP has continued to experience rapid growth in Latin America. In Mexico, it continues to solidify its position as the industry expert and lead the way towards palletization. CHEP has commenced the introduction of returnable plastic containers to the domestic Mexican market and has initiated tests with one of the largest retailers in Mexico, Gigunte. CHEP has completed the acquisition of the remaining 80% of CHEP Chile and continues to strengthen its position in Brazil with recent customer signings, including Unilever Brazil.

CHEP is also continually seeking to develop new products to extend the scope of its pooling operations. Recent products include intermediate bulk containers with a steel pallet base which have folding sides attached to them. These containers are easy to assemble and offer excellent relocation efficiency. By using liner bags inside them, these containers have begun to access new and high growth markets, particularly in the food and chemical industries.

CHEP is increasingly using information technology to provide manufacturers and retailers with value-added services as they are increasingly focusing on supply chain efficiency and the importance of accurate and timely information on the movement of products and unit load platforms throughout the distribution chain. The Directors expect a greater demand for CHEP's new value-added services such as "smart pallets" where an implanted passive radio frequency identification (**RFID**) chip will enable real-time tracking of pallets and can provide a high level of data on the movement and condition of the goods in transit on the pallet. CHEP is currently trialling such services.

RFID tracking will ultimately link to the CHEP SAP system, an enterprise resource planning platform currently being implemented that will provide global inventory and asset information.

CHEP is also expanding "Portfolio", its online ordering and reporting service. A web browser-based service accessed via Portfolio allows CHEP customers to order pallets, returnable plastic containers and autocrates; report movements; manage account profile information; and search CHEP's location database. The service provides simplified administration, reduced costs and real-time access to information.

CHEPCard is an e-commerce solution introduced in Australia for recording and tracking customer pallet movements. Through the use of identification cards issued to customers and drivers with portable card readers, the system records electronically the despatch and receipt of pallets at each step in the supply chain. This data is uploaded to the CHEP customer web-site and enables accurate accounting of movements and asset control. CHEPCard has gained acceptance from key customers such as Coca-Cola, 3M, Heinz and Schweppes.

1.5.2 CLEANAWAY

CLEANAWAY is a leader in the collection, sorting, recycling, transfer and disposal of non-hazardous waste in the UK, Germany and Australia and a leader in hazardous waste collection, treatment and disposal in the UK and Australia. It also has operations in Austria, Estonia, New Zealand and Taiwan.

In the financial year ended 30 June 2000, CLEANAWAY had an aggregate turnover of A$1,714 million (GB£672 million).

The CLEANAWAY businesses in Europe will be held as 50:50 joint ventures between Brambles and Brambles (UK). The Combined Group's interests in the other CLEANAWAY businesses will continue to be held by Brambles. Under the DLC Structure, all of these businesses will be operated effectively as one global business.

CLEANAWAY's global operational headquarters will be in London.

(a) History

CLEANAWAY has grown from the initial purchase by Brambles in 1970 of Purle Waste Disposals Aust Pty Ltd, the Australian arm of the UK's Purle Brothers Holdings Ltd. Brambles progressively built a market share in Australia by buying small operators and by the late 1970s Brambles' waste services division comprised 14 companies in five Australian states each operating under a different name. In 1979 Brambles decided to bring this group of small companies together under one corporate identity, CLEANAWAY.

In 1980 Brambles took CLEANAWAY overseas, agreeing with GKN, already its joint-venture partner in CHEP, to buy Redland Purle Ltd in the UK. This business, acquired by GKN and Brambles on a 50:50 joint venture basis, was the largest private sector waste disposal operator in the UK at that time.

CLEANAWAY has developed rapidly in the UK through both organic growth and a series of acquisitions. CLEANAWAY has also extended its operations to Germany with the acquisitions of Mabeg GmbH in 1996, SKP Group in 1998, and Waste Management Deutschland in 2000.

(b) Operations

CLEANAWAY's waste service includes the collection of industrial and hazardous waste, the treatment and disposal of many types of waste, recycling and landfill and the provision of integrated waste management services for municipal authorities. Against a background of growing environmental awareness in industry and government, CLEANAWAY has established a reputation for offering a safe, reliable, high-technology based service.

The waste management market has become increasingly complex as national and local governments, for whom the environment is often cited to be an issue of growing importance, increase the level of regulatory control over waste disposal and recycling. The industry, which traditionally has been highly fragmented, is consolidating around an emerging number of larger waste management groups. CLEANAWAY has become a leading operator in the UK, Germany, Australia and Taiwan.

(i) UK

CLEANAWAY employs around 7,300 people in the UK and operates four landfill sites, 107 depots, three confidential data destruction facilities, a materials handling facility and a high temperature hazardous waste incinerator with an annual capacity of 70,000 tonnes. CLEANAWAY's presence in the UK is strongest in the south of England.

CLEANAWAY is one of the largest collectors of trade waste in the UK and operates a fleet of over 700 vehicles. CLEANAWAY's UK waste disposal operations receive in excess of three million tonnes of domestic, commercial and industrial dry waste and handle over 300,000 tonnes of liquid chemical waste annually. Collection of industrial, commercial and trade waste represents almost 50% of revenues, with around 25% of revenues from landfill and approximately 6% of revenues from hazardous waste disposed of by incineration.

In January 2001, CLEANAWAY acquired UK-based ServiceTeam Holdings Ltd. In the year ended 31 December 2000, ServiceTeam generated revenues of approximately A$350 million from its waste collection, recycling, grounds management and other services to more than 80 local government authorities in the UK. CLEANAWAY's municipal waste business in the UK was trebled in size by the acquisition of ServiceTeam.

(A) Competitive position

CLEANAWAY is a leading waste management company in the UK. Its competitors include Sita (Suez Lyonnais), Onyx (Vivendi), Biffa/UK Waste (Severn Trent) and Shanks Group. As the regulatory environment encourages further recycling, CLEANAWAY should be well placed to utilise the experience gained through its existing operations in Germany.

(B) Growth opportunities

Although overall volumes of domestic and commercial waste in Northern Europe are expected to grow in line with GDP growth, there is significant focus within the EU on waste recycling. This is evidenced by the European Waste Framework Directive as well as by specific directives on landfill, packaging, electronic scrap and incineration and by the UK Government's white paper "Waste Strategy 2000". CLEANAWAY operates in densely populated areas of the UK that the Directors believe are likely to be affected by more stringent environmental regulation, particularly in the area of recycling.

The Directors believe that increased regulation is likely to lead to considerable growth in the size of the market in the foreseeable future, particularly in the UK where the statutory recycling requirements are somewhat less stringent than those in other parts of Europe and only 8% of municipal solid waste is currently recycled. Waste Strategy 2000 has ambitious recovery and recycling targets, which will increase the value of the waste market as some segregation, separate collection, sorting, recycling and waste to energy investments become necessary. With the acquisition of ServiceTeam, CLEANAWAY now has a significant base of refuse collection contracts, in respect of which it plans to introduce separate collection schemes and materials recovery and composting facilities. Know-how is being made available from the German operations which have over a decade of recycling experience.

(ii) Continental Europe

CLEANAWAY's Continental European operations are primarily located in Germany where its presence is principally through SKP, one of Germany's leading waste management and recycling companies. Its operations are focused primarily in the north-west, west and east of the country. The main activities of CLEANAWAY in Germany are dry waste collection and recycling, including a significant involvement in D.S.D, the German packaging waste collection and recycling system. Other operations include confidential data destruction, composting and the design and operation of transfer stations and material recycling facilities. SKP is one of the largest paper recycling and trading businesses in Europe.

CLEANAWAY employs around 4,000 people in continental Europe and operates 100 depots, 66 materials recovery facilities and nine confidential data destruction facilities.

(A) Competitive position

The German waste management and recycling market is highly fragmented. However, consolidation amongst the largest waste management companies is ongoing. Competitors include RWE Umwelt AG, Rethmann, Sita (Suez Lyonnais), Alba AG and Altvater.

Competition amongst the larger waste companies is increasing in Germany. CLEANAWAY is, however, in a strong position to respond to the increased competition as it develops its total waste management business and other services.

(B) Growth opportunities

In Germany, the Technical Instructions on Municipal Solid Waste stipulate that only waste with an organic content below 5% will be allowed to go to landfill from 2005. In practice, this means that after 2005 landfills will only accept inert materials and that both residual municipal and industrial/commercial wastes (post-source segregation and recycling) will either have to be brought to waste-to-energy plants or treated in so-called "mechanical-biological treatment plants" (**MBA**) which are treatment facilities incorporating recyclables segregation and compost/refuse-derived fuel production. CLEANAWAY is in a strong position to exploit MBA demand because of the know-how gained with its reference plant in Lahnstein, Germany. However, the German packaging waste collection and recycling system (DSD) is currently under review and whilst the outcome is uncertain, the review could result in some changes to CLEANAWAY's activities in that area together with some new opportunities for the business.

Having acquired a licence to the URRC (United Resource Recovery Corporation) technology in Switzerland and Germany for PET (polyethylenetetraphthalate) recycling, CLEANAWAY has the opportunity to strengthen its position in the recycling value chain in Germany. Based on PET consumption, waste volumes arising and recycling capacities, CLEANAWAY's research has identified a number of potential markets including the UK, Benelux and Scandinavia.

CLEANAWAY's confidential data destruction business has been relaunched under the Dassler brand and opportunities to develop the business in other European countries are being examined. For example, in Switzerland data destruction is developing rapidly and the Spanish market, while still embryonic, is expected by the Directors to grow as a result of the data protection legislation enacted in Spain in December 2000.

CLEANAWAY is also well placed to take advantage of new opportunities as they arise, for example:

- In southern Europe, European Union (EU) legislation is phasing out the landfilling of biodegradable waste. The EU Directive on the Landfill of Waste requires a reduction in biodegradable waste going to landfill to 75% of the 1999 level by 2010. In some countries the implementation of this and other EU directives is leading to ambitious national recycling targets. CLEANAWAY's recycling experience means it is well placed to take advantage of such opportunities as they arise and entry scenarios are being researched.
- In eastern Europe as those economies expand and as the waste management regulatory environment becomes more stringent.
- In the Baltic States, CLEANAWAY is one of the market leaders in waste management in Estonia and was successful in winning a contract to build, own and operate a landfill in a joint venture with Tallin City Council, serving a population of 500,000 people.

It is CLEANAWAY's strategy to continue growing its business in the region by pursuing tendering opportunities, acquisitions and public/private partnerships.

(iii) Australia and New Zealand

CLEANAWAY is a leading national waste management company in Australia. It is active in all Australian mainland states and territories. CLEANAWAY offers comprehensive collection, analysis, treatment, recycling and disposal services for many types of waste.

CLEANAWAY's services in Australia cover household, industrial, recyclable, liquid and solid wastes, hazardous sludge and prescribed waste.

CLEANAWAY operates a fleet of approximately 700 specialist vehicles for collection and transport of many types of liquid and solid wastes. CLEANAWAY's industrial (commercial collection) business has approximately 36,000 customers involving over 56,000 sites. Its municipal (household) business has some 70 individual contracts with municipalities for various combinations of refuse, recycling or green waste collection. Each week, CLEANAWAY performs almost two million collections.

CLEANAWAY also operates engineered landfill sites for community use and on behalf of government and owns outright two Melbourne area landfills. It has a joint venture with CSR (Enviroguard) that owns and operates two landfills (in Sydney and Brisbane). CLEANAWAY itself operates five landfills for municipalities in South Australia and Queensland under long term operating contracts.

CLEANAWAY recently entered the New Zealand market through a joint venture with the New Zealand based waste company, EnviroWaste Limited. This joint venture has secured a contract to conduct a portion of Auckland City Council's municipal waste collections.

(A) *Competitive position*

CLEANAWAY is a leader in the Australian market for waste management. Significant competitors include Collex (Onyx Vivendi) and Pacific Waste Management (Sita).

(B) *Growth opportunities*

In Australia, CLEANAWAY is seeking to increase its exposure to waste disposal operations, both in the form of landfills and other disposal technologies that are gaining importance as a result of State Government objectives to reduce landfilling. CLEANAWAY is also seeking to broaden its service base beyond physical services to include more sophisticated management services.

In New Zealand, CLEANAWAY will consider expanding its joint venture with EnviroWaste to include EnviroWaste's industrial solid waste collection business and perhaps later its landfills.

(iv) Asia

CLEANAWAY participates in three major waste market segments in Taiwan as follows:

CLEANAWAY Energy Services Taiwan (a 51:49 joint venture between Brambles and Energy Developments Ltd, an Australian listed company) is involved in waste-to-energy projects, collecting and converting landfill gas (methane) into electricity which is sold under long-term contracts to Taiwan Power Corporation.

CLEANAWAY Kang Lien (a joint venture between Brambles and Kang Lien Enterprise Co) operates a pre-treatment plant that stabilises inorganic waste with cement to ready it for landfill disposal. The facility is located in the heart of Taiwan's major industrial centre (Kaoh siung). The joint venture also operates one of the three major hazardous waste landfills in Taiwan.

CLEANAWAY is one of two companies in Taiwan that dismantles PCB (polychlorinated biphenyls) contaminated equipment and ships it to Europe for destruction and incineration.

(A) *Competitive position*

CLEANAWAY Energy Services Taiwan has long term contracts with each of the four large municipal solid waste landfills in Taiwan.

CLEANAWAY Kang Lien is the waste landfill management market leader in Taiwan, as the landfill which it operates has over 50% of the remaining capacity in Taiwan's three hazardous waste landfills.

While CLEANAWAY has a leading position in Taiwan in the disposal of PCB contaminated equipment, the Directors understand that there has not been any PCB-containing equipment installed in the last 20 years, and the market is expected to disappear in the next three to five years.

(B) *Growth opportunities*

In Asia, opportunities for growth include the expansion of CLEANAWAY Energy Services' landfill gas to energy project beyond Taiwan, and an expansion of the existing hazardous waste business to include hazardous waste solvent disposal and remediation of contaminated sites.

(c) Environmental regulation and compliance

CLEANAWAY'S waste activities are highly regulated. In each jurisdiction in which it operates, CLEANAWAY has to comply with strict environmental laws regulating waste collection, transportation, treatment, handling and disposal. Its high temperature incinerator needs to be licensed by the relevant authority under a permit setting strict emission standards. Its landfill sites also need to be properly licensed and have to comply with strict conditions relating to the type of waste which may be deposited and the precautions to be taken on the site concerned. Permits may require monitoring of discharges and emissions. The facilities are inspected from time to time by officials from regulatory authorities in order to be satisfied that they are compliant with the appropriate regulations and permits. In addition, CLEANAWAY may have potential liabilities in relation to contaminated land even where it no longer holds an interest in such land.

Further information regarding environmental regulation and compliance is set out in Section 1.4.

1.5.3 Recall

Recall is a global business supplying highly reliable information management services. Recall operates in 75 cities in 17 countries and across five continents (North and South America, Europe, Asia and Australia). Recall's service covers the management of physical and digital documents throughout their entire life cycles, from creation through indexing, storage, retrieval, processing and eventual destruction. This service is provided to a diverse customer base, with the primary focus being on transaction-intensive sectors such as banking and finance, insurance, legal, health care, retailing, and government.

Recall operates through a network of off-site document management centres, computer back-up data protection centres and secure destruction centres – over 180 in total. In addition, Recall operates data centres for digital documents that can be accessed and processed through secure internet connections.

Recall's global operational headquarters are located in Atlanta, Georgia, US.

(a) History

Brambles' entry into the information management business dates from 1978, when it acquired and grew from a small business focused on record storage and media vaulting in Australia. The first overseas acquisition was made in the US in 1991 and was followed by several further acquisitions in the US, the UK and continental Europe. Later in the 1990s the business expanded into Asia through acquisitions in Malaysia, Singapore, Thailand and Taiwan. In Singapore, Recall operates through Cisco Recall, a 49:51 joint venture with the government-owned Commercial and Industrial Security Company. In 1999 Brambles' records management business was restructured into a global operation and was renamed Recall. It has since transformed itself into a technology-enabled information management business covering the entire life cycle of physical and digital documents.

(b) Operations

Recall has focused its service on four complementary segments: document management, integrated document solutions, data protection and secure destruction. Recall typically offers one or more elements of the following services depending on the customer's requirements:

(i) Document management

Recall's document management activities support the total life cycle of an organisation's document work flow, providing off-site management and secure retention of all types of physical documents. Using highly advanced technology, Recall manages the secure collection, indexing, storage, retrieval, insertion and tracking of documents, providing customers with rapid accessibility, reliability and consistency.

As at May 2001, Recall operated 115 document management centres in 60 cities around the world, including in all major cities in Australia and New Zealand and major cities in the US, Canada, South America, Europe and Asia.

Recall's document management activities accounted for approximately 71% of Recall's revenue in the year ended 30 June 2000.

(A) Competitive position

In the US, Recall has a good market position, although the major competitor, Iron Mountain, is significantly larger than Recall. In Australia and New Zealand, Recall is one of the leading information management providers competing with companies such as Ausdoc and Pickfords. In Europe, Recall has a strong position in France, Italy and Spain. It also has a strong presence in the UK, where it competes with sales leaders Hays and Iron Mountain. In Asia, Recall has a strong market position in all cities where it operates. In Brazil, Recall is a market leader.

Recall has continued to consolidate its competitive position in document management activities during the current financial year, completing six bolt-on acquisitions, commencing a major restructuring in Italy and starting a market alliance agreement with Japanese market leader Wanbishi Archives.

(B) Growth opportunities

Recall plans to expand geographically in North America, and establish a presence in Mexico, Hong Kong and additional European countries. Other growth opportunities include:

- Continuing to build scale through acquisitions
- Completing the rollout of its global IT platform ReQuest

(ii) Integrated document solutions

Recall provides a comprehensive range of integrated document service offerings called ReView. ReView unites both physical documents and digital data into one automated system as digital documents to allow for ease of retrieval with powerful cross-referencing capabilities. As part of the total outsourced, web-based ReView solution, Recall can host the application, scan and index documents to create digital images, store originals, provide data processing for computer applications, and configure optimal work flow. Integrated document solutions are particularly effective in document imaging, digital report generation and automated workflow for transaction-intensive processes such as accounts payable, accounts receivable, human resource management, loan processing and insurance claims handling.

ReView is currently being offered in all continents where Recall operates, although being a new activity it did not contribute to Recall's revenue in the year ended 30 June 2000.

(A) *Competitive position*

ReView is a new solution launched by Recall in 2001. Recall is in a strong position in light of the range of solutions ReView can provide. Competitors to Recall's integrated document solutions are FileNet, Documentum and OpenText (software developers), as well as imaging bureaux who are now providing web-based image retrieval services such as ImageMax and Lason.

(B) *Growth opportunities*

In the area of integrated document solutions, during the current financial year Recall:

- Secured a 15% equity stake in Hyland Software, the developer of one of the leading integrated document solutions platforms on the market today, OnBase.
- Built its first integrated document solutions data centre in Atlanta, US.

Recall expects to build an integrated document solutions data centre in Europe during the year to 30 June 2002.

(iii) Data protection

In this segment Recall protects vital intellectual property resident on customer mainframe or distributed computer systems. On a 24 hour, seven days a week basis, Recall provides secure storage, protection and restoration for its customers' computer backup data. Recall's proven methodologies, technologies and protocols are designed to support its customers' disaster recovery plans and thereby meet their audit requirements. Recall also has the ability to provide an interface to tape management systems, further reinforcing integrity and security of customers' data resources.

As at May 2001, Recall operated 32 data protection services centres in 30 major cities around the world.

For smaller environments and distributed systems with desktops, laptops and servers, Recall offers Recall Online as a data backup alternative. This is available through the Internet and is fully automated. Files stored in Recall's back-up servers can be restored within minutes.

Data protection activities accounted for approximately 21% of Recall's revenue in the year ended 30 June 2000.

(A) *Competitive position*

During the current financial year, Recall has consolidated its position in the US data protection segment with the acquisition of Off Site Storage Inc in Boston. Recall's main competitor in this area is Arcus, a division of Iron Mountain.

(B) *Growth opportunities*

- Recall plans to develop its data protection presence in Asia, and has established the required infrastructure for growth in that region by the construction of data protection centres in Thailand, Taiwan and Malaysia.
- Recall is also evaluating the possibility of entering the data protection segment in South America via a launch in Brazil.

(iv) Secure destruction

Recall's secure destruction services cover all aspects of the information destruction process, from collection to secure shredding to recycling. Recall offers destruction of many types of materials: paper documents and products that should be eliminated from sales channels and media (including tapes, computer disks, film and fiche). Recall offers secure disposal of confidential information, and the medium on which it is held.

These activities are currently provided in Australia, North America, Brazil and Asia (33 secure destruction centres in 33 cities as at May 2001).

Secure destruction activities accounted for approximately 8% of Recall's revenue in the year ended 30 June 2000.

(A) Competitive position

Recall is a leader in secure destruction services in Australia, New Zealand and the US. It also has a strong presence in Canada.

(B) Growth opportunities

- Recall gained a leading position in secure destruction services in the US during the current financial year with the acquisitions of Secured Data of America and Instashred. It plans to integrate these acquisitions with its existing US operations to maintain its leadership position. It also plans to continue its consolidation efforts through the acquisition of smaller operations in this field.
- Recall has also entered the South American and Asian segments with the initiation of operations in Brazil and Singapore during the current financial year. Recall will continue to develop these businesses, and also plans to enter the secure destruction segments in Europe.

1.5.4 Contract based industrial services division

The contract based industrial services division provides a range of industrial services in Australia, Europe and North America, including site services to steel and other metal industries and task management contract services to the mining industry. The division's main focus is on the steel, metals, paper and glass industries.

The global headquarters for the contract based industrial services division are located in Brussels, Belgium.

(a) History

The contract based industrial services division developed through a relationship with the Australian company BHP Limited (soon to be renamed BHP Billiton Limited) dating from 1959. Brambles provided contract based industrial services to BHP at Port Kembla in New South Wales and when BHP built steelworks at Whyalla, South Australia and Kwinana, Western Australia, Brambles extended its industrial services activities. Brambles developed its business by providing specialised services to the Australian steel industry, transporting raw materials, handling slag and providing heavy haulage and a range of earthmoving equipment, cranes and other heavy plant for construction, mining, roadbuilding and quarrying.

Brambles continued to develop its business in Australia and in 1989 acquired Gardner Perrott, a provider of services to the petroleum, mining, chemical, paper and mineral processing industries.

Brambles expanded its contract based industrial services activities to Europe in 1994 with the acquisition of NILO Holdings BV, a Netherlands based company that provided a range of services to the Dutch steel industry. In 1999 Brambles acquired Short Bros. in the UK, a supplier of industrial services to the steel industry, which further enhanced Brambles' position in the European industrial services market place. This acquisition was followed by the acquisitions in France of Solomat in 1999 and Bianchi Group in 2000 who provide steel services to the French based steel producer, Usinor. In 2000, Brambles also acquired National Recycling Systems, a Chicago-based steel industry-focused provider of waste recycling solutions.

(b) Operations

The contract based industrial services division currently provides heavy contracting services and industrial services through a number of individual businesses in Europe, Australasia, the Middle East, Asia and the Americas. The division's business segments, which are being consolidated into a single global business, are as follows:

- Brambles Heavy Contracting is one of the largest heavy-lift and transport contractors in the world. Operating centres are located in Spain, the Netherlands, the UK, Malaysia and the US, enabling cost-effective servicing of heavy transport and lifting requirements on a global basis. Customers include companies in the oil and gas industry, power utilities, bridge building, boiler manufacturing, shipbuilding, petro-chemical construction and mining facilities production.
- Short Bros., based in the UK, is a major supplier of heavy industrial services to the steel industry. Short Bros. provides blast furnace services, metal recovery and slag processing services, waste oxide recycling, slab handling, general steelwork services, scrap handling and environmental services.
- Brambles Industrial Services (Australia and New Zealand) specialises in contract materials handling for industry, mining and government. Services include materials handling solutions (including plant hire), forklifts, transport and fleet management. Through Gardner Perrott, the business also provides maintenance contracting services throughout Australia and New Zealand including facility management, specialised industrial cleaning, tank maintenance, and refractory installation and maintenance.
- Brambles Steel Services operates in the Netherlands, France and North America providing support services to the steel industry. The business provides a range of equipment to assist with the heavy lifting, movement and operational needs associated with the efficient manufacture of steel products.

(c) Growth opportunities

Key growth strategies for the Combined Group's development of the contract based industrial services division are to:

- Utilise the strong technical resources in the UK resulting from the acquisition of Short Bros. to increase its presence within the European steel industry and to penetrate each segment more effectively with a range of services produced by organic growth and further acquisitions.
- Take advantage of the global consolidation and outsourcing trends in the steel industry to pursue international tendering opportunities.

1.5.5 Eurotainer

Eurotainer SA manages one of the world's largest fleets of tank containers for the transport of liquids, powders and gases.

Eurotainer's global headquarters are located in Paris, France.

(a) History

Brambles acquired an interest in Eurotainer SA as part of its 1987 acquisition of Stemi (Société de Transport et Manutentions Industriels), a publicly listed company in France. Eurotainer was a specialist tank container operation established in the early 1970s which was marketing the hire of stainless steel tank containers globally. Brambles subsequently acquired 100% control and in January 2000 entered into a separate arrangement with Ermewa, a Swiss based private company, for the respective tank container rental fleets of Eurotainer and CCR to be managed by a new 50:50 joint venture company as if they were a single fleet.

(b) ***Operations***

The Eurotainer joint venture company is a leader in tank container rental with a combined fleet totalling close to 20,000 tank containers worldwide. Eurotainer previously operated a stand-alone fleet of more than 10,500 tank containers of approximately 150 different types. The tanks are used principally for transport within, and between, Europe, the Americas, Australia and Asia. They include ISO tanks used for deep sea traffic and specially designed tank containers which are available for the transport of toxic, corrosive and highly flammable hazardous chemical products. Eurotainer meets high standards of service performance and reliability.

The tank container rental operation is supported by a range of ancillary products and services, including e-commerce capabilities and Internet based access to key operational, technical and commercial data.

(c) ***Growth Opportunities***

Key growth strategies for the Combined Group's development of Eurotainer are to:

- Use the recently formed joint venture with Ermewa SA to create scale benefits and gain access to a larger global customer base.
- Further develop its ancillary products and services, including Internet based access to key operational data.

1.6 Regional businesses

1.6.1 Interlake Material Handling

(a) ***History***

Interlake was acquired by GKN as part of its acquisition of The Interlake Corporation in February 1999. Its small US integrated order fulfilment business (supplying automated systems for rapidly moving products through distribution centres) was strengthened in 2000 by the acquisition of the assets of Control Solutions Inc.

(b) ***Operations***

Interlake is a leading supplier in the pallet and container racking and dynamic storage market in the US and also produces a limited range of conveyor and sorting systems for use in distribution centres. Interlake operates four manufacturing locations in the US and one in Mexico. Interlake has customers in retail and distribution sites and sells both direct and via distributors. Its major FMCG customers include Wal*Mart, Best Buy, Nestlé and The Home Depot.

Interlake is a US market leader in racking. Its competitors include Frazier, Unarco and National Store Fixtures.

Interlake's headquarters are located in Naperville, Illinois, US.

(c) ***Growth Opportunities***

Interlake will continue to pursue organic growth opportunities in pallet and container racking, seek 'bolt-on' regional acquisitions and build its capability as an integrator of order fulfilment systems.

1.6.2 Meineke Discount Muffler Shops

(a) ***History***

Meineke was purchased by GKN from its original founders in 1983 and, at the end of that year, it had 227 franchise locations. Since that time, the number of franchise locations has expanded significantly.

(b) *Operations*

Meineke is, by number of stores, the second largest specialist undercar repair franchisor in North America (after Midas) and has a good record of growth, profitability and cashflow. Its franchisees operate from approximately 900 stores throughout the US and also in parts of Canada. Meineke's brand recognition is very high in the US.

As the franchisor, Meineke charges initial fees plus a royalty, which is a percentage of franchisee sales. Services currently provided by Meineke include exhaust and brake replacement, together with steering alignment and suspension repair.

In addition, Meineke owns 24 service centres where it trades on its own behalf.

Meineke's headquarters are located in Charlotte, North Carolina, US.

(c) *Growth opportunities*

Meineke's product range continues to grow in the area of non-exhaust products including brakes, suspensions and maintenance services. The business has a clear focus on organic growth, with the development of company owned service centres (owned by Meineke) as well as a strategy to acquire and integrate small regional undercar repair franchise chains. Meineke has recently sold master franchise agreements in the Caribbean and Mexico.

1.6.3 Brambles Marine Group

(a) *History*

Brambles Marine Group was founded in the early 1970s with the acquisition of Fenwick Holdings Ltd, which was then one of Australia's largest tug companies. Brambles Marine Group continued to expand during the 1970s and 1980s into activities such as the operation of specialised oilfield supply boats and the provision of diving services. In 1985, Brambles Marine Group commenced a successful shipping business in the Bass Strait. That business has continued to be developed and in 1999 two new vessels were introduced into Bass Strait: *Tasmanian Achiever* and *Victorian Reliance*.

(b) *Operations*

Brambles Marine Group is a leading provider of maritime services in Australian waters and comprises Brambles Shipping, Jardine Shipping and North Western Shipping & Towage.

Brambles Shipping is a major freight carrier between Tasmania and mainland Australia, principally based on containers and other traffic on its two roll-on/roll-off ships. It has developed innovative services that provide refrigerated transport solutions for food manufacturers, creating an efficient interface between production lines and transport operations. Product specific container solutions have also been developed for general cargo, bulk cargo and paper industry customers.

Jardine Shipping operates a coastal shipping service between Cairns in North Queensland and all areas of the Cape York Peninsula and the Torres Strait Islands with a fleet of eight vessels. North Western Shipping & Towage is one of Australia's most experienced providers of marine towage support to the maritime industry, operating a fleet of tugs in Tasmanian ports and at Portland in south-west Victoria. Brambles Marine Group also provides offshore towage and tug/barge cargo transfers throughout Australia, South East Asia and the Pacific.

Brambles Marine Group's headquarters are located in Melbourne, Australia.

(c) *Growth opportunities*

The two new vessels introduced in 1999 should allow Brambles Marine Group to enhance its Bass Strait shipping and logistics service. Brambles Marine Group is also pursuing tendering opportunities and is leveraging off its existing business infrastructure to grow its coastal shipping activities. North Western Shipping &

Towage is pursuing additional ship management contracts and licences to operate towage services in additional regional ports.

1.6.4 United Transport

(a) History

Brambles acquired United Transport, a Western Australian based transport group, from BET plc of the UK in 1989. United Transport was then a major operator in crane hire, transport, bulk tanker transport, warehousing and storage of dangerous goods with a leading position in Western Australia and a strong presence in Queensland.

(b) Operations

United Transport is a specialised transport business. It is a leader in the Australian market in providing integrated logistics services to the chemicals industry. Customers include major companies in the industrial, agricultural, mining and specialty chemicals markets.

United Transport operates a national network of dangerous goods storage facilities in Australia. It also offers value-added services such as container handling, ISO tank storage, and product decanting and repacking. Through its interstate transport, warehousing and distribution operation, it provides integrated logistics services to the chemical industry.

United Transport's headquarters are located in Melbourne, Australia.

(c) Growth opportunities

United Transport operates in a niche market and with its existing expertise is well positioned to benefit from the outsourcing of transport and warehousing services and a reduction in the number of service providers. Opportunities also exist in new geographic markets together with new business segments such as bulk gases and explosives.

1.6.5 Federal Container Corporation (FCC)

(a) History

In 1998, Brambles acquired FCC. FCC first established a specialised intermediate bulk container rental operation in Houston, Texas, US in 1988, later expanding its operations to service customers throughout the US, then into Canada (1990), Europe (1994) and Asia (1996).

(b) Operations

FCC operates and maintains a fleet of intermediate bulk containers providing event-based short-term rental to industrial customers for the packaging, transport and storage of spent pre-sulphurised and fresh hydro-processing catalysts.

Industrial customers include petroleum refiners, petrochemical manufacturers, gas processing companies, catalyst manufacturers and the catalyst service companies. FCC services these customers from regional storage and maintenance depots located throughout North America, Europe and Asia.

FCC's headquarters are located in Houston, Texas, US.

(c) Growth opportunities

FCC is seeking to leverage its existing expertise and relationships with global customers to implement a total logistics solution for the transport of industrial catalysts. FCC also plans to target other industries for packaging and logistics solutions including the fresh catalyst market.

1.6.6 Trailer Construction & Repairing (TCR)

(a) History

TCR was acquired by Brambles in April 1999 under a 50:50 joint venture with Fraport, previously known as Frankfurt Airport Authority. It presently operates in Belgium, the Netherlands, France and Germany.

(b) Operations

TCR, a 50:50 joint venture between Brambles and Fraport, sells and rents ground-support equipment used for aircraft handling to airports, airlines, ground handlers and express freight carriers. TCR's equipment includes towing tractors, electric tractors, push-back tractors, loaders, ground power units, air-starter units, passenger steps and crew steps. It also manufactures some non-motorised equipment and maintains and repairs equipment owned by third parties.

TCR's headquarters are located in Brussels, Belgium.

(c) Growth opportunities

There are opportunities for TCR to grow via increased penetration at existing locations and the development of operations at other major European airports.

TCR is planning to expand its operations into the UK shortly.

1.7 Businesses to be divested

Brambles' current strategy of rationalisation of its business portfolio will continue and your Directors expect it to be substantially complete by the end of December 2001. The proceeds of any disposals will be retained by Brambles for the benefit of the Combined Group. The divestment processes for each of the businesses discussed below have all commenced and are at various stages of execution. The businesses to be divested are:

1.7.1 Wagon rental

Brambles operates a private railwagon rental network under a number of brand names in Europe. Based in Dusseldorf, Germany, the railwagon rental business operates throughout Europe offering a large, diversified fleet of around 30,000 railwagons. The railwagons are custom designed to carry petroleum, chemicals, foodstuffs, powders, sugar, fertilisers, salts, sand, coal, ores, gases and manufactured goods, as well as hazardous cargoes. The fleet of wagons is serviced and maintained through a network of rail maintenance workshops in locations throughout Europe.

Of the businesses identified for divestment, the wagon rental business is expected to represent the most significant asset in terms of divestment proceeds.

In June 2001, Brambles announced that it had received bids from potential buyers and that the Brambles Board was considering its options in relation to the potential divestment of its wagon rental business in light of those bids. It is possible that Brambles may enter a sale agreement with one of the short-listed bidders prior to Completion.

1.7.2 Equipment rental

Brambles operates equipment rental businesses in Australia, North America and Germany.

Wreckair (Australia) provides a full range of equipment rental, plant and tool hire in metropolitan, regional and remote areas of Australia through more than 90 branches. Key items of hire equipment include lifting and access equipment, air tools and compressors, generators, welders, hand-held electric power tools, pumps and earthmoving and road making equipment.

Brambles Equipment Services (North America) is an equipment rental group that operates in 15 US states and in Canada. Services include short-term and long-term rental of mobile construction and industrial equipment, sales of mobile construction and industrial equipment and parts, mobile equipment fleet asset management services, safety training and maintenance and repair services to equipment end users.

The products offered include aerial work platforms, site construction equipment, industrial materials handling equipment, portable power equipment, light construction equipment, construction and industrial hydraulic cranes and heavy construction equipment.

Brambles has appointed investment banks to manage the sales of Wreckair and Brambles Equipment Services.

Gardemann (Germany) is a leading access equipment rental business in Germany with a fleet of scissor lifts, mobile booms and truck-mounted lifts numbering more than 1,500 units. Its services include short term and medium term rental of access equipment, safety training and maintenance and repair services to equipment end users.

In June 2001, Brambles announced that developments in relation to the potential divestment of Gardemann were encouraging despite trading conditions in rental markets globally remaining quite difficult in the four months to April 2001. Bids have been received from potential buyers and it is possible that Brambles may enter into a sale agreement prior to Completion.

1.7.3 ENSCO

ENSCO is a leading provider of integrated hazardous waste management services in the US. These services include chemical analysis, packaging, collection, transportation, storage, processing, recycling and high temperature thermal incineration of hazardous and non-hazardous material.

ENSCO provides services to customers across the US through its national network of 18 EnPak field services facilities, 13 transportation hubs, and three hazardous waste treatment storage and disposal facilities (TSDs), including a hazardous waste incineration complex near El Dorado, Arkansas.

ENSCO also operates a solid-waste-to-energy facility in Hartford County, Maryland, which operates under a long-term service agreement with the Northeast Maryland Waste Disposal Authority.

The ENSCO operations are subject to stringent federal, state and local governmental regulations and permits. ENSCO operates five locations with specific and comprehensive environmental permits, the most significant one being in El Dorado, Arkansas, which has three rotary kiln high temperature incinerators for the destruction of hazardous industrial waste. The plant has a full-time inspector from the Arkansas Department Of Environmental Quality. ENSCO also has protocols in place relating to off-site disposal of waste to reduce the risk of environmental liability arising under the US CERCLA legislation which imposes joint and several liability for the deposit of waste on designated sites.

In June 2001, Brambles announced that developments in relation to the potential divestment of ENSCO were encouraging. Brambles is currently negotiating for a potential sale of the business and it is anticipated that Brambles may enter into a sale agreement shortly.

1.7.4 Forklift rental

France Manutention Service (FMS) operates throughout most of France, specialising in forklift rental and maintenance.

On 31 January 2001, Brambles entered into an agreement to sell FMS to Manuloc (a private French company).

1.8. *Key financial information*

1.8.1 Financial reporting

Separate statutory accounts for both Brambles and Brambles (UK) will be prepared in accordance with their respective local financial reporting requirements. These accounts will reflect the separate legal ownership of each group.

The Combined Group will also prepare aggregated financial information in Australian dollars in accordance with Australian GAAP principles and in pounds sterling following UK GAAP with a reconciliation between Australian and UK GAAP. No goodwill will be recognised as a result of the DLC Structure.

1.8.2 Financial information

The table below, the contents of which have been extracted without material adjustment from the Australian GAAP pro forma financial information relating to the Combined Group in Section 2, summarises the trading record of the Combined Group under Australian GAAP for the year ended 30 June 2000 and the six months ended 31 December 2000.

Unaudited aggregated pro forma financial information

	Six months ended 31 December 2000 A$m	*Year ended 30 June 2000 A$m*
Trading revenue	4,092	7,167
EBITDA	1,123	2,003
EBITA	664	1,191
EBIT	606	1,097
Profit before tax[1]	470	910
Profit after tax and minorities	146	592
Basic earnings per share (cents)[2]	17.6	34.5

1. Pre-abnormal/exceptional items

2. The pro forma number of shares is based on GKN's current number of shares on issue as at 18 June 2001 of 722.5 million plus an assumed number of Brambles Shares on issue of 957.8 million (post the Brambles Additional Share Issue) based on a Combination Ratio of 57:43 (see Section 2.11)

1.9 *Current trading and prospects*

The Combined Group's key global businesses, CHEP, CLEANAWAY and Recall, continue to achieve solid annual revenue growth overall.

Revenue growth in CHEP continues to be strong, particularly in North America. However, near-term operating profits are being affected primarily by the costs associated with the implementation of CHEP's global information technology project, the depot consolidation programme in the US and the start-up costs of the plastic crates initiative.

CLEANAWAY continues to perform well in Germany and the integration of the ServiceTeam acquisition in the UK is proceeding smoothly. The recently announced UK Government Waste Strategy 2000 will lead to increased recycling and ServiceTeam is well positioned to participate in this opportunity.

Recall has strongly increased revenues through a combination of organic and acquisition growth. This has been particularly so in North America where the recent acquisition of Instashred, a secure destruction operator, has provided Recall with a national service offering for this activity.

The contract based industrial services division continues to trade solidly in Europe. However, the Australian operations have suffered due to the reduced activity in the heavy industry and mining sectors resulting in rationalisation and redundancy costs. Results from Eurotainer, following the finalisation of a joint venture with Ermewa SA in January 2001, have been in line with expectations.

The financial performance from the balance of the ongoing activities, which include Eurotainer, Meineke, Interlake and Brambles Marine Group, has been mixed.

Results from the activities either sold or in the process of being divested by Brambles (see Section 1.7) are in total significantly down on last year. Actions are being taken to accelerate the transition of Brambles into fewer but larger globally managed activities. A sale agreement has been signed for the disposal of the forklift rental business in France. Developments with regard to the divestment of ENSCO are encouraging. Brambles is currently negotiating for a potential sale of the business and it is anticipated that Brambles may enter into a sale agreement shortly. The Board is considering options concerning the wagon rental business following the receipt of bids from potential buyers.

Equipment Rental has suffered a deterioration globally and the carrying value of this business was written down by Brambles in its accounts as at 31 December 2000 by A$195 million, pre-tax. Trading conditions in rental markets have remained quite difficult in the four months to April 2001. Nevertheless, developments with the divestment of Gardemann (Germany) are encouraging.

The Directors expect that underlying profits generated in the Combined Group's ongoing businesses will remain strong, and believe that the objectives of the Brambles divestment programme will be met.

In a press release dated 6 June 2001, the full text of which is set out in Annexure D of this document, Brambles stated in respect of its results for the current year to 30 June 2001 that:

"Based on trading to date, however, results for the full year before the write-down of equipment rental assets and transaction costs are expected to be down by approximately 6 per cent from last year's A$364.8 million."

This statement represents the Brambles Profit Forecast and was made in the absence of unforeseen circumstances, and on the basis of preparation and assumptions set out in Annexure D of this document.

1.10 Dividend policy

The future dividend policy of the Combined Group will be aligned to its growth character, its financial strategy and the objective of maximising overall shareholder returns. It is expected that the current level of dividends (A$0.82 per Brambles Share) to be received by Brambles Shareholders in respect of the year ended 30 June 2001 (before any adjustment to reflect the Brambles Additional Share Issue) will be maintained for the shareholders of the Combined Group for the year ended 30 June 2002.

1.11 Employees

There is no present intention to materially change employment arrangements except as described in Section 8.5 and as a result of the divestments described in Section 1.7.

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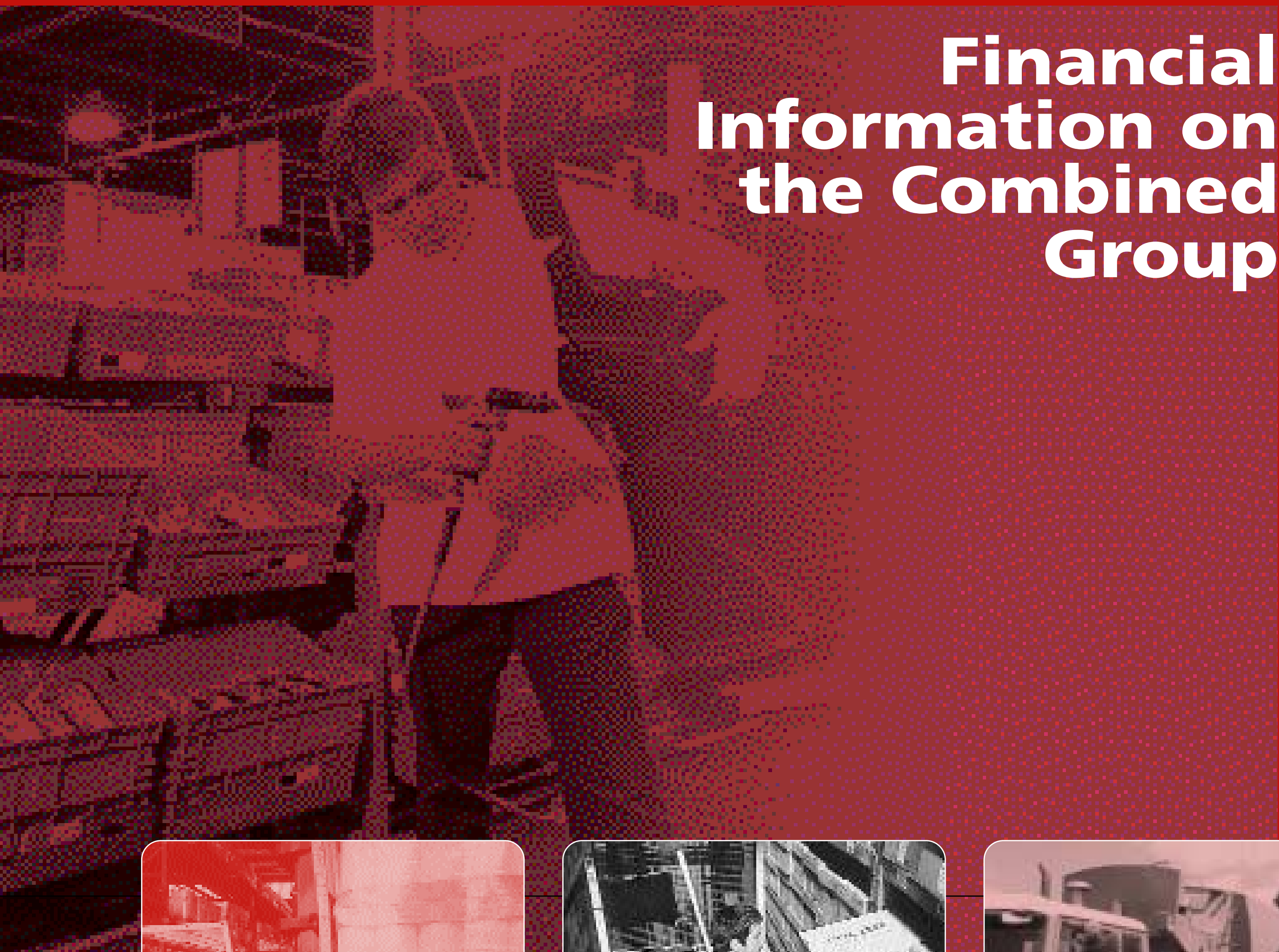
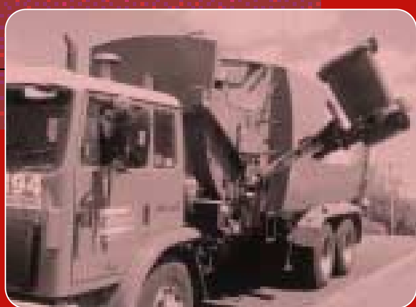
BRAMBLES

2

Financial Information on the Combined Group





2. Financial Information on the Combined Group

2.1 Introduction

The following unaudited pro forma financial information reflects the proposed DLC Structure between Brambles and Brambles (UK) to create the Combined Group.

The unaudited pro forma financial information has been prepared based upon the accounting policies which the Directors and proposed Directors of Brambles and Brambles (UK) will adopt in preparing accounts for the Combined Group within the financial statements of Brambles.

The unaudited pro forma financial information for the Combined Group has been prepared under Australian GAAP with the exception of the internal reconstruction of the former GKN Group to form Brambles (UK) which, as described in Section 2.7, remains in accordance with UK GAAP to give a true and fair view of the profits available from Brambles (UK) to pay dividends. The unaudited pro forma financial information has been prepared by applying accounting principles similar to those adopted under UIG Abstract 13: The Presentation of the Financial Report of Entities Whose Securities are "Stapled".

The unaudited pro forma profit and loss information and cash flow information for the six months ended 31 December 2000 and the year ended 30 June 2000 have been prepared as if the DLC Structure had occurred on the first day of each period. The unaudited pro forma net assets statement as at 31 December 2000 has been prepared as if the DLC Structure had been implemented on that date.

The following unaudited pro forma financial information:

- has been included for illustrative purposes only and, because of its nature, may not give a true picture of the results, cash flows and the financial position of the Combined Group;
- does not purport to represent what the combined results of operations actually would have been if the DLC Structure had occurred on 1 July 1999 or 1 July 2000 or what those results will be for any future periods; and
- has been prepared in accordance with the accounting principles described above, which differ in certain material respects from UK GAAP (see Section 2.7).

The unaudited pro forma financial information has been prepared from the following sources:

- the historical Brambles financial information as at and for the six months ended 31 December 2000 and for the 12 months ended 30 June 2000.
- the historical financial information in relation to Brambles (UK), being the GKN Support Services Activities (which are collectively referred to as GSS Businesses in this Section) as at and for the six months ended 31 December 2000 and for the year ended 30 June 2000 has been restated from UK GAAP to the accounting principles described above. See also Section 2.8. This historical financial information has been translated from pounds sterling into Australian dollars using the following weighted average exchange rates applicable during the periods presented for the unaudited pro forma profit and loss and cash flow statements and period end exchange rates for the unaudited pro forma net assets statement:

30 June 2000	Average rate	0.3917
31 December 2000	Average rate	0.3758
	Period end rate	0.3735

- Adjustments have been made so as to consolidate the results, assets and liabilities of the joint ventures and eliminate inter company transactions.
- No account has been taken of any trading or other transactions by any of the constituents of the Combined Group since 31 December 2000 nor has any account been taken of the costs of the DLC Structure being borne by Brambles and Brambles (UK), which in aggregate amount to approximately A$82.5 million.

2.2 *Unaudited pro forma profit and loss statement for the six months ended 31 December 2000*

	Brambles	*GSS Businesses*	*Adjustments*	*Combined Group*
	A$m	*A$m*	*A$m*	*A$m*
Trading revenue				
Controlled entities	1,700	312	1,984	3,996
Equity share of associates (Including *CHEP* USA)	1,050	1,030	(1,984)	96
Total trading revenue	2,750	1,342	–	4,092
Operating profit before abnormal items and income tax	241	134	95	470
Abnormal items before income tax	(195)	–	–	(195)
Operating profit before income tax	46	134	95	275
Income tax attributable to operating profit before abnormal items	(58)	(21)	(95)	(174)
Income tax attributable to abnormal items	46	–	–	46
Operating profit after income tax	34	113	–	147
Outside equity interests in operating profit after income tax	(1)	–	–	(1)
Operating profit after income tax attributable to shareholders	33	113	–	146
Earnings per share (cents)				17.6

2.3 *Unaudited pro forma profit and loss statement for the year ended 30 June 2000*

	Brambles	*GSS Businesses*	*Adjustments*	*Combined Group*
	A$m	*A$m*	*A$m*	*A$m*
Trading revenue				
Controlled entities	3,192	534	3,303	7,029
Equity share of associates (including *CHEP* USA)	1,731	1,710	(3,303)	138
Total trading revenue	4,923	2,244	–	7,167
Operating profit before abnormal items and income tax	502	251	157	910
Abnormal items before income tax	(24)	8	–	(16)
Operating profit before income tax	478	259	157	894
Income tax attributable to operating profit before abnormal items	(135)	(36)	(157)	(328)
Income tax attributable to abnormal items	28	–	–	28
Operating profit after income tax	371	223	–	594
Outside equity interests in operating profit after income tax	(2)	–	–	(2)
Operating profit after income tax attributable to shareholders	369	223	–	592
Earnings per share (cents)				34.5

2.4 *Unaudited pro forma net assets statement as at 31 December 2000*

	Brambles	*GSS Businesses*	*Adjustments*	*Combined Group*
	A$m	*A$m*	*A$m*	*A$m*
Current assets				
Cash	102	8	62	172
Receivables	751	87	1,005	1,843
Inventories	105	18	52	175
Other	52	–	–	52
Total current assets	1,010	113	1,119	2,242
Non-current assets				
Receivables	22	5	–	27
Investments in associates	607	550	(1,059)	98
Other investments	413	287	(688)	12
Inventories	1	–	–	1
Property, plant and equipment	2,182	137	3,855	6,174
Intangibles	547	119	621	1,287
Other	52	–	20	72
Total non-current assets	3,824	1,098	2,749	7,671
Total assets	4,834	1,211	3,868	9,913
Current liabilities				
Accounts payable	464	88	943	1,495
Borrowings	47	18	1,141	1,206
Provisions	284	4	10	298
Total current liabilities	795	110	2,094	2,999
Non-current liabilities				
Accounts payable	5	–	–	5
Borrowings	1,728	33	1,619	3,380
Provisions	191	132	150	473
Total non-current liabilities	1,924	165	1,769	3,858
Total liabilities	2,719	275	3,863	6,857
Net assets	2,115	936	5	3,056

2.5 Additional pro forma financial information on the Combined Group

2.5.1 Unaudited pro forma cash flow statement for the Combined Group for the six months ended 31 December 2000 and for the year ended 30 June 2000

	Six months ended 31 December 2000 A$m	*Year ended 30 June 2000 A$m*
Cash flows from operating activities		
Receipts in the course of operations	3,885	6,927
Payments in the course of operations	(3,019)	(5,242)
Dividends received from associates	3	3
Other dividends received	–	–
Interest received	11	17
Interest paid	(146)	(191)
Income taxes paid	(141)	(200)
Net operating cash inflows	593	1,314
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,009)	(1,495)
Proceeds from sale of property, plant and equipment	63	233
Acquisition of entities	(101)	(434)
Purchase of other investments	(31)	(72)
Proceeds from sale of entities	8	70
Proceeds from sale of other investments	93	13
Loans to associates	(15)	(88)
Loans repaid by associates	3	33
Other	(2)	–
Net investing cash outflows	(991)	(1,740)
Cash flows from financing activities		
Proceeds from issues of shares	111	177
Borrowings:		
Proceeds	856	1,699
Repayments	(510)	(1,005)
Dividends paid:		
Shareholders	(153)	(345)
Outside equity interests	(1)	(1)
Other cash inflows	–	–
Other cash outflows	–	(1)
Net financing cash inflows	303	524
Net (decrease)/increase in cash held	(95)	98
Cash at the beginning of the financial period	196	98
Exchange rate adjustment	4	–
Cash at the end of the financial period	105	196

2.5.2 Unaudited pro forma segmental information for the Combined Group

(i) Trading revenue

Trading revenue by activities

	Six months ended 31 December 2000	*Year ended 30 June 2000*
	A$m	*A$m*
Pallet and container pooling	1,367	2,322
Waste management	1,026	1,714
Industrial services	407	715
Other	705	1,187
To be divested	587	1,229
	4,092	7,167

Trading revenue by geographical location

	Six months ended 31 December 2000	*Year ended 30 June 2000*
	A$m	*A$m*
Europe	1,962	3,418
Americas	1,285	1,977
Australia/New Zealand	823	1,747
Rest of the world	22	25
	4,092	7,167

(ii) Unaudited pro forma operating profit

Operating profit before tax and abnormal items by activities

	Six months ended 31 December 2000	*Year ended 30 June 2000*
	A$m	*A$m*
Pallet and container pooling	333	563
Waste management	107	178
Industrial services	21	53
Other	90	159
To be divested	61	164
Unallocated	(142)	(207)
	470	910

2.5.2 Unaudited pro forma segmental information for the Combined Group (Cont'd)

(ii) Unaudited pro forma operating profit (Cont'd)

Operating profit before tax and abnormal items by geographical location

	Six months ended 31 December 2000	*Year ended 30 June 2000*
	A$m	*A$m*
Europe	323	586
Americas	201	301
Australia/New Zealand	85	205
Rest of the world	3	25
Unallocated	(142)	(207)
	470	910

2.5.3 Unaudited pro forma net interest and similar items payable for the Combined Group

	Six months ended 31 December 2000	*Year ended 30 June 2000*
	A$m	*A$m*
Short-term investments, loans and deposits	8	15
Short-term borrowings	(36)	(50)
Loans repayable within five years	(101)	(140)
Loans repayable after five years	(5)	(10)
Finance leases	(1)	(1)
Adjustment to present value of provisions	(1)	(1)
Net interest and similar items payable	(136)	(187)

2.5.4 Unaudited pro forma analysis of net debt for the Combined Group

	At 31 December 2000
	A$m
Analysis of net debt at end of period:	
Cash at bank and in hand	172
Overdrafts	(67)
Finance lease obligations	(33)
Other borrowings due within one year	(1,136)
Other borrowings due after one year	(3,350)
	(4,414)

2.5.5 Unaudited pro forma reconciliation of operating profit to net cash flow from operating activities for the Combined Group

	Six months ended 31 December 2000	*Year ended 30 June 2000*
	A$m	*A$m*
Operating profit after income tax	147	594
Depreciation and amortisation	517	906
Other non-cash items	152	(92)
Increase in working capital	(212)	(87)
Increase in other assets	(11)	(7)
Net cash inflow from operating activities	593	1,314

2.6 *Earnings per ordinary share*

The pro forma number of shares is based on GKN's current number of shares on issue as at 18 June 2001 of 722.5 million plus an assumed number of Brambles Shares on issue of 957.8 million based on the Combination Ratio of 57:43.

The pro forma earnings per share amounts have been calculated using the pro forma number of shares, calculated as described above, and the pro forma profit on ordinary activities after tax and minorities and before abnormal items for the Combined Group.

2.7 *Reconciliation of unaudited pro forma financial information to UK GAAP*

The unaudited pro forma financial information set out in Sections 2.2 to 2.5 differs in certain material respects from UK GAAP. The following is a summary of the material adjustments to attributable profit and net assets which would have been required to adjust these to UK GAAP.

	A$m
Pro forma operating profit after income tax for the six months ended 31 December 2000 as reported in Section 2.2	146
UK GAAP adjustments:	
Business combinations	(37)
Application of full liability method to deferred taxation	4
Other	6
Pro forma attributable profit for the six months ended 31 December 2000 under UK GAAP	A$ 119
£m	£ 45

	A$m
Pro forma operating profit after income tax for the year ended 30 June 2000 as reported in Section 2.3	592
UK GAAP adjustments:	
Business combinations	35
Application of full liability method to deferred taxation	27
Other	12
Pro forma attributable profit for the year ended 30 June 2000 under UK GAAP	A$ 666
£m	£ 261

	A$m
Pro forma net assets at 31 December 2000 as reported in Section 2.4	3,056
UK GAAP adjustments:	
Business combinations	(243)
Application of full liability method to deferred taxation	339
Other	(87)
Pro forma net assets as at 31 December 2000 under UK GAAP	A$ 3,065
£m	£ 1,145

(i) Business combinations

The unaudited pro forma financial information for the Combined Group has been prepared under Australian GAAP with the exception of the internal reconstruction of the former GKN Group to form Brambles (UK) which remains in accordance with UK GAAP as disclosed in Section 2.1. Accordingly assets transferred will be recorded by Brambles (UK) at the carrying values of the assets recorded by the former GKN Group at the date of transfer.

Under Australian GAAP Brambles (UK) would be required to restate the assets transferred to their fair value and recognise any goodwill arising on the internal reconstruction at the time of transfer of the assets. Such adjustments will be quantified at the time of the transfer of the assets and disclosed as a note in any financial information for the Combined Group subsequently prepared under Australian GAAP.

Both Australian and UK GAAP require purchase consideration to be allocated to the net assets acquired at their fair value on the date of acquisition, with the difference between the consideration paid and the fair value of the identifiable net assets acquired recognised as goodwill.

Under applicable Australian GAAP, goodwill arising on acquisitions is capitalised and amortised against operating profit over its useful life. However, under UK GAAP, goodwill arising on acquisitions prior to July 1998 was taken immediately to equity reserves. On subsequent disposal or termination of a previously acquired business, the profit or loss on disposal is calculated after charging or crediting the amount of any related goodwill previously taken directly to reserves or the unamortised balance of any goodwill capitalised.

Subsequent to July 1998, under UK GAAP, all goodwill is capitalised and amortised over its useful life.

(ii) Deferred taxation

Under Australian GAAP, deferred tax is provided for on a full liability basis. Under the full liability method, deferred tax assets or liabilities are recognised for timing differences arising from the difference between accounting and taxable profits, and for tax loss carry forwards at the applicable rate at each reporting date. Future income tax benefits in respect of tax losses are recognised to the extent that realisation is virtually certain.

Under UK GAAP, deferred taxation is calculated, using the liability method, in respect of timing differences arising from the difference between accounting and taxable profits. Provision is made for deferred taxation only to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

(iii) Restoration and rehabilitation provisions

Under UK GAAP, full provision is made for the expected restoration and aftercare costs at landfill sites at the start of the project. These include maintaining and monitoring gas control and leachate treatment equipment, general maintenance of the site and occasionally more significant engineering works. These provisions are discounted to present value.

Under Australian GAAP, provision is made for the expected restoration and aftercare costs as available airspace is utilised. The provisions are not discounted.

2.8 Additional^pro forma financial information on the GSS Businesses

The pro forma financial information on the GSS Businesses disclosed in Sections 2.2, 2.3 and 2.4 equity accounts the joint ventures in accordance with Australian GAAP. This differs from the basis of accounting under UK GAAP which requires consolidation of the joint ventures and is utilised in disclosing the pro forma financial information on the GSS Businesses set out in Annexure A.

Accordingly, the pro forma financial information in this Section 2 is not comparable, on a line by line basis, with the pro forma financial information in Annexure A for the GSS Businesses.

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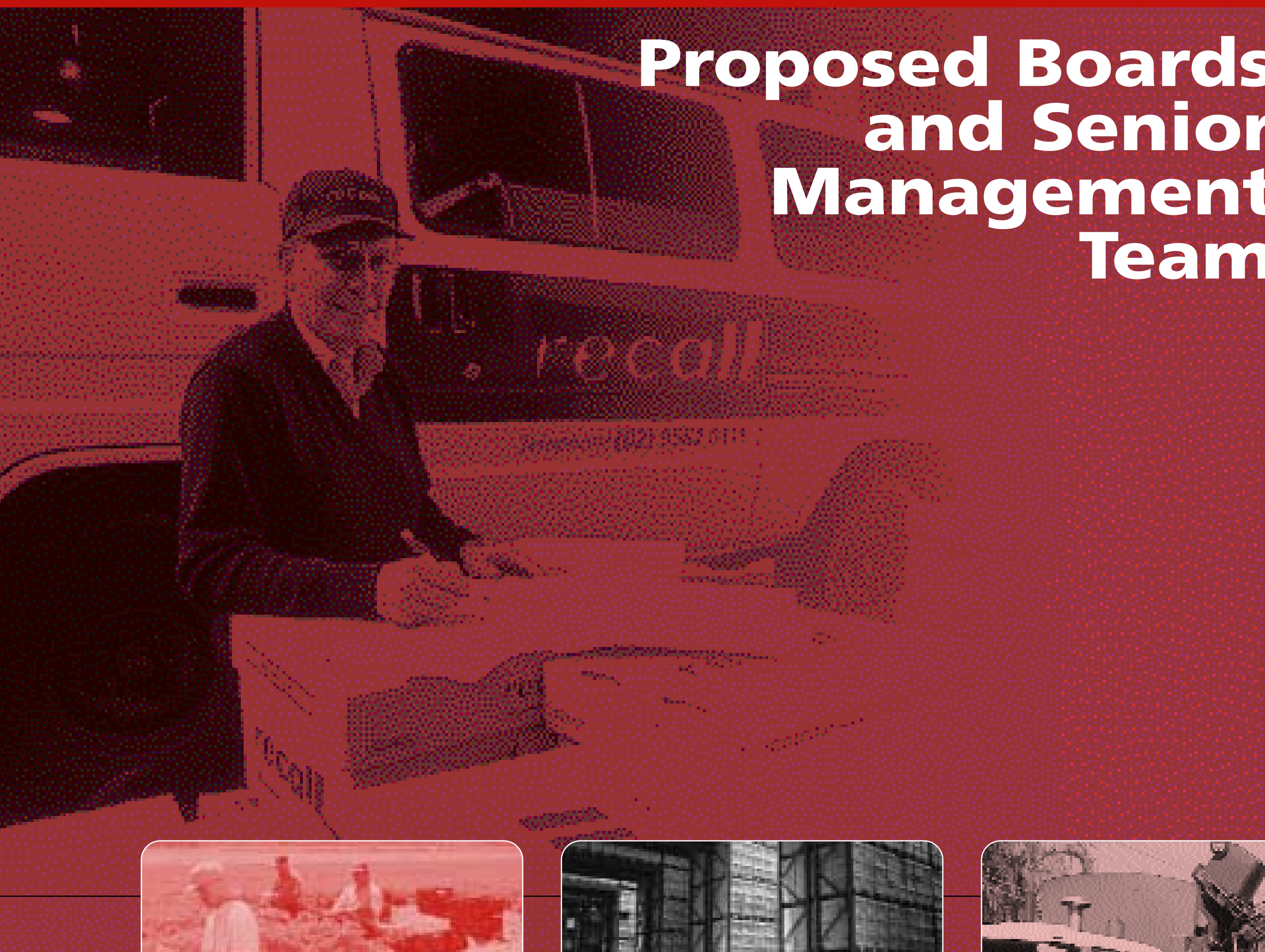
BRAMBLES

3

Proposed Boards and Senior Management Team



3. Proposed Boards and Senior Management Team

3.1 Biographies of the proposed Directors

After Completion, Brambles and Brambles (UK) will each have the following Directors. Those who are not currently Brambles Directors are identified with an asterisk.

Don Argus AO – Non-executive Chairman

Don Argus joined the Board of Brambles in May 1999 and was appointed Chairman in September 1999. He has over 40 years' experience in banking, including nine years as Managing Director and Chief Executive Officer of National Australia Bank Limited. Mr Argus is Chairman of BHP Limited (to be renamed BHP Billiton Limited) and is a director of Australian Foundation Investment Company Limited and Southcorp Limited. He is a Fellow of the Australian Institute of Bankers and Finance, the Australian Society of Certified Practising Accountants and the Australian Institute of Company Directors. He has honorary degrees from Monash University (Doctor of Laws) and Griffiths University (Doctor of the University).

Mark Burrows – Non-executive Joint Deputy Chairman

Mark Burrows joined the Board of Brambles in April 1987 and was Chairman from September 1997 to September 1999. Mr Burrows chaired the Companies and Securities Advisory Committee from 1989 to 1994 and was one of the principal participants in the creation of the Australian Securities Commission (as the ASIC then was). He is an investment banker, Deputy Chairman of ING Baring Holdings Limited (UK), a director of Burns, Philp & Company Limited and John Fairfax Holdings Limited, and Chairman of the Sydney Theatre Company. He has a Bachelor of Arts and a Bachelor of Laws both from Sydney University, and is an Associate Member of the Securities Institute of Australia.

Sir David Lees – Non-executive Joint Deputy Chairman*

Sir David Lees joined GKN in 1970 as an accountant and became Group Finance Director in 1982. He was appointed Group Managing Director in 1987 and Chairman and Chief Executive in 1988 before becoming non-executive Chairman in 1997. He holds various senior positions in industry-related associations including the National Defence Industries Council, the European Round Table and the Institute for Manufacturing, and is a member of the UK Panel on Takeovers and Mergers. He is the non-executive Chairman of Tate & Lyle plc and a non-executive director of Royal Opera House, Covent Garden Ltd. He is a Fellow of the Institute of Chartered Accountants in England and Wales. He is also a director of New GKN.

Roy Brown – Non-executive Director*

Roy Brown was appointed a non-executive director of GKN in 1996. He is a non-executive director of British United Provident Association (BUPA) and Thus plc and a former executive director of Unilever plc and Unilever NV. He has a degree (BSc) in Mechanical Engineering from University College London and an MBA from Harvard. He is a Fellow of the Institute of Mechanical Engineers and a Fellow of the Institute of Electrical Engineers. He is also a director of New GKN.

Sir C.K. Chow – Chief Executive Officer*

Sir C.K. Chow joined GKN in 1996 and was appointed Chief Executive in 1997. Before joining GKN, he was a director of The BOC Group plc and Chief Executive of BOC Gases worldwide. He is a past President of The Society of British Aerospace Companies, a non-executive director of Standard Chartered plc and a member of the Governing Body of the London Business School. He has a BSc and an MSc in Chemical Engineering (US), an MBA from the Chinese University of Hong Kong, is a graduate of the Harvard Advanced Management Program and is a Fellow of the Institute of Chemical Engineers. He is also a director of New GKN and he will resign from the boards of GKN and New GKN on Completion.

Graham Kraehe – Non-executive Director

Graham Kraehe joined the Brambles Board in December 2000. He has spent 28 years in Chief Executive roles in diversified industrial companies covering the wine, packaging, appliance and automotive industries. He was Managing Director and Chief Executive Officer of Southcorp Limited from 1994 until his retirement in February 2001. Prior to becoming a director of Southcorp Limited he was Chief Executive of Pacifica Group Limited. His other directorships include National Australia Bank Limited and The News Corporation Limited and he is the President of the German-Australian Chamber of Industry and Commerce. He has a Bachelor of Economics from Adelaide University.

Allan McDonald – Non-executive Director

Allan McDonald joined the Brambles Board in March 1981. He has had an extensive career in the investment and commercial banking fields. He is presently Chairman of GeneralCologne Re Australia Limited, Delfin Limited and Julia Ross Recruitment Limited. His other directorships include DCA Group Limited, Securities Exchanges Guarantee Corporation Limited, TAB Limited and Billabong International Limited. He has a Bachelor of Economics from Sydney University and is a Fellow of the Australian Society of Certified Practising Accountants and the Australian Institute of Management.

Ron Milne – Non-executive Director

Ron Milne commenced his service with Brambles in April 1981 as General Manager, responsible for Finance and Development. He was appointed a Brambles Director in June 1985. He retired as Finance Director in August 1995. He has had a management career extending through the manufacturing, oil exploration and merchant banking industries. His other directorships include Newcrest Mining Limited and OPSM Protector Limited. He is a member of the Australian Society of Certified Practising Accountants and a Fellow of the Chartered Institute of Secretaries.

Sir John Parker – Non-executive Director*

Sir John Parker was appointed a non-executive director of GKN in 1993. He is Chairman of Lattice Group plc, non-executive Chairman of Firth Rixson plc and a non-executive director of P&O Princess Cruises plc. He is a former Chairman and Chief Executive of Babcock International plc and Harland and Wolff Holdings plc, a Fellow of the Royal Academy of Engineering and a Past President of the Royal Institution of Naval Architects. He has a degree (DSc) in Engineering from Belfast University. He is also a director of New GKN.

David Turner – Finance Director*

David Turner joined GKN in 1993 as Finance Director. Before joining GKN he was Finance Director of the food group Booker plc. He has previously worked for Mobil Oil and Touche Ross and is a Fellow of the Institute of Chartered Accountants in England and Wales. He is a non-executive director of Whitbread plc. He is also a director of New GKN and he will resign from the boards of GKN and New GKN on Completion.

John Cloney and Neelie Kroes have agreed to remain non-executive directors of Brambles until Completion, at which time they will retire. John Fletcher, the current Chief Executive Officer of Brambles, has agreed to remain a director and employee of Brambles until 1 August 2001.

3.2 Senior management

Sir C.K. Chow will be the Chief Executive of the Combined Group. David Turner will be the Finance Director of the Combined Group. Both Sir C.K. Chow and David Turner will relocate to the Combined Group's headquarters in Sydney, Australia.

The Combined Group business unit leaders will remain unchanged and will report to the Chief Executive. The key business unit leaders are:

CHEP – Bob Moore

Bob Moore joined CHEP in 1995 and has been Chief Executive Officer of CHEP International since its inception in March 1999. He previously held the Chief Executive positions for CHEP USA and then CHEP Americas. Mr Moore has over 26 years' experience in the soft drink and banking industries, including 19 years as an executive leading various North American PepsiCo business units.

CLEANAWAY – Gerben Westra

Gerben Westra joined CLEANAWAY in September 1993 as Chief Executive CLEANAWAY Europe. During the 10 years prior to joining CLEANAWAY he held senior executive/director positions in environmental services and in manufacturing for Hoogovens Group. He started his international career in engineering and contracting, working for companies including Deutsche Babcock. He holds a degree (Ing) in Mechanical Engineering (the Netherlands).

Recall – Victor Mendes

Victor Mendes joined Brambles in 1999 as the President of Recall Corporation. Previously he worked for General Electric Company in the US in various senior executive positions. He has a BSc in Mechanical Engineering from the University of Brasilia and a MSc in Precision Machinery Engineering from the University of Tokyo.

Brambles' contract based industrial services division – Jean-Louis Laurent

Jean-Louis Laurent is the Managing Director of the contract based industrial services division. Mr Laurent joined Brambles in 1990 and prior to that worked for Bricout Group, Solvay and Peat Marwick, Mitchell & Co. He graduated from the University of Brussels as a Commercial Engineer.

3.3 Corporate governance

The Combined Group intends to comply with corporate governance requirements applicable to Brambles in Australia and with the Principles of Good Governance and Code of Best Practice annexed to the listing rules of the UK Listing Authority which will apply to Brambles (UK).

3.4 Directors' indemnities

(a) Introduction

As it is proposed that Brambles (UK) Shares will trade on the LSE, it is a requirement that certain information, such as details on the Companies, the proposed GKN Scheme, the Demerger and the DLC Proposal, be published and made available to GKN Shareholders. The information about Brambles (UK) will be contained in the Brambles (UK) Listing Particulars. Those Listing Particulars are available for inspection by Brambles Shareholders, as set out in Section 8.16.

Under applicable English law and the UK Listing Authority's listing rules, responsibility for the contents of the Brambles (UK) Listing Particulars and for the information given to the UK Listing Authority in relation to the application for Brambles (UK) to be listed falls on both current and prospective directors of Brambles (UK). This includes those of your Directors who are proposed to also become directors of Brambles (UK) following implementation of the DLC Structure.

In these circumstances, it is proposed that Brambles provide an indemnity in favour of those directors **(Indemnified Directors)** in respect of liabilities described in paragraph (c) below.

GKN has provided a similar indemnity to those of its directors who are, or are proposed to become, directors of Brambles (UK).

(b) The Indemnified Directors

The Indemnified Directors are Don Argus AO, Mark Burrows, Allan McDonald, Ron Milne and Graham Kraehe.

(c) ***Nature of the Indemnity***

A detailed summary of the Indemnity is set out in Section 8.6.

Briefly, the Indemnity provides that Brambles will indemnify each Indemnified Director in respect of any liability incurred as a result of him being named as a proposed director of Brambles (UK) in the Brambles (UK) Listing Particulars, or in connection with any representation or warranty or any information provided by the Indemnified Director in relation to the proposed admission of the Brambles (UK) Shares to the Official List of the UK Listing Authority.

The Indemnity is subject to certain exclusions, including for liability arising from the Indemnified Director's fraud, wilful misconduct, bad faith or knowingly wrongful conduct, and does not cover any liability which is recoverable under Brambles (UK)'s directors and officers insurance cover.

(d) ***Indemnity from GKN***

Under the Merger Agreement, Brambles is entitled to be indemnified by GKN for any payment Brambles is required to make under the Indemnity which arises from deficiencies in information warranted by GKN as correct under that agreement.

Brambles has given a similar indemnity to GKN in respect of information warranted by Brambles as correct.

(e) ***Resolution to approve the Indemnity***

The Indemnity has been approved by your Directors (other than the Indemnified Directors) and executed by Brambles. However, because the Indemnified Directors are related parties of Brambles, the Indemnity will not be effective unless and until it has been approved by Brambles Shareholders. Accordingly, one of the DLC Resolutions on which you have been asked to vote is a resolution to approve the Indemnity (see Resolution 13, which is set out in the Notice of Meeting at the back of this document).

(f) ***Your Directors' recommendation***

All of your Directors (other than the Indemnified Directors) recommend you vote in favour of the resolution to approve the Indemnity, which they believe to be appropriate and in the interests of Brambles as it encourages the continued participation of the Indemnified Directors in the Combined Group.

Your Directors currently have an indemnity from Brambles in relation to liability they may incur to third parties in their capacity as Brambles Directors, provided, among other things, that they have acted in good faith.

Your Directors consider that those Brambles Directors who are nominated by Brambles as part of the DLC Proposal to become directors of Brambles (UK) should similarly not be exposed to personal liability in their capacity as proposed directors of Brambles (UK), again provided, among other things, that they have acted in good faith. Your Directors consider that it is appropriate that indemnity be given to the Indemnified Directors in these circumstances.

Because they are interested in the outcome of the resolution, the Indemnified Directors have chosen not to make a recommendation to Brambles Shareholders on how they should vote in respect of this resolution, and no votes will be cast on that resolution in respect of any Brambles Shares held by them or their associates.

3.5 Maximum aggregate annual remuneration of Directors

It is proposed that, if the DLC Proposal is implemented, the maximum amount payable to all non-executive Directors in any financial year be increased from A$1 million to A$2 million.

Under the ASX Listing Rules and the Brambles Constitution, the maximum aggregate annual remuneration of non-executive Directors cannot be increased except with the approval of Brambles Shareholders. Accordingly, one of the DLC Resolutions on which you have been asked to vote is a resolution to approve the proposed increase (see Resolution 16, which is set out in the Notice of Meeting at the back of this document).

All of your Directors recommend you vote in favour of this resolution for the following reasons:

(a) Following Completion, the Brambles Directors will also be Directors of Brambles (UK). Although Brambles and Brambles (UK) will remain separate legal entities, your Directors consider that it is not appropriate that the Directors' remuneration is calculated as if Brambles and Brambles (UK) were discrete enterprises. Accordingly, even though Australian law does not require remuneration received by the Directors from Brambles (UK) (in their capacity as Directors of Brambles (UK)) to be taken into account in determining the maximum amount which Brambles may pay to its Directors (in their capacity as Brambles Directors), your Directors consider that good corporate governance requires that the remuneration of Directors be accounted for in the same way as if the Companies were a single enterprise. This means that the proposed cap of A$2 million on the annual aggregate remuneration which may be paid to non-executive Directors will apply to limit the remuneration they receive from both Brambles and Brambles (UK).

(b) The DLC Proposal will involve an overall increase in the size of the Brambles Board from seven to eight non-executive Directors, in addition to the two executive Directors. As set out in Section 3.1 above, on Completion, three new non-executive Directors will be appointed to the Brambles Board while two current non-executive Brambles Directors will be resigning from the Brambles Board.

(c) It is proposed that the fee payable by the Combined Group to each non-executive Director be GB£45,000 (which Directors can elect to receive in Australian Dollars and which is equivalent to approximately A$120,000 based on an exchange rate of A$1:GB£0.3751). Directors will also be entitled to take all or part of their fees as a superannuation contribution. Brambles currently pays a base fee of A$81,000 to its Directors. Your Directors believe the proposed increase is appropriate having regard to the increased size of the corporate group in respect of which the Directors hold office.

(d) The DLC Proposal involves the appointment of two Joint Deputy Chairmen. Each Deputy Chairman will receive GB£80,000. In addition, it is proposed that the fee payable to the Chairman be increased to GB£180,000 having regard to his responsibilities as Chairman of both Brambles and Brambles (UK). Those amounts can also be taken in Australian Dollars (being approximately A$213,000 and A$480,000 respectively based on an exchange rate of A$1:GB£0.3751) and can be taken in whole or in part as a superannuation contribution.

(e) As the base Directors' fees will be paid in pounds sterling, an allowance in the maximum permissible remuneration is also necessary to allow for fluctuations in exchange rates.

BRAMBLES

4

Directors' Review of the DLC Proposal

4. Directors' Review of the DLC Proposal

4.1 Introduction

Brambles and GKN have enjoyed a close commercial relationship over 27 years through their respective 50% joint venture interests in CHEP (in the UK, Europe, the Americas and Asia) and CLEANAWAY (in the UK and Germany). The DLC Proposal builds on that strong commercial relationship by combining Brambles with Brambles (UK) (which by that time will own the GKN Support Services Activities) and managing them as if they were a single economic enterprise.

Your Directors, in analysing the DLC Proposal, have identified a number of advantages of the DLC Proposal relative to the position of Brambles on a stand-alone basis and to possible alternative proposals, and have weighed these against the potential risks and disadvantages for Brambles Shareholders. Your Directors have also assessed the terms of the DLC Proposal, including the Combination Ratio.

On the basis of their review, which is outlined below, your Directors believe the DLC Proposal is in the best interests of Brambles Shareholders as a whole. Your Directors unanimously recommend that Brambles Shareholders vote in favour of the DLC Proposal.

4.2 Advantages of the DLC Proposal

More focused investment in high-growth businesses

The DLC Proposal is consistent with Brambles' stated objective of focusing on fewer but larger high growth global businesses.

Immediate uplift in exposure to CHEP and CLEANAWAY

Under the DLC Proposal, Brambles Shareholders' economic interest in the CHEP and CLEANAWAY joint ventures will increase from 50% to 57%. These high growth businesses will also represent a greater proportion of the revenue and earnings of the Combined Group than they currently do in Brambles.

Contribution of CHEP and CLEANAWAY (year ended 30 June 2000)

Brambles stand-alone (proportionally consolidated[1])		Pro forma Combined Group under DLC Structure	
Revenue	EBIT	Revenue	EBIT
46%	57%	56%	66%

1. Proportional consolidation of Brambles on a stand-alone basis includes Brambles' 50% interest in the CHEP and CLEANAWAY joint ventures on a consolidated basis rather than an equity accounting basis as is required under Australian GAAP. Proportional consolidation provides a more meaningful comparison to the pro forma combined financial information which consolidates 100% of the CHEP and CLEANAWAY joint ventures.

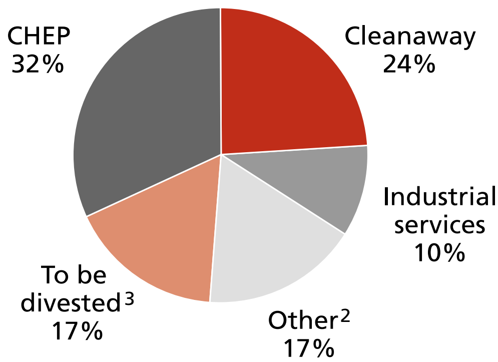
Based on unaudited pro forma aggregated financial information for the Combined Group for the financial year ended 30 June 2000, CHEP and CLEANAWAY represented 56% of revenue and 66% of EBIT (using Australian GAAP) of the Combined Group.

Expected further exposure to CHEP and CLEANAWAY over time

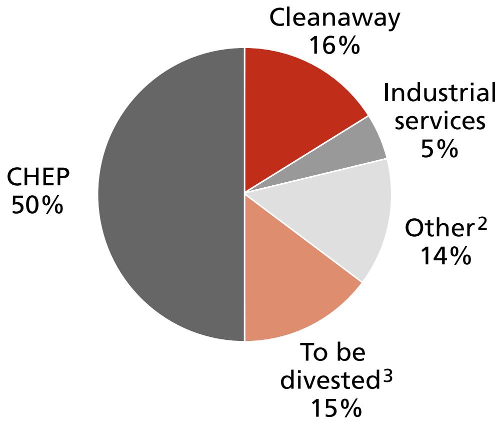
As the Brambles divestment programme continues and proceeds are reinvested in the key global businesses, CHEP and CLEANAWAY are expected to represent a larger percentage of the Combined Group's revenue and EBIT. Details on the Brambles divestment programme are provided in Sections 1.7 and 4.4.

Combined Group pro forma financial information – year ended 30 June 2000

Revenue contribution



EBIT contribution (Australian GAAP)[1]



1. Excluding unallocated costs.
2. "Other" includes Recall, Eurotainer, Meineke, Interlake, Brambles Marine Group, TCR and Federal Container Corporation.
3. "To be divested" means assets divested since 1 July 1999 or to be divested, including the equipmental rental businesses (US, Australia and Germany), the wagon rental business, Forklifts Europe, the car transport business, ENSCO and Brambles Security.

Enhanced global growth opportunities

The development potential of the CHEP and CLEANAWAY joint ventures is currently limited by the defined scope of their activities, which provides a clear segregation from the other activities of Brambles and GKN. For example, the CHEP joint ventures are limited to the hiring and rental of certain specified equipment on a pooling basis. In addition, each joint venture is only permitted to operate in specified territories. Removing these structural and territorial constraints is expected to provide new growth opportunities for the Combined Group. As an example, if the DLC Proposal proceeds, CHEP will be well positioned to expand into supply chain services, given its global brand and strong relationships with FMCG manufacturers and retailers.

The combination of CLEANAWAY in Europe (currently a 50:50 joint venture between Brambles and GKN) with CLEANAWAY Australia and Asia (each currently wholly owned by Brambles) will produce a substantial international business. Furthermore, lifting the territorial restrictions currently placed on the CLEANAWAY joint venture, which under existing agreements is limited to Western Europe, will facilitate expansion into new territories.

Comparatively low implementation risk

Compared to most mergers of comparable size, the integration and implementation risks of the DLC Proposal are low. In implementing the DLC Structure, it is intended that existing global business unit leaders will remain in place. This should ensure a smooth management transition. In addition, CHEP and CLEANAWAY, which are businesses well understood by Brambles, represent the vast majority of the value of the Brambles (UK) Group. These factors significantly reduce the implementation risk normally associated with such a transaction.

Unified management team and simplified decision making

For Brambles, the DLC Proposal will result in the appointment of a new Chief Executive and Finance Director in Sir C.K. Chow and David Turner respectively. Both Sir C.K. Chow and David Turner have a thorough understanding of the CHEP and CLEANAWAY businesses together with extensive experience in managing large public companies with multi-national operations.

A single management team, under the leadership of Sir C.K. Chow, will be well equipped to pursue global growth opportunities and manage the activities of the Combined Group for the benefit of both sets of Shareholders. As a global enterprise focused on support services, the Combined Group should be in an improved position to attract and retain management talent.

In addition, as the size and complexity of the CHEP and CLEANAWAY joint ventures have increased, so too has the importance of matters such as tax and funding structures for the respective parties. Joint venture decisions in these areas currently require the approval of both joint venturers. Simplifying these arrangements should provide a more efficient corporate structure and unifying management should improve the speed of investment decisions.

Combination Ratio negotiated without takeover premium

On Completion, Brambles Shareholders will collectively have a 57% majority economic and voting interest in the Combined Group. The Combination Ratio was negotiated based upon relative valuations of the businesses (including assets and liabilities) contributed by each party to the DLC Structure. No takeover premium was taken into account in the negotiations.

Under the DLC Proposal, Brambles Shareholders will increase their collective economic interest in the CHEP and CLEANAWAY joint ventures from 50% to 57%. Brambles Shareholders will also collectively gain a 57% economic interest in CHEP South Africa, Interlake and Meineke, although they will decrease their collective economic interest in Brambles' wholly-owned businesses (including CHEP Australia and CLEANAWAY Australia) to 57% as part of the transaction.

Improved access to capital markets and competitive acquisition currency

As a result of Brambles retaining its listing in Australia and the intention that Brambles (UK) will be listed in the UK, it is expected that the Combined Group will have improved access to capital markets to fund expansion. The Combined Group will have an estimated market capitalisation of A$19.2 billion (GB£7.2 billion), based on the Combination Ratio, the Brambles Share price of A$47.20 as at the close of business on 18 June 2001 and an exchange rate of A$1=GB£0.3751.

The Combined Group's balance sheet as at 31 December 2000 had unaudited pro forma net assets of A$3,056 million (GB£1,145 million) and pro forma gearing (calculated as net debt to net debt plus equity) of 59.1% and a pro forma EBITDA interest cover ratio in the six months ended 31 December 2000 of 8.3 times (using Australian GAAP).

The Combined Group is also expected to be better positioned to participate in future global merger or acquisition opportunities than Brambles would be on a stand-alone basis. The DLC Structure will enable the Combined Group to offer shares listed on the ASX or traded on the LSE as currency for future potential global acquisitions. This additional flexibility, which is more likely to be attractive to target company shareholders, would not be available if Brambles were to remain a stand-alone company able to offer only ASX-listed shares.

Retention of Australian headquarters

Brambles will remain an Australian company listed on the ASX. The Combined Group will have its headquarters in Sydney, Australia.

Shareholder taxation position

Brambles has received external legal advice that implementation of the DLC Proposal should not result in Australian, UK or US tax liability for Brambles Shareholders who are tax residents of those countries.

Under current Australian law, Brambles will retain the ability to pay franked dividends to the extent that franking credits are available.

For a more detailed description of certain Australian, UK and US tax consequences of the DLC Proposal, see Section 7.

Advantages of two listings and two domiciles

The Combined Group will effectively have two primary listings and two domiciles. This has a number of advantages. First, the DLC Structure of the Combined Group will enable equity funds to be raised in either or both of the Australian and UK markets. This should assist the Combined Group to access equity funding, if required, in the most cost efficient manner, taking into account the different costs of capital and regulatory and financial regimes applicable in the different markets.

Second, the DLC Structure will enable the Combined Group to structure affairs in third countries through a vehicle ultimately held by either the Australian company or the UK company or by both, depending on which is more advantageous to the Combined Group.

Third, Brambles Shareholders in Australia and Brambles (UK) Shareholders in the UK do not have to tender their Shares for shares in the other (or a third) company and will be able to continue to hold their Shares as domestic investments. This avoids the selling pressure on Brambles Shares which might have accompanied the transaction had Brambles (UK) Shareholders been offered Brambles Shares. The selling pressure could have resulted because shares with a primary listing on the ASX might have been less attractive to Brambles (UK) Shareholders than shares primarily traded on the LSE. For example, some of the institutions who will be Brambles (UK) Shareholders are restricted to holding shares in companies included in UK indices.

4.3 Potential risks and disadvantages of the DLC Structure

Your Directors believe that the DLC Proposal is in the best interests of Brambles and Brambles Shareholders and unanimously recommend that Shareholders vote in favour of the DLC Proposal.

In making this recommendation, your Directors have also considered the following potential risks and disadvantages which may be associated with the DLC Proposal.

Expected pro forma earnings per share dilution in the short term

Your Directors have compared the earnings expected to be attributable to a Brambles Share under the DLC Structure to the expected earnings which would be attributable to a Brambles Share were Brambles to remain a stand-alone company. Based on the earnings per share analysis undertaken by your Directors, it is expected that the DLC Proposal will be earnings per share dilutive on a pro forma basis for Brambles Shareholders in the years ending 30 June 2002 and 30 June 2003.

Further commentary on the earnings per share analysis is contained in Section 4.4(c).

Reduction of Brambles Shareholders' economic ownership of the Brambles wholly-owned businesses

Brambles Shareholders' collective economic interest in the CHEP and CLEANAWAY joint ventures will effectively increase to 57% (from 50%) and they will also gain a 57% economic interest in CHEP South Africa, Interlake and Meineke, which are currently wholly owned by GKN.

Conversely, following implementation of the DLC Proposal, Brambles (UK) Shareholders will collectively have a 43% economic interest in the businesses owned by Brambles. Correspondingly, the economic interest of Brambles Shareholders in these businesses will decrease from 100% to 57%.

Divisions currently owned by Brambles in which Brambles (UK) Shareholders will collectively have a 43% economic interest include Recall, Brambles' contract based industrial services business, CHEP Australia, CLEANAWAY Australia, Brambles Marine Group and Federal Container Corporation. Brambles also wholly owns a number of businesses that are planned to be divested, including wagon rental, equipment rental and ENSCO. Proceeds of these divestments will be retained by the Combined Group.

Reduction of Brambles Shareholders' voting interest

Following implementation of the DLC Proposal, the voting interest of Brambles Shareholders in Brambles will be diluted. For Joint Electorate Actions (see Section 6.6), votes exercised by Brambles (UK) Shareholders will be reflected at meetings of Brambles. Therefore, Brambles Shareholders will no longer collectively control 100% of Brambles.

In addition, on certain resolutions in relation to which the two bodies of Shareholders may have divergent interests (for example, adjustments to the Equalisation Ratio or amendments to certain provisions of the new Brambles Constitution), Brambles Shareholders will not be able to cause Brambles to take any action unless a corresponding resolution is passed by Brambles (UK) Shareholders (see Section 6.6 on Class Rights Actions).

For a detailed description of the voting arrangements under the DLC Structure, see Section 6.

Matching dividends

Under the DLC Structure, Brambles and Brambles (UK) will pay matching cash dividends before deduction of any amounts in respect of tax and excluding the amount of any associated tax credits (see Section 6.5).

If either Brambles or Brambles (UK) is unable to declare or pay all or any portion of a matching dividend (eg because of a lack of retained earnings or distributable reserves), then both Companies will enter such transactions with each other so as to enable the payment of matching dividends. These transactions, if required, may have adverse tax implications for Brambles and Brambles (UK). Alternatively, the Boards of Brambles and Brambles (UK) (which will be identical) may agree a reduced dividend that both Companies would be in a position to pay without the need to enter into such transactions.

Being a newly incorporated company, Brambles (UK) will have no existing distributable reserves. An entity within the Brambles (UK) Group will apply to the Court for its approval of a reduction of capital which, if granted, is expected to result in the creation of significant distributable reserves within the Brambles (UK) Group. This action, if approved by the Court, should have no impact on the cash reserves within the Brambles (UK) Group. See Section 8.12(d) for further details.

Business risks

Upon implementation of the DLC Proposal, the dividends, capital returns and value of a Brambles Share will be related to the economic performance of the entire assets of the Combined Group.

For a Brambles Shareholder, this will include increased economic exposure to the CHEP and CLEANAWAY joint venture assets, together with new economic exposures to CHEP South Africa, Interlake and Meineke (which are currently wholly owned by GKN). In addition, Brambles Shareholders will have new exposure to country risk in South Africa through exposure to the CHEP South Africa business.

Existing joint venture debt recognised on-balance sheet

The Combined Group's indebtedness will comprise the existing net debt of Brambles and that of the CHEP and CLEANAWAY joint venture businesses (as those GKN Support Services Activities that are currently wholly owned by GKN are to be contributed to the Combined Group with zero net debt). On this basis, the Combined Group had unaudited pro forma net debt of A$4,414 million as at 31 December 2000. This is higher than Brambles' stand-alone on-balance sheet net debt at 31 December 2000 of A$1,673 million.

Upon implementation of the DLC Proposal, the CHEP and CLEANAWAY joint venture debt will be recognised in the aggregated balance sheet of the Combined Group. This debt is not currently required to be shown in either Brambles' or GKN's consolidated balance sheets. Accordingly, despite no additional debt being incurred by Brambles or Brambles (UK), gearing ratios (calculated as net debt to net debt plus equity) are expected to increase from 44% on a Brambles stand-alone basis to 59% for the Combined Group based on pro forma aggregated accounting data as at 31 December 2000.

The DLC Structure also involves Brambles and Brambles (UK) providing Deed Poll Guarantees such that each Company will be exposed to the credit risk of the other as regards certain future contractual obligations. Under the Brambles Deed Poll Guarantee, Brambles will guarantee certain future contractual obligations of Brambles (UK). Brambles (UK) will be likewise bound by the Brambles (UK) Deed Poll Guarantee (see Section 6.9).

Complexity of the DLC Structure

The DLC Proposal involves structures, arrangements and agreements that are somewhat more complex than conventional legal structures and that are subject to two different principal legal and accounting regimes (being those of Australia and the UK).

The governance and administrative arrangements that are involved in the DLC Structure are also more complex and onerous than Brambles currently has and are likely to result in additional administrative costs.

However, other major international groups, including the Unilever Group, the Royal Dutch Shell Group, the Reed Elsevier Group and the Rio Tinto Group, use a dual listed companies structure, and BHP and Billiton have recently approved the use of one. Each structure has features different from the current proposal and your Directors offer no opinion on the success of those other arrangements.

4.4 The terms of the DLC Proposal

(a) Brambles Additional Share Issue

On Completion, Brambles Shareholders will collectively have a 57% voting and economic interest in the Combined Group. Following the GKN Scheme and GKN Demerger, existing GKN Shareholders will become shareholders of New GKN and Brambles (UK). Upon Completion, the Brambles (UK) Shareholders will collectively have a 43% voting and economic interest in the Combined Group.

To ensure that, with effect from Completion, the economic and voting interests in the Combined Group represented by each Brambles and Brambles (UK) Share are equal, there will be an issue of Additional Brambles Shares to Brambles Shareholders who hold Brambles Shares on the Brambles Additional Share Issue Record Date. The exact number of Additional Brambles Shares to be issued will depend on the number of Brambles Shares (apart from the Additional Brambles Shares) and Brambles (UK) Shares on issue at Completion. Based on the number of Brambles and GKN Shares on issue as at 18 June 2001, each Brambles Shareholder as at the Brambles Additional Share Issue Record Date will receive approximately 3.128 Additional Brambles Shares for each Brambles Share held. The total number of Additional Brambles Shares issued to any Brambles Shareholder will be adjusted up to the nearest whole Share (but if Brambles reasonably believes that a Shareholder's holdings have been manipulated to take advantage of the rounding up provisions then any fractional entitlement may be rounded downwards).

Assuming no further shares are issued by Brambles or GKN prior to Completion, this would result in the Combined Group having the following number of shares on issue:

Shares on Issue in Combined Group

	As at 18 June 2001 (millions)	Brambles Additional Share Issue (millions)	Shares on issue in Combined Group at Completion (millions)	Percentage of Combined Group (%)
Brambles	232.0	725.8	957.8	57.0
Brambles (UK)	722.5 [1]	–	722.5	43.0
			1,680.3	100.0

1. Represents the current number of GKN Shares on issue as at 18 June 2001. As part of the GKN Scheme and GKN Demerger, GKN Shareholders will become the shareholders of both New GKN and Brambles (UK) respectively. Each registered shareholder of New GKN at the Demerger Record Date will receive one Brambles (UK) Share for each New GKN Share held.

Excluding normal market movements, the aggregate value of your investment should not be affected by the Brambles Additional Share Issue. The Brambles Additional Share Issue should simply spread the value of each Brambles Share across a larger number of Brambles Shares.

Brambles Shares are expected to trade "ex" (that is, without) the entitlement to Additional Brambles Shares on 8 August 2001. Brambles Shares purchased after 7 August 2001 will not be eligible to participate in the Brambles Additional Share Issue. If it becomes apparent before this date that the timetable has been delayed or that the DLC Proposal will not be implemented then the Brambles Additional Share Issue will also be delayed or will not be implemented, as appropriate.

(b) The Combination Ratio

The ratio of the relative interests of the Brambles Shareholders and the GKN Shareholders (who will become Brambles (UK) Shareholders following the GKN Demerger) in the Combined Group was determined by arm's length commercial negotiations between representatives of Brambles and GKN.

The Combination Ratio was agreed based upon the assets and liabilities contributed by each party to the DLC Proposal. Brambles is contributing all of its existing assets and liabilities (including all entities in the Brambles Group) to the Combined Group. The GKN Support Services Activities, which are to be demerged to Brambles (UK), include GKN's 50% interest in the CHEP and CLEANAWAY joint ventures, and all of the shares in its wholly-owned subsidiaries, CHEP South Africa, Interlake and Meineke. Brambles (UK) will also assume GKN's liability for its 50% of the CHEP and CLEANAWAY joint venture debt. Brambles (UK)'s wholly-owned businesses are to be contributed to the Combined Group with zero net debt. The Combination Ratio was negotiated assuming Brambles' wholly-owned net debt was A$1,774 million and 50% of the CHEP and CLEANAWAY joint venture net debt was A$1,350 million.

The Combination Ratio reflects the equity contributed by each party. This required a relative value analysis of the CHEP and CLEANAWAY joint ventures, of Brambles' wholly-owned businesses (including those businesses identified for divestment) and of the wholly-owned GKN Support Services Activities. Adjustments were made to reflect the net indebtedness being contributed to the Combined Group by each of Brambles and GKN.

Brambles undertook the relative value analysis independently of GKN although the largest asset contributed by both parties was identical – the 50% interest in the CHEP and CLEANAWAY joint ventures.

The relative value analysis was undertaken by Brambles which involved first breaking down the earnings of Brambles and the GKN Support Services Activities into their component parts and then capitalising the earnings of those individual businesses, within the framework of the market capitalisations of the two organisations during the period leading up to and contemporaneous with the negotiation of the transaction. Capitalisation of earnings or cash flows is one of the most commonly used methods for valuation of industrial businesses, particularly for businesses with a substantial operating history.

In analysing appropriate relative valuations (which involved selecting an appropriate earnings base and capitalisation multiple for each business) reference was made to a range of information sources including year-to-date financial performance of the various businesses, the outlook for Brambles businesses (including the CHEP and CLEANAWAY joint ventures) contained in the Brambles five year strategic plan as adopted by your Directors in August 2000, trading multiples of listed companies trading in similar sectors to Brambles' businesses (see commentary below), Brambles' recent range of equity market capitalisations and, as an independent check, asset valuations published by independent equity analysts.

The same value was attributed by Brambles to each of Brambles' and GKN's 50% interests in the CHEP and CLEANAWAY joint ventures. CHEP South Africa, Interlake, and Meineke, being the non-joint venture assets, were examined separately and together represented a relatively small proportion of the enterprise value of the GKN Support Services Activities. For completeness, your Directors also reviewed the valuation of GKN's aerospace and automotive assets on a sum-of-the-parts basis, aggregated this with the implied value of the GKN Support Services Activities based on the Brambles market capitalisation and Combination Ratio, and reviewed the result against the recent range of equity market capitalisations of GKN.

No takeover premia were taken into account in the relative value analysis.

During the course of negotiation of the transaction, your Directors also reviewed trading multiples of a number of companies. Some of them at particular times have had or are expected to display similar business or growth characteristics to businesses that are intended to form part of the Combined Group. In particular, the companies marked with an asterisk in the table below are traded on the LSE and classified within the business support services sector, which is the sector in which Brambles (UK) will be classified, according to advice received from the FTSE Global Classification Committee.

Set out below are the historical trading multiples and consensus prospective net income multiples for a selected group of representative companies as at 15 June 2001, just prior to finalisation of this document. However, it should be noted that in the view of your Directors, the unique nature of a number of the Combined Group's constituent businesses (and in particular CHEP, which accounted for approximately one half of the Combined Group's pro forma EBIT for the year ended 30 June 2000) limits the usefulness of direct comparisons with the companies included in the table below.

Trading Multiples[1]

Company	Country	Market capitalisation[1] A$m	Net debt[2] A$m	EBITDA multiple[3] Historical (x)	EBIT multiple[3] Historical (x)	Net Income multiple[3] Historical (x)	PE multiple[3] Prospective (x)
Adsteam Marine	Aust	408	127	20.3x	24.8x	23.9x	11.1x
Aggreko*	UK	3,415	308	12.4x	20.4x	33.4x	30.3x
Allied Waste Industries	US	6,726	17,838	6.5x	9.7x	18.1x	20.0x
Amey*	UK	2,383	191	16.6x	23.3x	41.3x	26.5x
Ashtead Group*	UK	1,011	1,561	7.6x	16.4x	8.8x	7.7x
Atkins (WS)*	UK	2,086	(108)	12.4x	20.8x	40.9x	25.7x
Ausdoc Group	Aust	134	105	5.4x	9.8x	16.6x	31.4x
Bunzl*	UK	5,746	638	11.0x	13.1x	20.2x	17.1x
Capita Group*	UK	8,496	130	53.2x	77.6x	128.1x	68.0x
Coates Hire	Aust	88	138	3.1x	6.7x	4.2x	9.7x
Davis Service Group*	UK	1,460	199	4.2x	9.2x	12.6x	11.2x
Hays*	UK	8,489	965	10.8x	13.5x	18.0x	15.7x
Iron Mountain	US	4,369	2,639	15.3x	32.1x	NM[4]	NM[4]
Lang Corporation	Aust	1,656	(251)	11.5x	17.8x	28.7x	24.3x
Rentokil Initial*	UK	11,773	2,554	9.1x	12.6x	16.3x	17.1x
Republic Services	US	6,135	2,347	7.1x	10.3x	14.7x	13.9x
Securicor*	UK	2,779	403	15.8x	23.9x	31.4x	26.5x
Serco Group*	UK	4,396	11	31.4x	44.2x	72.2x	53.4x
Shanks Group*	UK	1,096	801	6.9x	12.7x	20.1x	14.0x
Toll Holdings	Aust	1,143	(2)	16.4x	23.8x	28.3x	24.3x
United Rentals	US	3,279	5,730	4.9x	8.7x	9.8x	13.0x
Waste Recycling Group*	UK	1,397	53	9.9x	21.1x	49.6x	18.5x

Source: Company reports, I/B/E/S and Bloomberg.

1. Based on data for last reported complete financial year for each company and share price and spot exchange rates as at 15 June 2001. Excluding exceptional items (net of taxation effect, where this has been prominently disclosed) but including contributions from acquired, discontinued or discontinuing businesses during the financial year in question. Multiples may not be directly comparable on account of differing accounting policies applied by each company.

2. Net debt figures are the latest published figures for each company (whether at financial year end or at an interim point in the subsequent financial year) and include all clearly defined interest bearing liabilities (including finance leases) disclosed in the relevant companies' consolidated accounts.

3. In the cases of EBITDA and EBIT, multiples are calculated as the aggregate of current market capitalisation and latest reported net debt divided by the historic earnings before interest, tax, depreciation and amortisation and the historic earnings before interest and tax respectively. Net income multiples are calculated as current market capitalisation divided by net income (excluding net exceptional items, where separable). PE is the share price as at close on 15 June 2001 divided by unadjusted consensus earnings per share as derived from I/B/E/S for the latest incomplete financial year as at 15 June 2001.

4. NM = not meaningful.

In determining the Combination Ratio, the parties did not seek to agree specific values for individual assets. Instead, your Directors satisfied themselves that the Combination Ratio appropriately reflected the relative value of the businesses being contributed by each party (after adjusting for debt contributed). Further explanation of your Directors' analysis and conclusion is provided in paragraphs (c), (d) and (e) below.

(c) Are the terms of the DLC Proposal fair and reasonable?

Your Directors have considered the financial impact of the DLC Proposal on Brambles and on Brambles Shareholders as a whole and have reviewed analyses based on valuation methodologies deemed necessary and appropriate for that purpose.

Your Directors have considered whether the likely value of a Brambles Share assuming the status quo is maintained is exceeded by the likely value of the interest in the Combined Group that such Share would confer.

Expected impact on earnings attributable to a Brambles Share

Your Directors have reviewed the year-to-date financial performance of Brambles' various businesses as well as the outlook contained in the Brambles five year strategic plan to estimate the likely earnings per share attributable to a Brambles Share on a stand-alone basis. Your Directors have also assessed the estimated earnings per share attributable to a Brambles Share as part of the Combined Group.

The assumptions underlying the earnings analysis, such as foreign exchange rates and the timing of divestments, relate to matters which are speculative for both Brambles and the Combined Group. The high growth nature of the CHEP, CLEANAWAY and Recall businesses makes assumptions about earnings more speculative than in less dynamic industries.

In developing internal financial projections, Brambles practice has been to use recent foreign exchange rates for both profit and loss and balance sheet information. Foreign exchange assumptions adopted in the earnings analysis were as follows:

Financial period (Year ending 30 June)	Profit and loss	Balance sheet
2001	Average month end foreign exchange rates for historical months. Foreign exchange rates as shown below for projected months	Foreign exchange rates as shown below
2002 – 2004	Foreign exchange rates as shown below	Foreign exchange rates as shown below

The key foreign exchange rates applied for the projected months in the year ending 30 June 2001 and for the years ending 30 June 2002 to 30 June 2004 were:

	GB£	EURO	US$	A$
GB£	1.000	0.619	0.698	0.358
EURO	1.616	1.000	1.127	0.579
US$	1.434	0.887	1.000	0.513
A$	2.793	1.728	1.948	1.000

The assumptions in relation to the timing of the proposed divestments of Brambles' non-core assets were:

Assumed Brambles divestment schedule

Business	Assumed receipt of divestment proceeds[1]	Status
Forklift rental (France)	FY2001	Sale agreement signed
Car transport (Europe)	FY2001	Completed
Gardemann (Germany)	FY2002	Bids received
Wagon rental (Europe)	FY2002	Bids received – several parties short listed
ENSCO (US)	FY2002	Sale discussions continuing
Equipment rental (US)	FY2002	Investment bank appointed
Wreckair (Australia)	FY2002	Investment bank appointed

1. Financial years (FY) reporting periods end on 30 June.

The relative earnings per share analysis was undertaken:

- with an assumed effective date of 1 July 2001;
- using Australian GAAP;
- assuming the adoption of merger accounting principles, such that no goodwill is recognised as a result of the DLC Proposal;
- taking into account expected transaction costs (see Section 4.6 for further details of these expected costs), most of which are assumed to be expensed in the year ending 30 June 2001; and
- ignoring any potential cost or revenue synergies that may arise as a result of the DLC Proposal.

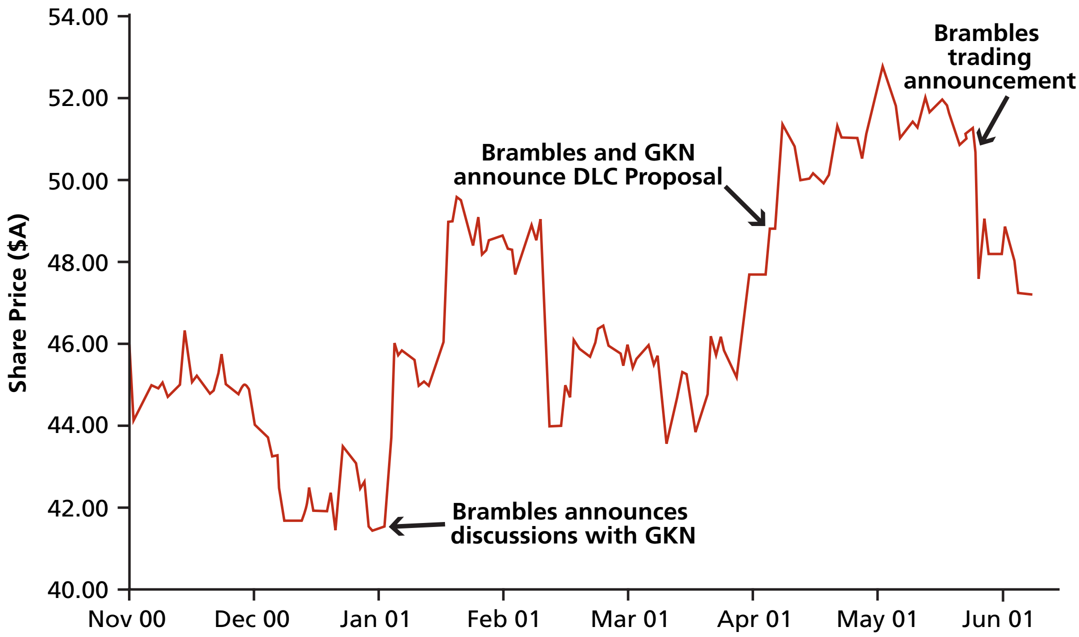
Your Directors' analysis indicates that the DLC Structure is expected to be approximately 3% to 4% earnings per share dilutive in the year ended 30 June 2002 reducing to below 3% earnings per share dilutive in the year ended 30 June 2003 when compared to the estimated earnings per share attributable to a Brambles Share on a stand-alone basis. Your Directors estimate that the DLC Structure is likely to be marginally earnings per share accretive to Brambles Shareholders on a pro forma basis beginning in the year from 1 July 2003 to 30 June 2004.

The potential short term pro forma dilution described above does not mean that earnings per share will decline year-on-year, but rather that they are expected to be less than the earnings per Brambles Share if the DLC Proposal were not implemented.

Expected value impact on a Brambles Share

Your Directors believe that despite the expected short-term pro forma earnings per share dilution, the assessed value of a Brambles Share in the Combined Group is likely to be positively affected as a result of the DLC Proposal by a number of factors, including the enhanced growth profile of the Combined Group. Your Directors have also considered the long-term beneficial impact on shareholder value of operating those activities currently joint-ventured with GKN under a combined ownership structure. Your Directors believe that Brambles' share of these activities currently comprises a growing proportion of Brambles' value. They also believe that the DLC Proposal represents the most effective way of developing the existing CHEP and CLEANAWAY joint venture businesses and thereby making the enhanced value of those activities available to Brambles Shareholders.

In addition, your Directors believe that these factors could lead to a positive re-rating of Brambles Shares compared to the rating such Shares would enjoy in the event that the status quo were maintained. As evidence of this potential re-rating, your Directors have noted the strong market response to the announcements concerning the transaction. Prior to the announcement on 15 January 2001 that Brambles was in discussions with GKN concerning a possible nil premium merger of their support services activities, Brambles Shares closed at A$41.50. On 18 June 2001, Brambles Shares closed at A$47.20. This represents an increase in the market capitalisation of Brambles of approximately A$1,322 million and an increase in the Brambles Share price of 13.7%. This increase is despite the Brambles trading announcement on 6 June 2001 that profit for the year to 30 June 2001 is expected to be approximately 6% below the profit reported in the year to 30 June 2000 of A$364.8 million (see Annexure D).



While it is impossible to predict share prices, your Directors have concluded that, based on the factors outlined in this Information Memorandum and in the absence of unforeseen factors, the value of the economic interest that a Brambles Share will confer in the Combined Group (making appropriate adjustments for the Brambles Additional Share Issue) is likely to be greater than the value of a Brambles Share in the absence of the DLC Proposal. Many of the factors influencing that conclusion, such as removal of structural and territorial restrictions on the joint venture businesses, the low implementation risks, the simplified decision-making ability and the improved access to capital markets, are not quantifiable by your Directors, but have nevertheless been considered to represent significant value.

Your Directors have concluded that the DLC Proposal is fair and reasonable to Brambles Shareholders as a whole. This conclusion followed extensive analysis, due diligence and a review of the relative advantages and risks and disadvantages of the DLC Proposal. Your Directors have also received financial advice from Macquarie Bank Limited and a fairness opinion prepared by Macquarie Bank Limited is included in Annexure C.

In reaching their conclusion, your Directors did not commission an independent expert's report into the DLC Proposal for a number of reasons, including:

(i) the overwhelming majority of the assets of Brambles (UK) will comprise the 50% interests in the CHEP and CLEANAWAY joint ventures. Brambles has had a long and successful relationship with GKN in these joint ventures. No independent expert could match the level of knowledge about these ventures gained from Brambles' own 27 year association. Because of this, your Directors are in the best position to form views and to make recommendations to Brambles Shareholders in relation to the DLC Proposal and your Directors accept responsibility for the information provided;

(ii) independent experts' reports are usually obtained in circumstances where directors may be in a position of conflict of interest, where there are related party issues, and where they are required by law. None of these conditions is present in the current circumstances. Nor, in your Directors' view, are the relative advantages and disadvantages of the DLC Proposal so finely balanced as to warrant an independent opinion; and

(iii) the proposed transaction also involves the demerger and flotation of Brambles (UK), which requires the publication of the Brambles (UK) Listing Particulars, a document akin to an Australian prospectus. Any relevant valuation material produced by an independent expert for this Information Memorandum would also be required to be included in the Brambles (UK) Listing Particulars, with consequential liability issues.

(d) Is the DLC Proposal in the best interests of Brambles Shareholders as a whole?

In their review of the terms of the DLC Proposal, your Directors have carefully considered the future for Brambles and the potential advantages which they believe will accrue from the DLC Structure compared to maintaining the status quo, as set out in Section 4.2, and compared those advantages with the potential risks and disadvantages as set out in Section 4.3. In particular, your Directors consider the future growth opportunities for the Combined Group to be very strong (see Section 1), and that the Combined Group's ability to exploit those opportunities is superior to the ability of either Brambles or GKN to progress alone. Your Directors have also considered the enhanced global growth opportunities available by removing the structural and territorial constraints and management inefficiencies associated with the current arrangements for the CHEP and CLEANAWAY joint ventures (see Section 4.2).

Your Directors have considered how the DLC Structure is likely to affect future dividends, and note that Brambles Shareholders will continue to be able to receive franked dividends to the extent that franking credits are available. They have considered the operation of the Boards and management (see Section 3). They have considered alternative structures and proposals as set out in Section 4.5. They have also considered current trends in world capital markets and in the support services industry and other markets in which Brambles competes that would be expected to impact on returns for a Brambles Shareholder.

On the basis of this review, your Directors have concluded that the DLC Proposal is in the best interests of Brambles and of Brambles Shareholders as a whole. They unanimously recommend the DLC Structure over alternative structures for the reasons set out in Section 4.5.

(e) Conclusions and your Directors' recommendation

Your Directors consider that the terms of the DLC Proposal are fair and reasonable to Brambles Shareholders as a whole, and are in the best interests of Brambles and of Brambles Shareholders as a whole.

In reaching their decision, your Directors have received financial advice from Macquarie Bank Limited. Macquarie Bank Limited has confirmed its opinion as to the fairness of the financial terms of the DLC Proposal in Annexure C.

Your Directors unanimously recommend that you vote in favour of the DLC Resolutions and intend to vote the Brambles Shares they beneficially hold in favour of those resolutions (other than with respect to the resolution to approve the Indemnity in which they have an interest, in which case those Indemnified Directors and their associates will abstain from voting – see Section 3.4).

4.5 *Alternatives to the DLC Structure*

In reaching the decision to recommend the DLC Proposal to Brambles Shareholders, your Directors have chosen this course in preference to other options. Your Directors have considered a range of alternatives, including whether there was another way by which the commercial benefits of a combination of Brambles and the GKN Support Services Activities could be achieved, on the assumption that such a course of action would be acceptable to the boards of Brambles and GKN.

Some of the more significant options that were considered included:

(a) combining the businesses of Brambles and Brambles (UK) (assuming the GKN Demerger of Brambles (UK) occurred) by alternative means, such as a transfer of assets, a takeover offer or a scheme of arrangement;

(b) combining the businesses of Brambles and GKN (in its entirety) by alternative means, such as a transfer of assets, a takeover offer or a scheme of arrangement; and

(c) maintaining Brambles as a stand-alone business, in which case:

- Brambles would continue to operate its business in the ordinary course;
- the potential advantages of the DLC Proposal, identified in Section 4.2, which your Directors believe will promote increased value for Brambles Shareholders, may not be realised; and
- the potential risks and disadvantages of the DLC Proposal, identified in Section 4.3, may not arise.

However, your Directors believe that the DLC Structure is preferable to any of the other available options for a number of reasons including the following:

- it does not require any Brambles Shareholder to tender or exchange their Brambles Shares for shares in another company. Furthermore, as Brambles (UK) Shares are expected to be traded on the LSE and are expected to be eligible for FTSE index participation, the risk of any potential flowback of shares, and the negative impact this might otherwise have on the Brambles Share price, is minimised (see Section 4.2);
- the Combined Group will have access to each of the Australian and London stock markets, giving it flexibility to select that market which has the lowest cost of capital at any time. Further, it will have at its disposal the flexibility to offer shares listed on the ASX or the LSE as currency for future acquisitions or raising equity capital for any purpose, which will increase the efficiency of its capital raising. However, shares in Brambles and Brambles (UK) are not interchangeable and liquidity will be split between the ASX and the LSE;
- it avoids potential taxation costs to Brambles Shareholders that might otherwise arise in connection with a disposal of shares;
- Brambles Shareholders will continue to receive dividends from Brambles (franked to the extent that franking credits are available) paid in Australian dollars; and
- it does not require any change in ownership of any asset (although as a preliminary step New GKN will transfer the GKN Support Services Activities to Brambles (UK) – see Section 5), thus reducing taxation costs and the risk of any asset or value leakage (arising, for example, through the triggering of change of control provisions).

It is your Directors' opinion that none of the alternatives currently available to combine the businesses of Brambles and the GKN Support Services Activities have the potential to deliver as much value as is expected from implementing the DLC Proposal.

4.6 *Other considerations*

Dividend policy

Under the DLC Structure, dividends will be equalised so that each Company will, subject to prevailing exchange rates, pay the same cash dividend amount on each Share, based on the ratio of the economic interests attaching to a Share of each Company (which following the Brambles Additional Share Issue and at Completion will be one to one).

In respect of the year to 30 June 2001, it is contemplated that Brambles Shareholders will receive a second interim dividend (in lieu of a final dividend) of 41 cents per share (to be franked to 60%), making a total of 82 cents per share for the year. Shares issued pursuant to the Brambles Additional Share Issue are not entitled to the second interim dividend.

The future dividend policy of the Combined Group will be determined by the new Boards, and will be aligned to the growth character of the Combined Group, its financial strategy and the objective of maximising overall shareholder returns. However, it is expected that the current level of dividends to be received by Brambles Shareholders in respect of the year ended 30 June 2001 (adjusted to reflect the Brambles Additional Share Issue) will be maintained for the Shareholders of the Combined Group (that is, both Brambles Shareholders and Brambles (UK) Shareholders) for the year ending 30 June 2002.

Under current Australian taxation law, Brambles' ability to pay franked dividends will be unaffected by this transaction. Brambles Shareholders who receive dividends from Brambles in Australian dollars will continue to receive their dividends from Brambles (franked to the extent that franking credits are available) paid in Australian dollars.

Annual reports and accounts

The Combined Group will prepare aggregated financial information in Australian dollars in accordance with Australian GAAP and in pounds sterling following UK GAAP principles with a reconciliation between Australian and UK GAAP. The Combined Group will also provide additional financial disclosure to that currently provided by either Brambles or GKN. This disclosure will include segmental information on the CHEP and CLEANAWAY businesses (see Section 2.7).

Section 2 of this document contains unaudited pro forma aggregated financial information for the Combined Group prepared on this basis for the year ended 30 June 2000 and the six months ended 31 December 2000. Unaudited pro forma historical segmental information for the Combined Group is also provided in Section 2.

The financial year end for the Combined Group will be 30 June and annual general meetings will be held in October or November each year.

Separate statutory accounts for each of Brambles and Brambles (UK) will also be prepared in accordance with their respective local financial reporting requirements.

Borrowings

Those GKN Support Services Activities which are wholly owned by GKN (CHEP South Africa, Interlake and Meineke), are to be contributed to Brambles (UK) with zero net debt. Accordingly, the Combined Group's indebtedness will comprise the existing net debt of the Brambles Group and that of the CHEP and CLEANAWAY joint venture businesses. On this basis, the Combined Group had unaudited pro forma net debt of A$4,414 million as at 31 December 2000.

The CHEP and CLEANAWAY joint venture debt will be recognised in the aggregated balance sheet of the Combined Group. This debt is not currently required to be shown in either Brambles' or GKN's consolidated balance sheets. Accordingly, gearing ratios (calculated as net debt to net debt plus equity) are expected to increase from 44% on a Brambles stand-alone basis to 59% for the Combined Group based on pro forma aggregated accounting data as at 31 December 2000.

Due to the GKN Demerger and the DLC Proposal, the Combined Group is also required to refinance its existing borrowings (see Section 8.10).

Future capital raisings

There is no present intention to raise equity in the immediate future, due to the strong cash flows generated by the Combined Group and given that the Combined Group expects to raise significant funds from the previously announced Brambles divestment programme which is continuing (see Section 1.7).

If equity is to be raised at any time in the future, the DLC Structure provides considerable flexibility. Subject to the Sharing Agreement (see Section 6.4), equity can be raised in either Brambles or Brambles (UK) or in both Companies, depending on a number of considerations, including in which country the additional funding is required, relative costs of capital, currency and taxation. However, the DLC Agreements ensure that Brambles and Brambles (UK) Shareholders must be treated equally – economic benefits cannot be given to one set of Shareholders which are not offered on an equivalent basis to the other unless either the other Shareholders are compensated by an adjustment to the Equalisation Ratio or the giving of the proposed benefits has been approved as a Class Rights Action by the other Shareholders.

To the extent that future equity raised by the Combined Group is raised through Brambles alone, the proportion of the combined market capitalisation of the Combined Group and votes on a Joint Electorate Action represented by Brambles Shares will increase.

Equally, if there is an issue of shares in Brambles (UK) alone, the proportion of the combined market capitalisation of the Combined Group and votes on a Joint Electorate Action represented by Brambles (UK) Shares will increase. However, it would not affect Brambles' ASX listing or index weighting.

Both Brambles Shares and Brambles (UK) Shares are expected to be highly liquid investments with listings in Australia and the UK respectively. Liquidity in the Australian market should reflect the fact that, as at Completion, there are expected to be approximately 33% more Shares on issue in Brambles than in Brambles (UK).

Cross guarantees

Under the Merger Agreement, GKN has agreed that Brambles (UK) will guarantee certain future contractual obligations of Brambles and certain contractual obligations of other persons which are guaranteed by Brambles. Brambles has agreed to provide guarantees in respect of certain contractual obligations of Brambles (UK) on a reciprocal basis. Further details of these guarantee arrangements are provided in Section 6.9.

The guarantee arrangements are consistent with ensuring that the economic interest of each Share in each Company will effectively be the same in respect of the liabilities as well as the assets of the Combined Group.

Transaction costs

In connection with the DLC Proposal, Brambles expects to incur transaction costs which include professional fees, printing and advertising costs of approximately A$45 million, or approximately 0.4% of its market capitalisation as at 18 June 2001. In addition, under the Merger Agreement, the transaction costs associated with the DLC Proposal that Brambles (UK) will contribute to are limited to A$37.5 million (exclusive of VAT) with any additional expenses of the type referred to above for the account of GKN. These costs are likely to be reflected in the profit and loss statements of Brambles, Brambles (UK) and the Combined Group in the years to 30 June 2001 and 2002 as appropriate. Costs of the GKN Demerger are to be borne by GKN.

Australian foreign investment approval

The implementation of the DLC Proposal requires a statement of no objection from the Australian Treasurer under the Australian Foreign Acquisitions and Takeovers Act 1975 (Cth). Notification under the Act has been lodged with the Australian Treasurer through the Foreign Investment Review Board in accordance with the Act.

For other Conditions to the DLC Proposal, see Section 5.8.

Index treatment of Brambles and Brambles (UK)

The DLC Proposal is not expected to cause the ASX to alter its treatment of Brambles in the All Ordinaries index. Brambles is also a member of the FTSE All-World Index series and in May 2001 it was reclassified into the business support services sector of this index.

Upon admission to trading of Brambles (UK) Shares on the LSE, Brambles (UK) will be eligible for inclusion in the FTSE indices. It will be included in the FTSE 100 at that date provided its market capitalisation is larger than at least one existing constituent of the FTSE 100. Thereafter, its ongoing inclusion in the FTSE 100 will be subject to the normal quarterly review process.

The FTSE Global Classification Committee has indicated that it intends to include Brambles (UK) in the business support services sector of the FTSE Index following completion of the DLC Proposal.

Takeover regime under the DLC Structure

The Combined Group will be managed as if it were a single economic enterprise, but with a DLC Structure. The Combined Group will be subject to the takeovers law of Australia and takeover rules of the UK, as each of Brambles and Brambles (UK) will remain as separately-listed companies. The principal change to the way in which the existing takeover rules will apply to the Combined Group will be that a person who seeks to acquire control of one Company will need to make an equivalent offer to the Shareholders of both Companies. This requirement will be prescribed in the new Brambles Constitution and in the new Brambles (UK) Articles. The relevant takeover thresholds will apply on a stand-alone and a joint electorate basis at the 20% level in Australia and the 30% level in the UK, consistent with general law and regulation in each jurisdiction.

For further information on changes of control under the DLC Structure, see Section 6.8.

Rejection of the DLC Proposal by Brambles Shareholders

If Brambles Shareholders do not approve the DLC Proposal, then the DLC Proposal will not proceed and the potential advantages and disadvantages set out in this document may not be realised (see Sections 4.2 and 4.3). In this circumstance, the Brambles Board and management will consider other alternatives for the long-term strategic future of Brambles, with the continuing objective of maximising value for Brambles Shareholders. However, your Directors are of the opinion that none of the alternatives currently available has the potential to deliver as much value to Brambles Shareholders as the DLC Proposal.

Rejection of the DLC Proposal by GKN Shareholders

If GKN Shareholders do not approve the DLC Proposal (or the GKN Scheme or GKN Demerger, which are prerequisites to the DLC Proposal), notwithstanding the recommendation by GKN Directors to do so, the DLC Proposal will not proceed. Should this occur before the Brambles Meeting, the Brambles Meeting will not take place.

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BRAMBLES

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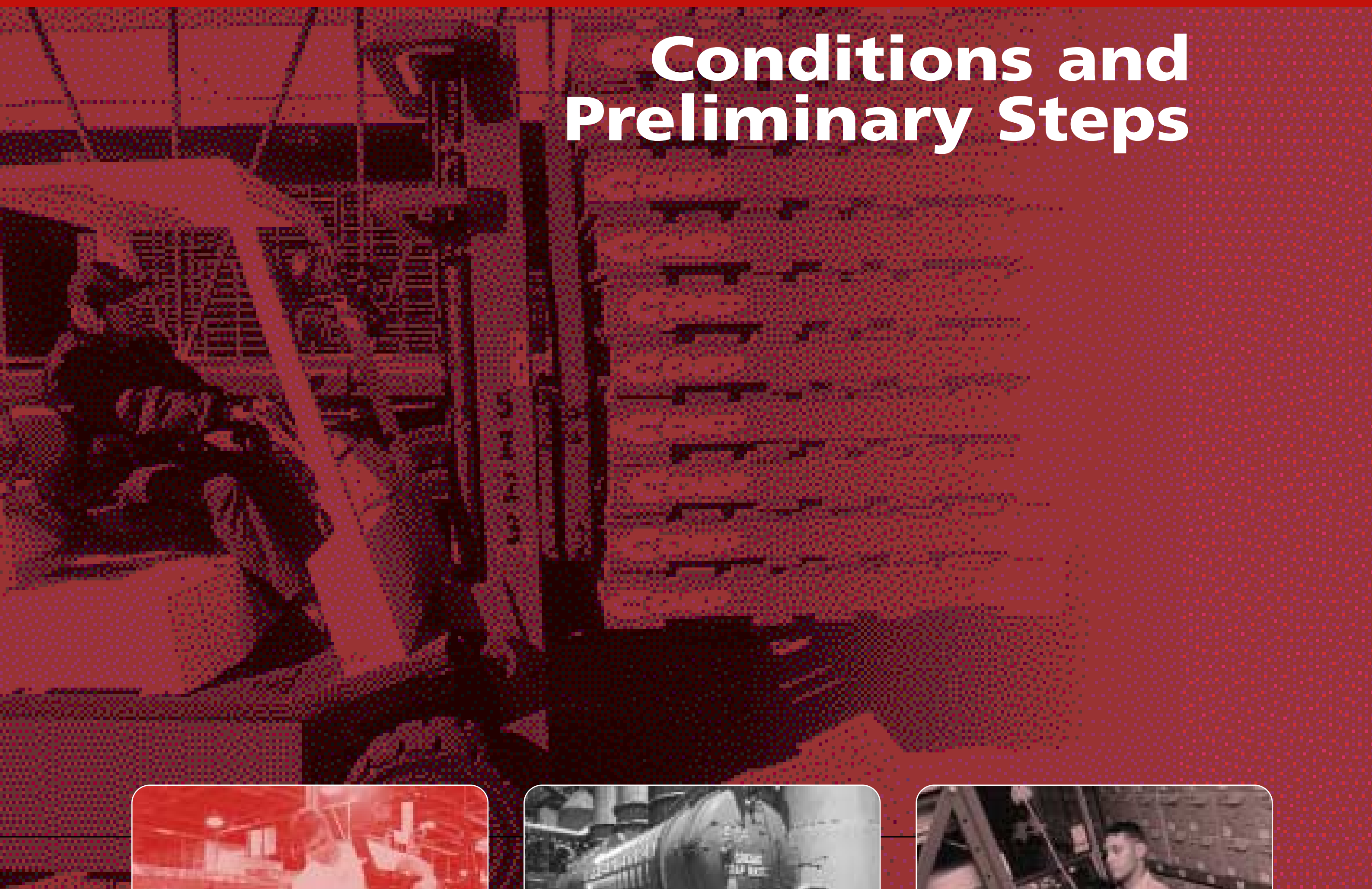
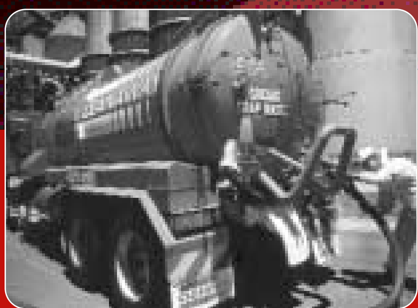
Conditions and Preliminary Steps





5. Conditions and Preliminary Steps

5.1 Introduction

As discussed in Section 1 above, the DLC Structure will involve the GKN Support Services Activities, but will not involve the other GKN businesses.

Accordingly, before the DLC Structure can be implemented GKN will need to separate the GKN Support Services Activities from its other businesses.

To effect this separation, the following steps are proposed to be undertaken:

(a) the GKN Group will be reorganised by way of a scheme of arrangement, so that a newly formed company, New GKN, will become the holding company of the GKN Group (the **Scheme**); and

(b) the GKN Support Services Activities will be demerged from the GKN Group to Brambles (UK) (the **Demerger**). Only the Brambles (UK) Group will form part of the DLC Structure.

5.2 Effect of the Scheme and the Demerger

If implemented in full, the Scheme and the Demerger will result in the businesses of GKN being split into two separate corporate groups:

(a) the Brambles (UK) Group, which will carry on the GKN Support Services Activities; and

(b) the New GKN Group, which will carry on all other GKN businesses.

It is expected that both Brambles (UK) Shares and New GKN Shares will be admitted to trading on the LSE.

5.3 Shares in New GKN and Brambles (UK)

Under the Scheme, GKN Shareholders will, in effect, "exchange" their GKN Shares for New GKN Shares. Subsequently under the Demerger, New GKN Shareholders will be issued with Brambles (UK) Shares.

The effect for GKN Shareholders will be as follows:

in respect of **each GKN Share** (held on the Scheme Record Date)	they will receive **one New GKN Share** and (if that share is still held on the Demerger Record Date) **one Brambles (UK) Share**

5.4 Technical Steps of the Scheme and Demerger

The following is an overview of some of the key technical steps involved in implementing the Scheme and Demerger. Although they have been separately identified for explanatory purposes, some of these steps must occur simultaneously.

The dates below are indicative only, and are subject to change without notice to Brambles Shareholders.

Step 1: GKN Shareholders to vote on the Scheme and Demerger

Before any of the steps described below may occur, the Scheme and Demerger must be approved by GKN Shareholders.

The resolutions to approve the Scheme (and the GKN Reduction of Capital required as part of the Scheme) will be put to GKN Shareholders at a Scheme Meeting set down for 11.00 am (London Time) on 16 July 2001.

The resolutions to approve the Demerger will be put to GKN Shareholders at an Extraordinary General Meeting, which will commence immediately following the Scheme Meeting. (The resolutions required to approve the DLC Proposal will also be put to GKN Shareholders at this Extraordinary General Meeting.)

Step 2: Court Hearing to sanction the Scheme

The Scheme (Steps 4 and 5 below) cannot be implemented unless it has been sanctioned by the Court. The Court Hearing to sanction the Scheme is expected to be held on 30 July 2001.

The GKN Reduction of Capital which is required as part of the Scheme (Step 4 below), is also required to be confirmed by the Court. The Court Hearing for this is expected to be held on 31 July 2001.

Step 3: GKN Shares to cease trading on the LSE

The last day of dealings in GKN Shares on the LSE is expected to be 31 July 2001. This is also expected to be the Scheme Record Date.

Step 4: GKN Shareholders to "exchange" their GKN Shares for New GKN Shares

Under the Scheme, GKN will undertake a reduction of capital by cancelling all of the GKN Scheme Shares. In consideration for this cancellation, GKN Shareholders will be issued with one New GKN Share for every GKN Scheme Share held.

Step 5: GKN to issue shares to New GKN

In consideration for New GKN issuing New GKN Shares to the GKN Shareholders (Step 4) GKN will issue fully paid shares to New GKN.

As a result of the Scheme (Steps 4 and 5) GKN will become a wholly-owned subsidiary of New GKN and New GKN will become the ultimate holding company of the GKN Group.

Step 6: New GKN Shares to commence trading on the LSE

Admission of New GKN Shares to the Official List of the UK Listing Authority is expected to become effective, and trading in New GKN Shares (with the benefit of the GKN Support Services Activities) on the LSE is expected to commence, on 1 August 2001.

Step 7: GKN Support Services Activities to be separated from the New GKN Businesses

Following the GKN Scheme, the New GKN Group will be reorganised so that ownership of the GKN Support Services Activities will be transferred from GKN (or its subsidiaries) to New GKN. This will facilitate their demerger to Brambles (UK).

Step 8: Brambles (UK) and New GKN to enter into the Demerger Agreement

Shortly after Steps 1 to 7 above have been effected it is proposed that Brambles (UK), New GKN and GKN will enter into the Demerger Agreement, which will set out the terms of the Demerger. The form of the Demerger Agreement has been agreed by GKN and Brambles and is available for inspection by Brambles Shareholders (see Section 8.16).

Step 9: Court Hearing to confirm the New GKN Reduction of Capital

Before the Demerger can take place, the New GKN Reduction of Capital required as part of the Demerger (Step 11 below) is required to be confirmed by the Court. The Court Hearing for this is expected to be held on 2 August 2001. The New GKN Reduction of Capital will not, however, become effective until the Court order sanctioning the reduction has been filed with the Registrar of Companies in the UK.

Step 10: New GKN Shares to be suspended from trading on the LSE

The last day for dealing in New GKN Shares prior to them being suspended from trading is expected to be 3 August 2001. The Demerger Record Date is also expected to be 3 August 2001.

Step 11: The Demerger

The Demerger will then be effected by filing the Court order sanctioning the New GKN Reduction of Capital.

New GKN will then transfer to Brambles (UK) the GKN Support Services Activities.

Step 12: New GKN shareholders to receive Brambles (UK) Shares

New GKN shareholders will receive one Brambles (UK) Share for each New GKN Share they hold on the Demerger Record Date.

As a result of the Demerger (Steps 11 and 12 above) Brambles (UK) will become the ultimate holding company in respect of the GKN Support Services Activities. New GKN will remain the ultimate holding company of the other GKN businesses.

Step 13: New GKN (without the GKN Support Services Activities) and Brambles (UK) to be admitted to trading on the LSE

It is expected that Brambles (UK) Shares will be admitted to the Official List of the UK Listing Authority and that trading in such shares will commence on the LSE on 7 August 2001 at 8 am (London time). It is expected that trading in New GKN will also recommence on this day (without the benefit of the GKN Support Services Activities).

5.5 Further details on the Scheme and Demerger

Documents setting out in detail the technical steps involved in the Scheme and Demerger have been made available to GKN Shareholders, whose approval is required before the Scheme and Demerger can be effected.

These documents comprise the Brambles (UK) Listing Particulars, the New GKN Listing Particulars and the GKN Circular, and are available for inspection by Brambles Shareholders at Brambles' Sydney office (see Section 8.16 for details).

5.6 Relationship between Brambles (UK) and New GKN following the Demerger

Following the Scheme and Demerger, Brambles (UK) and New GKN will operate as separate publicly listed companies.

Although they will initially have a common shareholder base (being the former GKN Shareholders), neither company will have a shareholding in the other. Similarly, neither New GKN nor Brambles (UK) will be entitled to representation on the other's board; although three current directors of GKN (Sir David Lees, Sir John Parker and Roy Brown) will be directors of both New GKN and Brambles (UK).

However, there will be a number of continuing contractual arrangements between New GKN and Brambles (UK) in relation to the Demerger.

Firstly, both companies will be party to the Demerger Agreement which, together with GKN, they will enter into shortly before the Demerger is to be effected. The Demerger Agreement will contain certain rights and obligations which survive the completion of the Demerger. These include:

(a) New GKN and Brambles (UK) will, subject to certain limitations, indemnify the other against actual and contingent liabilities associated with their respective businesses; and

(b) GKN has agreed to indemnify Brambles (UK) against certain tax liabilities. In summary the tax liabilities which are the subject of this indemnity are those arising from the restructuring to be effected by GKN prior to the Demerger and those which relate to the business GKN is retaining (which tax liabilities might in certain limited circumstances become due from Brambles (UK)). Brambles (UK) will indemnify GKN against tax liabilities which relate to the GKN Support Services Activities, which liabilities become payable by the GKN Group in certain circumstances;

(c) GKN has agreed to demerge the wholly-owned businesses comprising the GKN Support Services Activities on a cash free/debt free basis. The Demerger Agreement provides that, following the calculation of the net cash balance as at the GKN accounting month end prior to Completion, to the extent that any amount is owed by GKN to Brambles (UK) or by Brambles (UK) to GKN, a balancing payment mechanism will be implemented; and

(d) New GKN and Brambles will be subject to a prohibition against the solicitation or employment of employees of the other's group for a period of two years following the Demerger. In addition, and subject to certain exceptions, New GKN and GKN will agree not to compete with the activities of the Brambles (UK) Group businesses for a period of two years following the Demerger. Correspondingly, Brambles (UK) will agree not to compete, and to procure that Brambles will not compete, with the activities of the New GKN Group businesses for a period of two years following the Demerger.

None of the indemnities are limited as to amount.

The Demerger Agreement also makes provision for the parties to enter into any arrangements as may be needed to help effect an orderly transfer of ownership of the GKN Support Services Activities.

5.7 Conditions to the GKN Scheme and GKN Demerger

The importance of the GKN Scheme and GKN Demerger to Brambles Shareholders is that they are two of the Conditions which must be satisfied before the DLC Proposal can be implemented (see Section 5.8 below for the others).

In particular:

(a) if the Scheme does not become effective by 31 October 2001 (or such later date as GKN and New GKN determine with the Court's approval) it will lapse, and none of the Scheme, the Demerger or the DLC Proposal will proceed; and

(b) if the Demerger has not occurred by 31 October 2001 (or such later date as New GKN and Brambles determine) neither the Demerger nor the DLC Proposal will proceed.

The Scheme and the Demerger are themselves subject to the satisfaction of certain conditions, which include:

(a) GKN Shareholder approval (Step 1 above);

(b) relevant Court approvals (Steps 2 and 9 above);

(c) the registration of the Court approvals by the Registrar of Companies in the UK;

(d) the granting of permission by the UK Listing Authority for New GKN Shares and Brambles (UK) Shares to be admitted to the Official List of the UK Listing Authority, and the granting of permission by the LSE for such shares to be admitted to trading on the LSE's market for listed securities;

(e) the receipt of various tax clearances from the UK Inland Revenue; and

(f) the satisfaction of the Conditions to the Merger Agreement, other than those relating to the Scheme and the Demerger themselves (see Section 5.8 below).

5.8 Conditions to the Merger Agreement

Under the Merger Agreement, the obligations of Brambles and Brambles (UK) to implement the DLC Proposal are subject to certain Conditions.

Of those Conditions, the following remain to be satisfied as at 18 June 2001:

(a) the GKN Scheme, as described above, becoming effective;

(b) the GKN Demerger, as described above, becoming effective;

(c) Brambles Shareholders approving the DLC Proposal;

(d) GKN Shareholders approving the DLC Proposal;

(e) the Treasurer (or his delegate) stating that the Commonwealth of Australia does not object to the DLC Proposal, either unconditionally or on terms reasonably satisfactory to Brambles and GKN (or the period in which the Treasurer could make an order under the Foreign Acquisitions and Takeovers Act 1975 (Cth) elapsing);

(f) either:

   (i) the European Commission issuing (or being deemed to issue) a decision under Council Regulation (EEC) No. 4064/89 (as amended by Council Regulation (EC) No. 1310/97) declaring the DLC Proposal compatible with the Regulation, either unconditionally or upon conditions that are reasonably satisfactory to GKN and Brambles; or

   (ii) (if appropriate) the competent authority of any Member State of the European Union to which the European Commission has referred the DLC Proposal in accordance with the Regulation, issuing (or being deemed to issue) a decision in a form reasonably satisfactory to GKN and Brambles that the DLC Proposal may proceed either unconditionally or upon conditions that are reasonably acceptable to both GKN and Brambles;

(g) the ASIC confirming that for Australian financial reporting purposes the appropriate accounting treatment for the DLC Structure is the preparation of unified Brambles / Brambles (UK) financial statements using an aggregation method that does not involve the creation or recognition of goodwill arising from the GKN Demerger or implementation of the DLC structure;

(h) the ASIC providing the following relief;

   (i) modifying section 606 (1) and other provisions of Chapter 6 of the Corporations Law so that the prohibition on acquisition applies both to votes which may be cast in respect of Joint Electorate Actions and voting shares in Brambles;

   (ii) exempting Brambles SVC (as holder of the Brambles Special Voting Share) from the operation of Chapter 6 of the Corporations Law (on the basis that any voting power in Brambles attaching to the Brambles Special Voting Share is effectively dispersed, through the operation of the Voting Agreement, to Brambles (UK) Shareholders);

   (iii) modifying section 608 of the Corporations Law to disregard relevant interests arising from the inclusion in the Brambles Constitution of a power for Brambles to dispose of shares in Brambles; and

   (iv) exemption from Part 6C.1 of the Corporations Law in relation to the various technical substantial holdings arising from the Brambles Special Voting Share and from the inclusion in the Brambles Constitution of power for Brambles to dispose of shares in Brambles;

(i) receipt of:

   (i) written confirmation from the UK Inland Revenue relating to the tax residence of Brambles and Brambles (UK); and

   (ii) clearance and certain other confirmations under sections 138 and 139 of the Taxation of Chargeable Gains Act in relation to certain aspects of an internal reorganisation of the GKN Group prior to the Scheme, the Scheme itself and the Demerger; and

(j) the Merger Agreement not having been terminated in accordance with its terms.

5.9 Election Notice

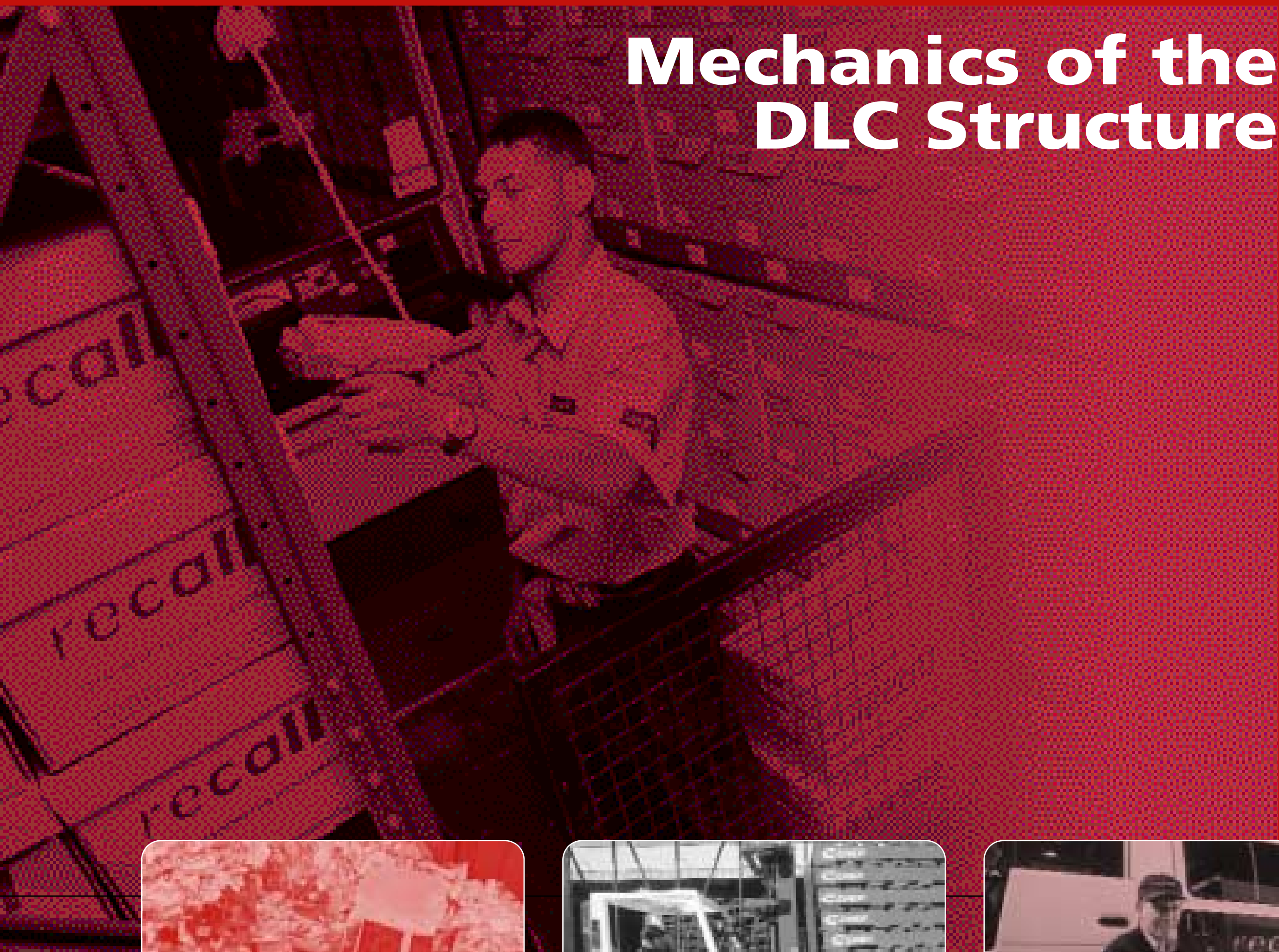
Once the Conditions have been satisfied (or, where permitted, waived), either Brambles or GKN (on behalf of Brambles (UK)) will be entitled to give to the other an Election Notice requiring Completion to occur. Although neither is obliged to give the other an Election Notice, your Directors expect to give an Election Notice to GKN once the Conditions have been satisfied (or, where permitted, waived), if GKN has not done so already.

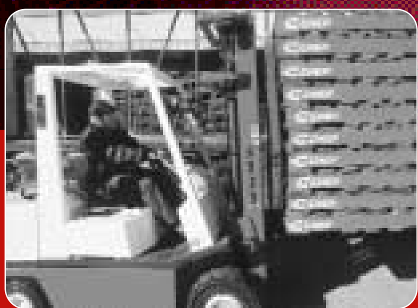
Once given, the Election Notice is irrevocable and binding on both Brambles and GKN, with Completion to take place on the date on which it is given or the next business day.

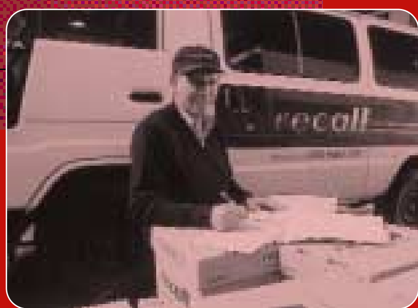
BRAMBLES

6

Mechanics of the DLC Structure





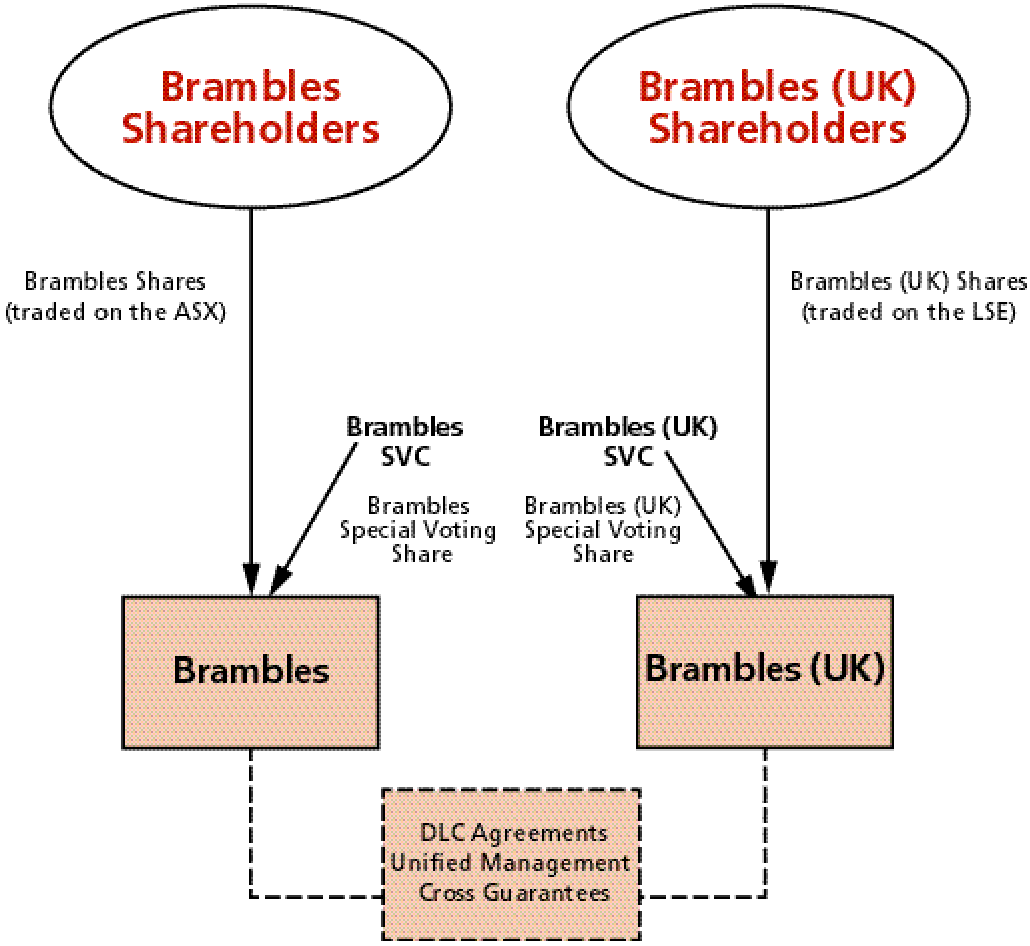


6. Mechanics of the DLC Structure

6.1 Introduction

From Completion, Brambles and Brambles (UK) will operate under the DLC Structure as if they were a single economic enterprise. However, they will maintain separate legal identities, tax residencies and stock exchange listings.

The following is a simplified illustration of the DLC Structure:



This section summarises the key features of the DLC Structure and the contractual arrangements which will govern it.

6.2 Key features of the DLC Structure

(a) Common economic interests

The DLC Structure is designed to ensure that, as far as practicable, Brambles Shareholders and Brambles (UK) Shareholders will be treated as if they held shares in a single economic enterprise controlling the assets of both the Brambles Group and the Brambles (UK) Group. On Completion, each Brambles Share and each Brambles (UK) Share will effectively confer an economic (and voting) interest in the Combined Group.

The ratio of the economic (and voting) interests conferred by each Brambles Share in the Combined Group relative to the economic (and voting) interests conferred by each Brambles (UK) Share in the Combined Group is known as the **Equalisation Ratio**.

Accordingly, the Equalisation Ratio will govern the proportions in which dividends and capital distributions will be paid on the Shares in each Company relative to the other. It will also govern the voting rights attaching to the Shares in each Company relative to the other on Joint Electorate Actions – see paragraph (b) below.

On Completion, the Equalisation Ratio will be one to one. For so long as the Equalisation Ratio remains one to one, Shareholders of Brambles and Brambles (UK) will, on a per-Share basis, have equivalent returns for dividends and capital distributions (as well as equivalent voting rights on Joint Electorate Actions – see paragraph (b) below).

For further details of the equalisation arrangements under the DLC Structure, including the circumstances in which the Equalisation Ratio may change, see Sections 6.4 to 6.7 below.

The Equalisation Ratio is different from the Combination Ratio, which is the ratio on Completion of the total economic (and voting) interests of Brambles Shareholders (as a group) in the Combined Group to the total economic (and voting) interests of Brambles (UK) Shareholders (as a group) in the Combined Group. The Combination Ratio is 57% to 43% and is described in more detail in Section 4.

(b) Voting arrangements

Under the DLC Structure, special voting arrangements will operate so that the Shareholders of both Companies effectively vote as a single decision making body on matters which affect both Companies' Shareholders in similar ways. These are known as **Joint Electorate Actions**. While separate meetings of each Company will be held, the votes cast by Shareholders at the two meetings will effectively be aggregated to determine the overall result.

For so long as the Equalisation Ratio remains one to one, each vote cast at a Brambles meeting on a resolution in respect of a Joint Electorate Action will be given equivalent weight in determining the overall result as each vote cast on the corresponding resolution at a Brambles (UK) meeting. That is, each Brambles Share will effectively have the same voting rights as each Brambles (UK) Share on Joint Electorate Actions.

For more information about Joint Electorate Actions, see Section 6.6 below.

In the case of certain matters in relation to which the two bodies of Shareholders may have divergent interests (known as **Class Rights Actions**) approval of the Shareholders of the Company wishing to carry out the Class Rights Action will be required as well as approval of the Shareholders in the other Company (voting separately).

For more information about Class Rights Actions, see Section 6.6 below.

These voting arrangements will be secured through the constitutional documents of the two Companies, the Sharing Agreement and the Voting Agreement and rights attaching to the Special Voting Shares to be issued by each company and held in each case by a Special Voting Company. For more information about the Special Voting Shares and the Special Voting Companies, see Section 6.6 below.

(c) Separate entities and listings

Brambles and Brambles (UK) will have separate corporate identities and tax residencies under the DLC Structure. Brambles Shares will continue to be listed on the Australian Stock Exchange and, subject to Brambles (UK)'s admission to the Official List of the UK Listing Authority and to trading on the markets of the London Stock Exchange, Brambles (UK) Shares will be traded on the London Stock Exchange.

(d) ***No transfer of assets***

The implementation of the DLC Structure will not involve any transfer of assets between the Brambles Group and the Brambles (UK) Group (although GKN is transferring assets within its corporate group as a preliminary step before implementing the GKN Demerger – see Section 5). Going forward, assets will be acquired and owned by whichever member of the Combined Group the Directors determine is the most efficient and appropriate entity to hold those assets under the then prevailing circumstances.

(e) ***Receipt of dividends***

Brambles Shareholders who currently receive their dividends in Australian dollars will continue to do so under the DLC Structure (franked to the extent that franking credits are available for Australian resident Shareholders). The Brambles Overseas Shareholders Dividend Plan (OSDP) will not be affected by the implementation of the DLC Structure and those Brambles Shareholders who receive dividends from Brambles Investments plc under the terms of the OSDP will continue to do so (see Section 8.8).

Brambles (UK) Shareholders will receive dividends from Brambles (UK) paid in pounds sterling and taxed (for UK resident Shareholders) in accordance with normal UK rules.

(f) ***Identical Boards and unified management***

Under the DLC Structure, Brambles and Brambles (UK) will operate and be managed as if they were a single economic enterprise. Although Brambles and Brambles (UK) will remain separate companies with their own Boards, the Boards and senior executive management of each Company will comprise the same persons. Each Board will, in addition to its duties to the Company concerned, have regard to the interests of both Brambles Shareholders and Brambles (UK) Shareholders in the management of the Combined Group.

Resolutions relating to the appointment, removal and re-election of Directors will be considered by both sets of Shareholders as a Joint Electorate Action (see paragraph (b) above).

(g) ***Cross guarantees***

Under the DLC Proposal, Brambles and Brambles (UK) will each execute a Deed Poll Guarantee in favour of certain future creditors of the other. These Deed Poll Guarantees are designed to ensure that those future creditors will, to the extent possible, be placed in the same position as if the debts owed to them by Brambles or Brambles (UK) (as the case may be) were instead owed to them by the Combined Group.

For more information about the Deed Poll Guarantees, see Section 6.9 below.

(h) ***Restrictions on takeovers of one Company only***

The Brambles Constitution and the Brambles (UK) Articles will provide that a person (or a group of persons acting in concert or otherwise associated) cannot gain control of one Company or of the Combined Group otherwise than by making an offer to the Shareholders of both Companies on equivalent terms or with the relevant Board's consent. However, Shareholders of one Company may accept the offer without the Shareholders of the other Company being required to do so. The Directors will have power to enforce these provisions, including power to withhold dividends, restrict voting rights and dispose of Shares (to the extent those Shares are held by a Shareholder or group of Shareholders in excess of certain thresholds stipulated in the Brambles Constitution or the Brambles (UK) Articles (as the case may be)).

For further details in relation to these provisions, see Section 6.8 below.

6.3 *The DLC Agreements*

The DLC Structure will be established through a number of agreements and various provisions in the Brambles Constitution and the Brambles (UK) Articles. The relevant agreements are:

(a) Sharing Agreement

This will be the primary agreement between Brambles and Brambles (UK) regulating their ongoing relationship as dual listed companies. This is in agreed form and will be executed by the Companies on Completion.

(b) Voting Agreement

This will regulate the manner in which Brambles SVC and Brambles (UK) SVC exercise the rights attaching to the relevant Special Voting Share. This is in agreed form and will be executed by Brambles, Brambles (UK), Brambles SVC, Brambles (UK) SVC and Law Debenture on Completion.

(c) Deed Poll Guarantees

Under the Deed Poll Guarantees, Brambles and Brambles (UK) will each guarantee certain contractual obligations to creditors of the other. These are in agreed form and will be executed on Completion.

6.4 *Equalisation of economic and voting interests*

The Sharing Agreement sets out the following principles as being fundamental for equalising the economic and voting interests of Shareholders under the DLC Structure.

- The Equalisation Ratio shall govern the proportion in which distributions of income and capital are made to Brambles Shareholders relative to Brambles (UK) Shareholders (on a per share basis) and the relative voting rights of Brambles Shareholders and Brambles (UK) Shareholders on Joint Electorate Actions (on a per share basis).
- Where the Equalisation Ratio is one to one at the relevant time, Brambles Shareholders and Brambles (UK) Shareholders shall, as far as practicable:
  - receive equivalent economic returns in respect of both income and capital on a per share basis; and
  - enjoy equivalent voting rights in relation to Joint Electorate Actions on a per share basis.

  If the Equalisation Ratio is not one to one, the respective economic and voting interests on a per share basis will reflect that altered ratio. For example, if the Equalisation Ratio is two to one, each Brambles Share will be entitled to twice the votes attributable to, and twice the amount of dividend payable on, each Brambles (UK) Share, and conversely if the ratio is one to two.
- Issues of, and transactions affecting, the share capital of either or both Companies which the Boards determine could give rise to materially different financial effects as between the interests of Brambles Shareholders and the interests of Brambles (UK) Shareholders will, unless the Boards consider that such action is impracticable or inappropriate, be by way of Matching Action. For these purposes, a **Matching Action** is an offer or action which, having regard to the then existing Equalisation Ratio, the timing of the offer or action and any other relevant circumstances, is (in the reasonable opinion of the Board), financially equivalent in respect of the Brambles Shareholders and the Brambles (UK) Shareholders and does not materially disadvantage either group of Shareholders.

- If an issue of, or transaction affecting, the share capital of either Company of the type referred to in the paragraph above is not made by way of Matching Action, an adjustment shall be made to the Equalisation Ratio, unless:
  - an adjustment to the Equalisation Ratio for that action is not contemplated by the Sharing Agreement; or
  - the Boards consider that the adjustment to the Equalisation Ratio contemplated by the Sharing Agreement would not provide Brambles Shareholders or Brambles (UK) Shareholders (as the case may be) with an adequate or appropriate adjustment in the circumstances,

  in which case the relevant issue or transaction must not be taken unless approved by each group of Shareholders (voting separately) as a Class Rights Action.
- If either or both Brambles or Brambles (UK) go into voluntary or compulsory liquidation:
  - Brambles and Brambles (UK) shall take such actions (including the making of payments from one to the other) as are necessary to ensure that the Shareholders of each Company would, had both Companies gone into liquidation on the same date, be entitled to receive a distribution which is equivalent on a per share basis (having regard to the Equalisation Ratio); and
  - no Brambles Shareholder or Brambles (UK) Shareholder shall be entitled to receive a distribution of property or cash unless the Shareholders of the other Company would, had both Companies gone into liquidation on the same date, have been entitled to receive an equivalent distribution following the payments or actions referred to in the previous paragraph.

6.5 Dividends and other distributions

(a) Currency

Brambles will continue to pay its dividends in Australian dollars (franked to the extent that franking credits are available) and Brambles (UK) will pay its dividends in pounds sterling. Brambles Shareholders who have elected to receive their dividends in pounds sterling through Brambles Investments plc under the OSDP will continue to do so (see Section 8.8).

(b) Matching dividend

Under the DLC Structure, dividends will be paid by each Company on an equalised per-Share basis (having regard to the Equalisation Ratio). This means that neither Brambles nor Brambles (UK) will declare or pay any dividend unless the other Company is permitted to and does pay a matching dividend. A matching dividend is an amount which, before deduction of any amount in respect of tax required to be deducted or withheld from the dividend or other distribution, and excluding the amount of any associated tax credits, is on a per share basis (adjusted as necessary having regard to the Equalisation Ratio at the relevant time) equal to the amount (calculated using exchange rates applicable as at the date the dividend is declared) being declared, paid or otherwise made by the other Company.

(c) Inability to pay dividends

If either Company is prohibited by law or is otherwise unable to declare or pay all or any portion of such a matching dividend because of lack of retained earnings, distributable reserves or otherwise, then the Companies will enter into such transactions with each other as the Boards agree to be necessary so as to enable both Companies to pay equivalent dividends as nearly as practicable at the same time. Alternatively, the Boards may agree that the Companies will pay a reduced dividend, which each Company is capable of paying without entering into such transactions, or that neither Company will pay a dividend for that period.

6.6 *Shareholder voting rights*

(a) Voting structure

The DLC Structure will involve a special voting structure which will, among other things, allow votes cast by Brambles Shareholders at Brambles meetings to be reflected at Brambles (UK) meetings (and vice versa) so that, although they will vote at separate meetings, Brambles Shareholders and Brambles (UK) Shareholders will effectively vote as a single decision-making body on matters affecting both groups of Shareholders in similar ways.

The special voting structure involves the following:

(i) each Company issuing a Special Voting Share in itself to a separate Special Voting Company (see paragraphs (e) and (f) below); and

(ii) those Special Voting Companies being required to cast the votes attaching to the Special Voting Shares strictly in accordance with the Voting Agreement, the Brambles Constitution and the Brambles (UK) Articles.

(b) Voting categories

The Sharing Agreement, the Brambles Constitution and the Brambles (UK) Articles will provide that matters or actions requiring Shareholder decisions under the DLC Structure will generally be separated into two specific categories - Joint Electorate Actions and Class Right Actions.

Joint Electorate Actions

These are matters which are considered to affect the Shareholders of Brambles and Brambles (UK) in similar ways. They are required to be submitted for approval by Shareholders of Brambles and Brambles (UK) voting at separate meetings but acting as a joint electorate. These matters will be taken to have been approved if the relevant resolution is passed on the basis of the aggregate votes cast in favour by Shareholders at both meetings. Matters which fall within this category are listed in Table 1.

Table 1: Joint Electorate Actions

- The appointment, removal or re-election of Directors of Brambles and/or Brambles (UK) by shareholders
- The receipt or adoption of the annual accounts of Brambles and/or Brambles (UK) (other than in respect of the period ended 30 June 2001)
- A change of name by Brambles and/or Brambles (UK)
- The appointment or removal of the auditors of Brambles and/or Brambles (UK)
- Any proposed transaction (not being a Class Rights Action) which requires shareholder approval pursuant to any applicable laws or regulations (including listing rules) (other than any procedure to give effect to the requirement of an offeror to make an equivalent offer to each Company's Shareholders – see Section 6.8)
- Any other matters which the Boards agree should be approved as a Joint Electorate Action

Class Rights Actions

These are matters on which the Shareholders of Brambles and Brambles (UK) may have divergent interests. They require the approval of the Shareholders of the Company which is not proposing to take the action (voting as a stand-alone electorate), as well as the approval of the Shareholders of the Company proposing to take the action (voting as a stand-alone electorate), in each case by special resolution. Matters which fall within this category are listed in Table 2.

Table 2: Class Rights Actions

- Any voluntary liquidation, winding up, administration, arrangement with creditors or similar procedure of either Brambles or Brambles (UK) for which shareholder approval is proposed or required
- Any adjustment to the Equalisation Ratio (other than as provided for in the Sharing Agreement – see Section 6.4)
- Any action affecting the capital of a Company which the Boards determine could give rise to materially different financial effects as between the interests of Brambles Shareholders and Brambles (UK) Shareholders and in relation to which the Boards determine that it is not practicable or appropriate to undertake a Matching Action and either an adjustment to the Equalisation Ratio for that action is not contemplated under the Sharing Agreement or the Boards consider that the adjustment to the Equalisation Ratio contemplated by the Sharing Agreement would not provide the Brambles Shareholders or the Brambles (UK) Shareholders (as the case may be), with an adequate or appropriate adjustment with respect to the action taken
- Any amendment to, or the termination of, a DLC Agreement (other than, in the case of the Voting Agreement, any amendment to conform it with the terms of the Sharing Agreement or, in the case of any of the those agreements, any amendment (including its novation or termination and replacement by an equivalent agreement) which would not have a material adverse impact on the value of Brambles Shares or Brambles (UK) Shares or the rights of Shareholders)
- Any change in the place of incorporation of Brambles and/or Brambles (UK)
- Amendments to certain provisions of the Brambles Constitution, Brambles (UK)'s Memorandum of Association or the Brambles (UK) Articles (see Section 6.11(f))
- Any other matter which the Boards agree should be approved as a Class Rights Action

If a matter falls within both the Joint Electorate Actions category and the Class Rights Actions category, it will be considered as a Class Rights Action.

The procedure for voting on matters which require Shareholder approval and which are not classified as being a Joint Electorate Action or a Class Rights Action will be determined by the Boards.

(c) Voting procedures

Joint Electorate Actions

Each Joint Electorate Action will be submitted for approval by the same majority (that is, both by ordinary resolution or both by special resolution) to separate meetings of Brambles and Brambles (UK). The meetings will be held on the same day or as close in time to each other as practicable (taking into account time differences and the fact that Directors may wish to attend both meetings). (These meetings are referred to as parallel meetings given their inter-relationship and proximity in time.)

Voting on the resolution by both sets of Shareholders will be on a poll which will (as regards the Special Voting Share) remain open for sufficient time to allow the parallel meeting of the other Company to be held and for the votes attaching to the Special Voting Share to be ascertained and cast.

By way of example, at the Brambles meeting, on a poll:

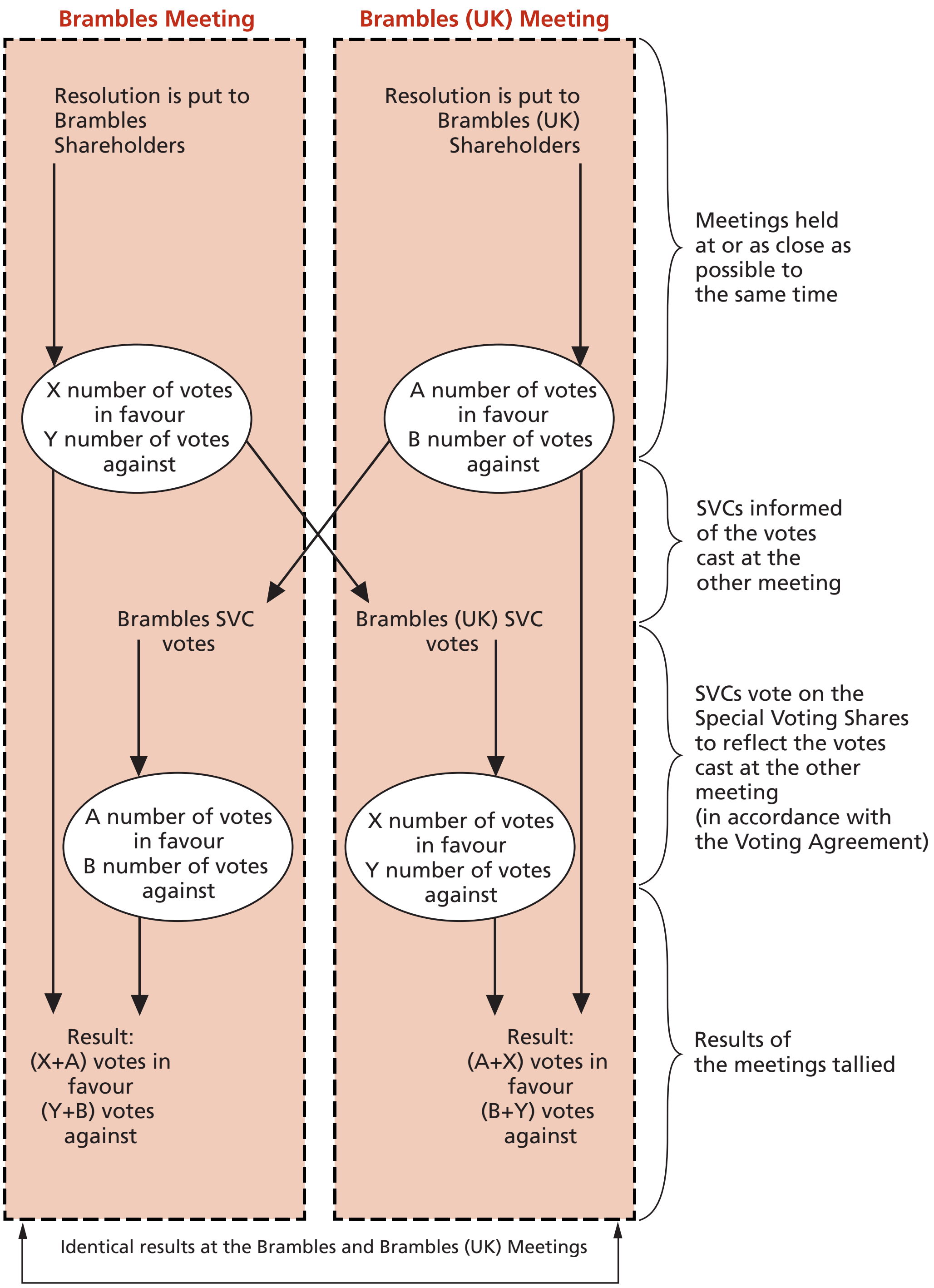
(i) each Brambles Share will have one vote per Share; and

(ii) Brambles Special Voting Company, as holder of the Brambles Special Voting Share, will have one vote for every vote cast by Brambles (UK) Shareholders on the poll on the equivalent resolution at the parallel Brambles (UK) meeting (this will only change if the Equalisation Ratio is adjusted). Under the Voting Agreement, Brambles Special Voting Company will be obliged to cast these votes for and against the relevant resolution strictly (and only) in accordance with the votes cast by Brambles (UK) Shareholders for and against the equivalent resolution on the poll at the parallel Brambles (UK) meeting.

Brambles (UK) Shareholders will not actually hold, or need to hold, any voting shares in Brambles, as their wishes will be expressed at the Brambles meeting by Brambles Special Voting Company casting the votes attached to the Brambles Special Voting Share precisely to reflect voting at the parallel Brambles (UK) meeting.

The converse procedure will apply in relation to voting on the relevant Joint Electorate Action at the parallel Brambles (UK) meeting. As a result, the outcome of the aggregate votes cast for and against the resolution will be the same at each meeting. This voting procedure is summarised in Diagram 1.

Diagram 1: Voting under the DLC Structure (Joint Electorate Actions)



Class Rights Actions

In relation to Class Rights Actions, parallel meetings of Brambles and Brambles (UK) will also be conducted. However, in this case only the Shareholders (and not the Special Voting Companies) will vote on the resolution, unless the resolution has been defeated at the meeting of the other Company, in which case the relevant Special Voting Company will vote to defeat the resolution.

By way of example, and taking Brambles as the Company proposing to take the Class Rights Action, Brambles (UK) will hold a meeting at which only the Brambles (UK) Shareholders (not Brambles (UK) Special Voting Company) will vote on the resolution to approve the relevant action.

The equivalent resolution will also be considered at the parallel Brambles meeting. The poll on the Brambles meeting will remain open long enough (in respect of the Brambles Special Voting Share) to enable the result at the Brambles (UK) meeting to be ascertained. If the resolution is approved by the Brambles (UK) Shareholders (as a special resolution), then Brambles Special Voting Company will not vote and the result of the Brambles meeting will be determined exclusively by the votes of the Brambles Shareholders.

However, if the resolution at the parallel Brambles (UK) meeting is defeated, Brambles Special Voting Company will vote to defeat the special resolution at the Brambles meeting (and the Brambles Special Voting Share will carry sufficient votes to effect such defeat).

Again, the converse procedure will apply in relation to voting on a Class Rights Action proposed by Brambles (UK).

Accordingly, a Class Rights Action will only be approved if it is approved (as a special resolution) by both Brambles Shareholders and Brambles (UK) Shareholders (each voting as a stand-alone electorate).

(d) Voting Restrictions

If any member of the Brambles Group acquires Brambles (UK) Shares, the voting rights attaching to such Brambles (UK) Shares will not be exercised. Correspondingly, if any member of the Brambles (UK) Group acquires Brambles Shares, the voting rights attaching to such Brambles Shares will not be exercised.

(e) The Special Voting Companies

Brambles Special Voting Company (the holder of the Brambles Special Voting Share) and Brambles (UK) Special Voting Company (the holder of the Brambles (UK) Special Voting Share) are companies whose share capital is held legally and beneficially by Law Debenture, an independent public trustee company.

Brambles (UK) SVC is incorporated in England and Wales. Brambles SVC is incorporated in New South Wales.

The directors of the Special Voting Companies are to be appointed by Law Debenture. No person who is a director or employee of a member of the Combined Group is permitted to be a director of the Special Voting Companies.

(f) Rights of Special Voting Share

The Brambles Special Voting Share to be issued to Brambles Special Voting Company will carry the following rights:

(i) it will carry votes which are to be cast as described in paragraph (c) above;

(ii) as regards dividends, it will rank equally with the Brambles Shares;

(iii) on a return of capital on any winding-up of Brambles or otherwise, it will rank with the Brambles Shares up to a maximum of A$1 but shall have no further rights of participation in the assets of Brambles; and

(iv) it will only be transferable in the circumstances described in paragraph (h) below.

The Brambles (UK) Special Voting Share will be issued to Brambles (UK) SVC and will carry rights corresponding to those set out above.

(g) Exercise of voting rights of Special Voting Shares

The Voting Agreement will regulate the manner in which Brambles SVC and Brambles (UK) SVC are to exercise the votes attaching to the Brambles Special Voting Share and the Brambles (UK) Special Voting Share, respectively, as set out in paragraph (c) above.

(h) Transfer of the Special Voting Share

Brambles SVC and Brambles (UK) SVC will be prohibited from dealing with the Special Voting Shares held by them, or with any interest in or right attaching to those Special Voting Shares, unless such dealing has been approved by the Boards.

(i) Remuneration of the Special Voting Companies

Brambles will pay Brambles (UK) SVC's fees and expenses incurred in the performance of its obligations under the Voting Agreement and Brambles (UK) will pay Brambles SVC's fees and expenses incurred in the performance of its obligations under the Voting Agreement.

(j) Maximum voting power of Brambles (UK) Shareholders

On Completion, the maximum voting power in Brambles which Brambles (UK) Shareholders will collectively have on a Joint Electorate Action (indirectly, through the issue of the Brambles Special Voting Share) will be 43%. This voting power may subsequently change following movements in the issued capital of Brambles and/or Brambles (UK), and/or changes to the Equalisation Ratio. For example, if there were a placement of Brambles (UK) Shares but no similar placement of Brambles Shares, then the proportion of Brambles (UK) Shares would increase relative to the number of Brambles Shares. In that case, assuming there was no change to the Equalisation Ratio (which there would not be if the placement did not give rise to a different financial effect as between the two groups of Shareholders), then the increase in the number of Brambles (UK) Shares would be reflected in an increase in the voting power of Brambles (UK) Shareholders exercised by Brambles SVC through the Brambles Special Voting Share.

6.7 Equalisation on liquidation

Under the terms of the Sharing Agreement, the Brambles Constitution and the Brambles (UK) Articles, the provisions described below will apply on the liquidation or winding up of either Company or both Companies. These provisions are intended to ensure that, as far as practicable, Shareholders of both Companies are treated equitably (having regard to the Equalisation Ratio).

If either Brambles or Brambles (UK) goes into liquidation, whether compulsory or voluntary, an equalisation payment will be made by one Company to the other if, and to the extent that:

(a) either has surplus assets available for distribution to its Shareholders after payment of all creditors and holders of prior ranking classes of shares; and

(b) the ratio of the surplus (if any) attributable to each Brambles Share to the surplus (if any) attributable to each Brambles (UK) Share would not equal the Equalisation Ratio.

To the extent that the liquidation provisions of the Sharing Agreement constitute either Company a creditor of the other Company (in liquidation), that Company will be fully subordinated to all other creditors and holders of shares ranking in priority to shares of the Company in liquidation.

The Sharing Agreement does not grant any rights enforceable by the Shareholders of one Company upon the liquidation of the other.

6.8 *Takeovers regulation*

(a) Background

Brambles is, and Brambles (UK) will be, separate listed companies subject to the takeovers laws and rules in Australia and the UK respectively. However, because of the unique features of the DLC Structure, the ASIC is expected to grant modifications to the Corporations Law. The operation of the Corporations Law (as proposed to be modified) and the UK City Code, together with provisions to be included in the Brambles Constitution and the Brambles (UK) Articles, are intended to have the effect of:

(i) recognising the substantive effect of the DLC Structure, which is that the two Companies should be regarded as a single group and that equivalent opportunities should be afforded to both groups of Shareholders;

(ii) allowing the two regulatory systems to work together harmoniously and sensibly;

(iii) respecting the acquisition thresholds of 20% and 30% under Australian takeovers law and the takeover rules in the UK City Code respectively; and

(iv) avoiding any unnecessary impediment to any takeover of the Combined Group.

(b) Key thresholds

Under Australian takeovers law (as proposed to be modified) and under the Brambles Constitution, acquisitions which increase a person's (and associates') voting power in Brambles beyond certain thresholds will be prohibited unless made in accordance with the Corporations Law (as modified) and the Brambles Constitution. Those thresholds will be:

(i) first, 20% of the voting power in Brambles on a stand-alone basis (that is, calculated as if there were no Special Voting Share and only counting votes exercisable on Brambles Shares), which is the same threshold as now applies to Brambles in the absence of the DLC Structure; and

(ii) second, 20% of the voting power on a joint electorate basis (that is, calculated by reference to the votes exercisable on Brambles Shares and the votes exercisable at Brambles meetings in respect of Joint Electorate Actions indirectly (through the Brambles Special Voting Company) by reference to votes exercisable on Brambles (UK) Shares).

In addition, the Brambles (UK) Articles will contain provisions which restrict the acquisition of 30% or more of the votes that could be cast at Brambles (UK) meetings on a stand-alone basis (that is, only counting votes exercisable on Brambles (UK) Shares calculated as if there were no Special Voting Share).

Finally, the UK Panel on Takeovers and Mergers has indicated that under the UK City Code, a mandatory offer in cash will be required where a person (or group of persons acting in concert) acquires 30% or more of the voting power of Brambles (UK) on a joint electorate basis.

(c) Combined effect of the takeover provisions

The application of the takeovers laws and rules in Australia (as proposed to be modified) and the UK, and the provisions in the Brambles Constitution and Brambles (UK) Articles, will depend upon the circumstances prevailing at the time, including the then current Equalisation Ratio. In particular, the application of the UK City Code to any particular situation is a matter for the UK Panel on Takeovers and Mergers. On the basis of the views expressed by the Panel to date, the combined effect of these laws, rules and provisions is as follows:

(i) any person (alone or together with associates) can acquire control over Brambles Shares representing more than 20% of the votes that could be cast at meetings of Brambles on a stand-alone basis (without regard to the Brambles Special Voting Share) without breaching the Corporations Law (subject to the exceptions available under the Corporations Law) or incurring the sanctions described in paragraph (e) below only pursuant to an offer (or a scheme of arrangement or other relevant procedure) on equivalent terms for all of the Brambles Shares and all of the Brambles (UK) Shares;

(ii) any person (alone or together with concert parties) can acquire control over Brambles (UK) Shares representing 30% or more of the votes that could be cast at meetings of Brambles (UK) on a stand-alone basis (without regard to the Brambles (UK) Special Voting Share) without incurring the sanctions described in paragraph (e) below only pursuant to an offer (or a scheme of arrangement or other relevant procedure) on equivalent terms for all of the Brambles (UK) Shares and all of the Brambles Shares;

(iii) any person (alone or together with concert parties or associates) can acquire control over shares in one or both of Brambles and/or Brambles (UK) representing more than 20% of the total voting rights attributable to shares in both Brambles and Brambles (UK) in relation to Joint Electorate Actions (**Joint Electorate Voting Rights**) (that is, treating the Brambles (UK) Shares as carrying the number of votes at a meeting of Brambles that would be cast by the holder of the Brambles Special Voting Share as a result of voting the Brambles (UK) Shares, and Brambles Shares as having corresponding voting rights at a meeting of Brambles (UK)) without breaching the Corporations Law (subject to the exceptions available under the Corporations Law) or incurring the sanctions described in paragraph (e) below only pursuant to an offer (or a scheme of arrangement or other relevant procedure) on equivalent terms for all of the Brambles (UK) Shares and all of the Brambles Shares; and

(iv) a person who (alone or together with concert parties) acquires control over shares in one or both of Brambles and/or Brambles (UK) representing 30% or more of the total Joint Electorate Voting Rights (calculated as described in (iii) above) would be required under Rule 9 of the UK City Code to make an offer in cash for all of the Brambles (UK) Shares at the highest price paid for Brambles (UK) Shares or Brambles Shares in the 12 months preceding the date of that offer, such offer to be conditional only upon acquiring shares in Brambles (UK) and/or Brambles representing 50% of the total Joint Electorate Voting Rights (calculated as described in paragraph (iii) above) and the other terms permitted by the UK City Code.

On the basis of the current Equalisation Ratio, the acquisition of 50% of the total Joint Electorate Voting Rights would require an offeror for Brambles (UK) to acquire or hold some voting rights through shares in Brambles before the offer for Brambles (UK) could become or be declared unconditional. It would also cause the person concerned to breach the limit described in paragraph (iii) above and to avoid breaching the Corporations Law (as modified) would have to be made pursuant to an offer (or scheme of arrangement or other relevant procedure) for all of the Brambles Shares, or by another means permitted under the Corporations Law.

(d) Equivalent opportunities

The Brambles Constitution and the Brambles (UK) Articles will provide that the sanctions described in paragraph (e) below will apply to any person whose interest (together with those of associates and concert parties, as applicable) exceeds the thresholds set out above unless either the relevant Board has consented to the relevant acquisition or an equivalent opportunity is provided to both Brambles Shareholders and Brambles (UK) Shareholders. In summary, this would require the person to:

(i) employ an equivalent procedure for acquiring both the Brambles Shares and the Brambles (UK) Shares (for example, an off market takeover offer);

(ii) comply with the takeovers laws and rules in Australia (as regards the offer for the Brambles Shares) and in the UK (as regards the offer for the Brambles (UK) Shares), as well as with the terms of the Brambles Constitution and the Brambles (UK) Articles; and

(iii) offer to the Brambles Shareholders and the Brambles (UK) Shareholders equivalent consideration, terms, information and time to consider what is being offered, both in relation to an initial offer and any increases or extensions.

Because of the variety of possible takeover procedures and the different takeover regimes applying in the UK and in Australia, a concept of equivalence cannot be defined prescriptively. A combination of the Boards, the ASIC and/or the Australian Corporations & Securities Panel and/or the UK Panel on Takeovers and Mergers will have a role in determining and achieving equivalence in a particular case.

While each group of Shareholders will receive equivalent treatment in terms of the opportunities afforded, they will make their own decision as to whether to accept the relevant offer. Accordingly, it may be possible for an offer made to one Company's Shareholders to become unconditional (because the minimum acceptance condition is satisfied or, where permitted, waived) while the equivalent offer made to the other Company's Shareholders does not (because the equivalent minimum acceptance condition is not satisfied or, where permitted, waived) depending on the nature of the offer required for the Brambles (UK) Shares under the UK City Code.

(e) Breach of limits

If a person (or group of persons who are acting in concert or are otherwise associated) were to breach one of the voting thresholds described above otherwise than with the consent of the relevant Board or by having provided equivalent opportunities to both groups of Shareholders, then, under the Brambles Constitution and the Brambles (UK) Articles respectively, the Boards will have power to deny voting and distribution rights in respect of that number of Brambles Shares or Brambles (UK) Shares (as applicable) which results in the relevant threshold being exceeded, as well as a power to dispose of that number of Shares which exceed the relevant threshold.

(f) ASIC relief and modifications

The Australian takeovers laws are expected to be modified so that they work in the way broadly described above. The main effects of the proposed modifications are:

(i) to establish the two Australian thresholds described in paragraph (b)(i) and (ii) above;

(ii) to provide that the holding or controlling by a person of Brambles (UK) Shares will be treated as the holding or controlling of the corresponding voting power in Brambles which attaches to the Brambles Special Voting Share on Joint Electorate Actions;

(iii) to provide that a person who wishes to exceed any of the thresholds described in paragraph (b) above need only (in relation to any offer for Brambles (UK) Shares) comply with the UK takeover rules (and not also the Australian takeover laws, as it may be impossible to comply with both) provided that an equivalent offer is made for the Brambles Shares (as described in paragraph (c) above);

(iv) to disregard the technical relevant interest which Brambles (UK), Brambles, Brambles SVC or Law Debenture acquires in Brambles Shares through the Brambles Special Voting Share (on the basis that all the voting power attached to the Brambles Special Voting Share is exercised to mirror the votes cast by the Brambles (UK) Shareholders and accordingly the Brambles (UK) Shareholders should be the ones who are treated as controlling the relevant voting power in Brambles); and

(v) to disregard the technical relevant interest which Brambles (UK) or Brambles acquires in Brambles Shares through the enforcement provisions described in paragraph (e) above.

In addition, the provisions of the Corporations Law relating to a shareholder's obligation to notify Brambles and the ASX of a substantial holding are expected to be modified so that a person must notify Brambles and the ASX where they have a relevant interest in 5% or more of the voting power in Brambles either on a stand-alone basis (that is, disregarding votes exercisable through the Special Voting Share) or on a joint electorate basis (that is, taking account of votes exercisable through the Special Voting Share).

(g) Sharing Agreement

Under the Sharing Agreement, Brambles and Brambles (UK) will agree promptly to enforce the restrictions in the Brambles Constitution and the Brambles (UK) Articles (respectively) described in paragraph (b) above.

6.9 The Deed Poll Guarantees

On Completion, Brambles and Brambles (UK) will respectively enter into the Deed Poll Guarantees for the purposes of guaranteeing (subject to certain exceptions) contractual obligations to creditors (whether actual or contingent, primary or secondary) of the other incurred after Completion, together with other obligations notified to the party giving the guarantee. The Deed Poll Guarantees are substantially in the same form.

Brambles and Brambles (UK) may at any time agree to exclude obligations of a particular type, or a particular obligation or obligations, incurred after a future date from the scope of the Deed Poll Guarantees. In the case of obligations of a particular type, the future date must be at least three months after the date on which notice of the relevant exclusion is given, and, in the case of a particular obligation or obligations, the future date must be at least three business days after that date.

Each of the Deed Poll Guarantees will automatically terminate if the Sharing Agreement, or the other Deed Poll Guarantee, is terminated. They will also be terminable at any time with the agreement of both Brambles and Brambles (UK) by the giving of at least three months' notice.

Brambles or Brambles (UK) will also be entitled to terminate the relevant Deed Poll Guarantee by notice if a resolution is passed or an order is made for the liquidation or winding up of the other Company or a receiver or similar person is appointed in respect of all of its property, assets or undertaking.

6.10 Termination of the DLC Structure

The Sharing Agreement may be terminated by notice by either Brambles or Brambles (UK) if either of them becomes a wholly-owned subsidiary of the other or if both of them become wholly-owned subsidiaries of a third party.

Otherwise, the Sharing Agreement, and therefore the DLC Structure, will only be terminable if the proposed termination is approved by both Brambles Shareholders and Brambles (UK) Shareholders voting on the matter as a Class Rights Action. If a proposal is to be put to Shareholders to terminate the DLC Structure, the Boards must endeavour to agree a termination proposal equitable to the interests of both groups of Shareholders. The terms of that proposal will be specified in the resolution put to Shareholders.

If the Boards do not agree on a termination proposal, each Company will instruct an accounting firm to certify (using the same principles of valuation) a value for the Company and to approve the certified value of the other Company. If the accounting firms are unable to agree the value of either or both Companies, the matter will be referred to a third accounting firm for determination. If the respective values of Brambles and Brambles (UK) on a per-share basis do not equal the Equalisation Ratio, a payment will be made by one Company to the other of an amount to bring their respective values in line with the Equalisation Ratio (after providing for any tax on the receipt or in respect of the making of such payment and after taking into account any offsetting tax credits or losses).

If the Sharing Agreement is terminated, the Voting Agreement and Deed Poll Guarantees will also automatically terminate, and the voting rights of the Special Voting Shares will cease.

6.11 The new Brambles Constitution

As part of the DLC Proposal, Brambles is seeking the approval of its Shareholders to adopt a new constitution.

Copies of the new Brambles Constitution are available to Brambles Shareholders on the Brambles website (**www.brambles.com**) or may be inspected at Brambles' Sydney office (see Section 8.16 for details).

The new Brambles Constitution differs from the current Brambles Constitution in the following significant ways.

(a) New class of share

The Brambles Constitution will create, and provide for the issue of, a new class of share – the Brambles Special Voting Share. As set out in Section 6.6 above, the Brambles Special Voting Share will be issued to Brambles SVC on Completion.

The Brambles Special Voting Share will carry the same right to dividends as Brambles Shares (Article 94A) and a right to payment of an amount up to A$1 ranking equally with Brambles Shares on the winding up of Brambles (Article 107). It will not be transferable except in accordance with the Voting Agreement (which requires the approval of the Boards), and the Brambles Board will be obliged to refuse to register any transfer which does not comply with the Voting Agreement (Article 31). The voting rights attaching to the Brambles Special Voting Share are set out in paragraph (b) below.

(b) Voting

The Brambles Constitution will include provisions to allow the Shareholders of Brambles and of Brambles (UK) to vote as if they were a single electorate on resolutions in respect of Joint Electorate Actions. Details of the way voting is to take place under the DLC Structure are set out in Section 6.6 above.

In summary, the special voting provisions to be included in the Brambles Constitution are as follows:

Joint Electorate Actions and Class Rights Action

The Brambles Constitution will designate which matters are Joint Electorate Actions (Article 55C) and which are Class Rights Actions (Article 55A). These are described in Section 6.6 (b).

Voting rights of the Brambles Special Voting Share

The voting rights attaching to the Brambles Special Voting Share under the new Brambles Constitution will be as follows:

(i) on a resolution to approve a Joint Electorate Action:

the total number of votes validly cast (either for or against) by Brambles (UK) Shareholders (who are not excluded from voting) on the equivalent resolution at the parallel Brambles (UK) meeting (adjusted, if necessary, by reference to the Equalisation Ratio) (Article 55D(b));

(ii) on a resolution to approve a Class Rights Action:

if, and only if, the equivalent resolution has been defeated at a Brambles (UK) meeting, such number of votes as is necessary to defeat the resolution at the Brambles general meeting; otherwise the Brambles Special Voting Share will carry no votes (Article 55B(b));

(iii) on a procedural resolution relating to or in any way affecting a Joint Electorate Action:

the maximum number of votes validly cast on any substantive resolution in relation to a Joint Electorate Action at the parallel Brambles (UK) meeting, or if the Brambles (UK) meeting has not been held and such votes counted by the beginning of the Brambles meeting, the maximum number of votes which could be cast upon proxies lodged by Brambles (UK) Shareholders in respect of the parallel Brambles (UK) meeting (adjusted, if necessary, by reference to the Equalisation Ratio) (Article 55D (c)).

The prescribed manner in which the above voting rights are to be exercised is set out in the Voting Agreement, as described in Section 6.6 (c) above.

Procedures for conduct of general meetings

The procedures for the convening and conduct of general meetings, including the procedures in relation to timing, amendments (Article 53A), polls (Article 54) and proxies (Articles 61 to 65), will be amended to accommodate (to the extent practicable) the holding of parallel meetings of Brambles and Brambles (UK) in accordance with the procedures described in Section 6.6 (c) above.

These proposed amendments include:

(i) voting on any resolution on which the holder of the Brambles Special Voting Share is (or may be) entitled to vote will be required to be taken on a poll. The poll will remain open for sufficient time (in respect of the Brambles Special Voting Share) to enable the vote of Brambles (UK) Shareholders to be taken at the parallel Brambles (UK) meeting. When the result of that vote is known, the holder of the Brambles Special Voting Share can then vote at the Brambles meeting in the manner required (Article 53(f) and 54(f));

(ii) other resolutions will be taken on a show of hands unless a poll is demanded;

(iii) any poll may, as the chair shall direct, close at different times for different classes of shareholder or for different shareholders of the same class entitled to vote on the relevant resolution (Article 54(e)); and

(iv) in considering any proposal to adjourn the meeting, the chair will take into account the impact such adjournment would have on the parallel Brambles (UK) meeting and any notice of adjournment of that parallel Brambles (UK) meeting (Article 52(b)).

(c) Directors/management

Authorise Directors to enter DLC Agreements

The Brambles Constitution will authorise the Brambles Directors to carry into effect the DLC Agreements. It will also provide that nothing done by the Directors in good faith pursuant to the DLC Agreements will constitute a breach of their fiduciary duties to Brambles or to Brambles Shareholders (Article 73A).

Appointment and removal of Directors

The Brambles Constitution will include provisions relating to the appointment, re-election, retirement (by rotation or otherwise), resignation, removal and remuneration of directors to reflect the fact that Brambles Directors will also be Brambles (UK) Directors.

These provisions include:

(i) the appointment of a person as a Brambles Director shall not be effective until, but will take effect at the same time as, such person has been duly appointed as a Brambles (UK) Director (Article 67A(c));

(ii) no person shall be appointed as a Brambles Director unless they also consent to be a Brambles (UK) Director (Article 67A(b));

(iii) the office of a Brambles Director shall be vacated if the Brambles Director ceases to be a Brambles (UK) Director (Article 71(g)); and

(iv) the aggregate amount of fees payable to the non-executive Directors in any year fixed by Brambles in general meeting shall take into account any remuneration paid to those Directors by Brambles (UK) (Article 70(b)).

(d) Takeover restrictions

The Brambles Constitution will restrict the acquisition of voting power in Brambles so that, in effect, a person who wishes to assume control of Brambles will be required to make an equivalent offer to assume control of Brambles (UK) (Article 113). Generally a person (together with that person's associates) will be taken to control Brambles if the person's (and associates') voting power is 20% or more:

(i) in respect of all votes exercisable at a Brambles' meeting, including the votes attaching to the Brambles Special Voting Share (i.e. votes exercisable in respect of a Joint Electorate Action); and/or

(ii) in respect of votes exercisable at a Brambles' meeting excluding the votes attaching to the Brambles Special Voting Share.

The Directors will be entitled to deny voting rights and withhold any dividends or other distributions otherwise payable in respect of such Shares, until such time as the thresholds are complied with.

If a takeover bid is made for Brambles, Brambles (UK) Shareholders must also receive an offer on equivalent terms.

Corresponding provisions will be incorporated into the Brambles (UK) Articles.

The effect of these control provisions, having regard to the operation of the Corporations Law and the UK City Code, is set out in Section 6.8 above.

(e) Mechanism for equalisation on liquidation

New provisions applicable to the winding up of Brambles are to be included in the Brambles Constitution to reflect the principles of the Sharing Agreement (Article 107A). These are summarised in Section 6.7 above.

(f) Entrenchment

The principal provisions which give effect to the DLC Structure (**Entrenched Provisions**) are to be entrenched in the Brambles Constitution. This means that they cannot be changed unless special resolutions approving the change have been passed as a Class Rights Action by both Brambles Shareholders (voting separately) and Brambles (UK) Shareholders (voting separately). The entrenching rule will itself be entrenched in the same way.

The Entrenched Provisions principally relate to:

(i) the scope of, and voting rights and procedures in relation to, Joint Electorate Actions (described in Section 6.6 above);

(ii) the scope of, and voting rights and procedures in relation to, Class Rights Actions (described in Section 6.6 above);

(iii) the rights attaching to the Brambles Special Voting Share as to dividends and return of capital, and the restrictions on the transfer of the Brambles Special Voting Share (described in Section 6.6 above);

(iv) the mechanism for equalisation on liquidation (described in Section 6.7 above); and

(v) the appointment and retirement of Directors (described in Section 6.11(c)).

6.12 The new Brambles (UK) Articles

As part of the DLC Proposal, Brambles (UK) has adopted a new set of Articles conditional upon Completion and has amended its memorandum of association so that, so far as is practicable taking account of local legal requirements and practices, the effects of the principal terms of the Brambles (UK) memorandum of association and of the Brambles (UK) Articles are the same as those of the equivalent provisions in the new Brambles Constitution.

6.13 Relationship between the Sharing Agreement and the Brambles Constitution and Brambles (UK) Articles

If there is a conflict between the Sharing Agreement on the one hand and either the Brambles Constitution or the Brambles (UK) Articles on the other hand, the Companies will be required to use all reasonable endeavours to ensure that any required amendment to the Brambles Constitution or the Brambles (UK) Articles (as appropriate) is put to Shareholders at general meetings of Brambles and/or Brambles (UK) (as the case may be) in order to conform them with the provisions of the Sharing Agreement.

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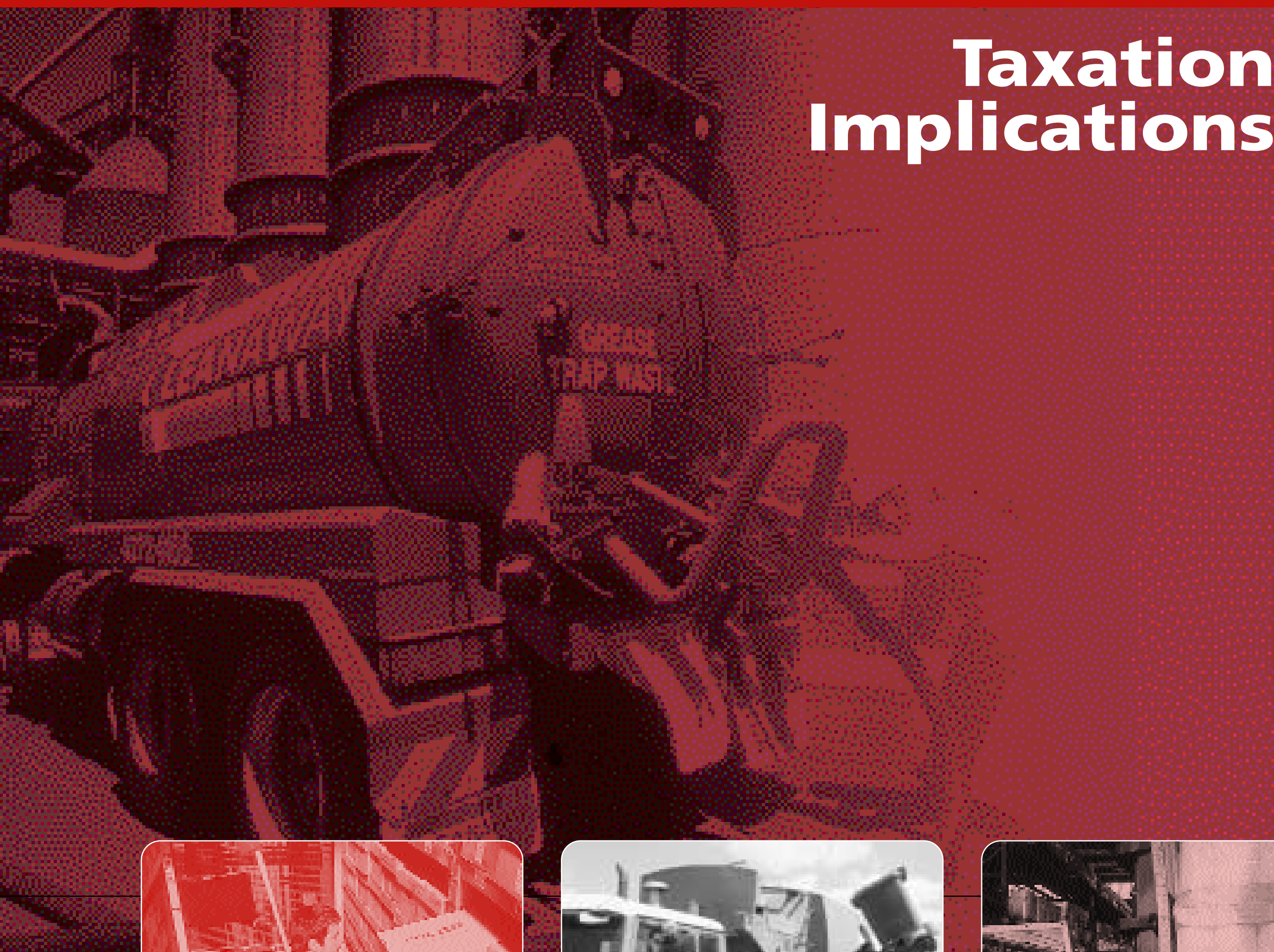
Taxation Implications



7. Taxation Implications

7.1 *Purpose of this section*

The purpose of this section is to provide Australian, UK and US resident Brambles Shareholders with general information in relation to taxation considerations arising from the DLC Proposal, including the proposed Brambles Additional Share Issue.

However, Brambles Shareholders should take their own advice as to how their personal income tax position may be affected by the DLC Proposal under the tax laws of Australia, the UK and the US or other applicable jurisdictions.

Also included is a brief summary of the tax considerations arising for Brambles under Australian and UK law.

This summary does not address all specific considerations under the tax laws of Australia, the UK and the US which may apply to certain taxpayers, including share traders, entities or people holding Brambles Shares on revenue account, banks, insurance companies and superannuation funds.

This summary expresses general conclusions and is based on advice received by Brambles in respect of Australian, UK and US income tax laws at the date of this Information Memorandum.

In this summary, a reference to "pre-CGT" shares means shares acquired (or deemed by law to have been acquired) on or before 19 September 1985, the date of the introduction of Australian capital gains tax. A reference to "post-CGT" shares means shares acquired (or deemed by law to have been acquired) after that date.

7.2 *Brambles Shareholders*

Australian tax considerations

General Australian tax considerations relating to implementation of the DLC Structure

The implementation of the DLC Structure will have no adverse Australian capital gains tax consequences for Brambles Shareholders.

The general Australian tax consequences of the implementation of the DLC Structure (other than the Brambles Additional Share Issue (see below)) for Brambles Shareholders, whether or not resident in Australia for Australian tax purposes, may be summarised as follows:

(a) the implementation of the DLC Structure does not involve a "CGT event" in relation to the Brambles Shares, and consequently:

  (i) Brambles Shares held by Brambles Shareholders, which are currently held as pre-CGT shares will not lose that pre-CGT status as a result of the DLC Structure, and there will not otherwise be taxable gains realised in respect of such shares; and

  (ii) the DLC Structure does not result in the realisation of taxable capital gains in respect of post-CGT Brambles Shares of Brambles Shareholders, and post-CGT Brambles Shares will retain their current cost base (indexed where applicable) and acquisition date for capital gains tax purposes;

(b) the DLC Proposal will not otherwise involve a taxable receipt by the Brambles Shareholders of money, property or other consideration in connection with its implementation;

(c) the implementation of the DLC Structure does not result in any new assets being acquired by Brambles Shareholders (other than the Additional Brambles Shares issued under the Brambles Additional Share Issue);

(d) the Brambles Shareholders will not receive or acquire any proprietary interest in, or rights in relation to, the Brambles (UK) Special Voting Share or the Brambles (UK) Special Voting Company which holds the Brambles (UK) Special Voting Share. Therefore, no tax liabilities will arise for Brambles Shareholders in respect of that company or the Brambles (UK) Special Voting Share;

(e) the implementation of the DLC Structure will entail the adoption of a new Brambles Constitution. In accordance with Taxation Ruling TR 94/30, the amendments made by the new Brambles Constitution will not have any capital gains tax consequences for Brambles Shareholders because Brambles Shareholders will not receive money or other consideration in respect of the amendments;

(f) Brambles Shareholders will remain entitled to receive franked dividends from Brambles (to the extent that Brambles has franking credits available); and

(g) Brambles Shareholders will not be required to account for income of Brambles (UK) or its subsidiaries under the "foreign investment fund" tax legislation.

General Australian tax considerations relating to Brambles Additional Share Issue to Brambles Shareholders

The general Australian tax consequences for Brambles Shareholders of the proposed Brambles Additional Share Issue may be summarised as follows:

(a) because the Brambles Additional Share Issue will not involve a capitalisation of profits but will merely entail the issuance of Additional Brambles Shares to existing Brambles Shareholders with no transfer, and no crediting, of an amount to Brambles' share capital account, the issue of the Additional Brambles Shares by Brambles will not give rise to taxable dividends in the hands of Brambles Shareholders;

(b) the Brambles Additional Share Issue will not otherwise give rise to the receipt of taxable income or capital gains by Brambles Shareholders;

(c) Additional Brambles Shares issued in respect of pre-CGT Brambles Shares will be deemed to be pre-CGT shares for capital gains tax purposes and any capital gain or loss from the disposal of the original pre-CGT Brambles Shares or the Additional Brambles Shares will be disregarded for Australian capital gains tax purposes;

(d) Additional Brambles Shares which are issued in respect of post-CGT Brambles Shares will be taken to have been acquired by Brambles Shareholders at the same time as the original shares were acquired and a shareholder's cost base for the original shares will be apportioned between the original and additional shares; and

(e) for share traders and other shareholders for whom the Brambles Shares are revenue assets, the cost of the original shares will be apportioned between the original and the additional shares issued in respect of those original shares.

UK tax considerations

The implementation of the DLC Structure should have no UK income tax or capital gains tax consequences for Brambles Shareholders who are either resident for tax purposes in Australia under Australian taxation law or resident for tax purposes in the UK under UK taxation law.

The Brambles Additional Share Issue should not give rise to any receipt of income by Brambles Shareholders for UK tax purposes, or to any disposal by Brambles Shareholders for UK capital gains tax purposes.

US tax considerations

The implementation of the DLC Structure will not result in US-resident Brambles Shareholders realising any gain or loss for US Federal income tax purposes.

The Brambles Additional Share Issue will not result in US-resident Brambles Shareholders realising any gain or loss, or deriving any income, for US Federal income tax purposes.

7.3 Brambles and Brambles Group

General Australian tax considerations relating to implementation of the DLC Structure

The general Australian taxation law consequences for Brambles and the Brambles Group in connection with the implementation of the DLC Structure may be summarised as follows:

(a) Brambles will remain a resident public company for the purposes of Australian taxation law;

(b) entering into the agreements to implement the DLC Structure does not give rise to any taxable receipt of money, property or other consideration by Brambles or the Brambles Group from Brambles (UK) or the Brambles (UK) Group;

(c) the implementation of the DLC Structure will not entail a change in the legal or beneficial ownership of Brambles' assets or the assets of its subsidiaries and, therefore, will not result in a taxable disposal of those assets;

(d) Brambles will remain able to pay franked dividends to its Shareholders (subject to having franking credits available). The DLC Structure will not result in the specific or general anti-franking credit streaming rules in the tax legislation applying to the payment of dividends by Brambles to its Shareholders;

(e) under current law, equalisation payments (if any) from Brambles (UK) to Brambles are likely to be taxable income of Brambles. Equalisation payments (if any) from Brambles to Brambles (UK) are not likely to be deductible to Brambles;

(f) Brambles will not be required to account for income of Brambles (UK) or its subsidiaries under the Australian legislation relating to "controlled foreign companies" or "foreign investment funds", or by virtue of the operation of the provisions relating to the taxation of income derived through trusts; and

(g) transactions between members of the Brambles Group and the Brambles (UK) Group will be subject to international transfer pricing tax laws which require transactions between associated enterprises to be conducted on an arm's length basis with arm's length fees.

General Australian tax considerations relating to Brambles Additional Share Issue to Brambles Shareholders

Because the Brambles Additional Share Issue will not involve a capitalisation of profits but will merely entail the issuance of Additional Brambles Shares to Brambles Shareholders with no transfer, and no crediting, of an amount to Brambles' share capital account, the Brambles Additional Share Issue will not result in the "tainting" of Brambles' share capital account for the purposes of Australian taxation law. Therefore, the issue will not limit Brambles' future ability to make distributions to shareholders out of its share capital account.

General UK tax considerations for Brambles

Confirmation has been requested from the UK Inland Revenue that, under the DLC Structure as it is proposed to operate, Brambles will not become resident in the UK for tax purposes. If confirmation is received, the implementation of the DLC Structure will not give rise to any material adverse tax consequences for Brambles under UK taxation law in the light of its proposed activities.

7.4 Brambles (UK)

Australian tax considerations

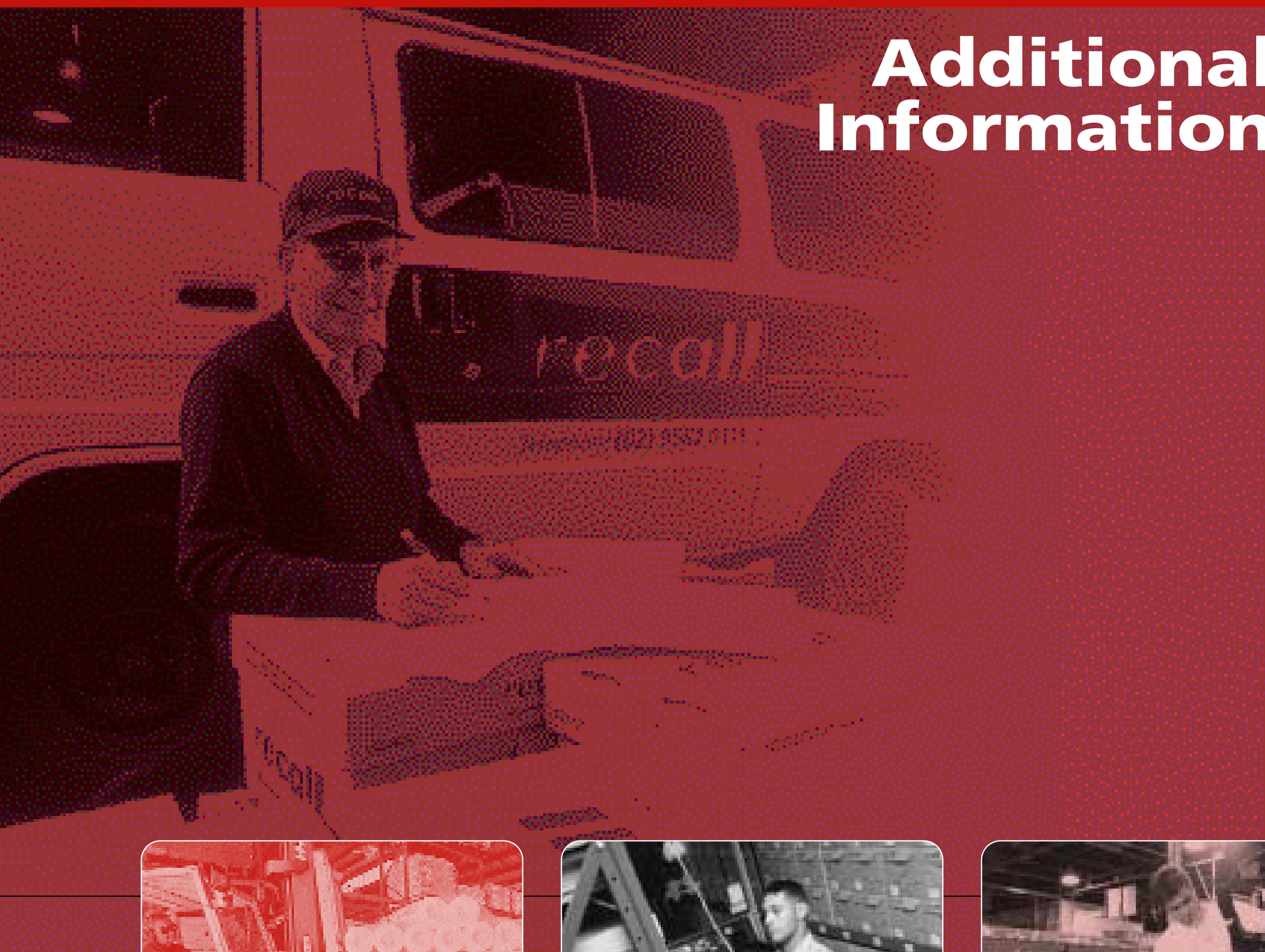
The Australian Taxation Office has provided a private binding ruling that under the DLC Structure as it is proposed to operate Brambles (UK) will not be treated as a resident of Australia for the purposes of Australian taxation law. Accordingly, the implementation of the DLC Proposal should not give rise to any adverse tax consequences for Brambles (UK) under Australian taxation law.

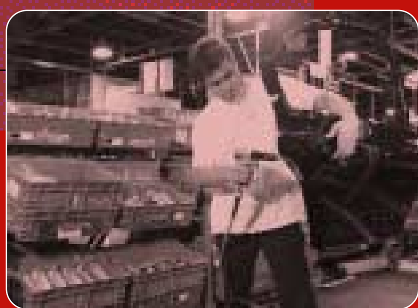
UK tax considerations

Confirmation has been requested from the UK Inland Revenue that, on the basis of the Australian Taxation Office ruling noted above, Brambles (UK) will remain resident in the UK for tax purposes under the DLC Structure as it is proposed to operate. If confirmation is received, the implementation of the DLC Proposal and the resultant DLC Structure should not give rise to any material adverse tax consequences for Brambles (UK) under UK taxation law in the light of its proposed activities.

8

Additional Information





8. Additional Information

8.1 Information on Brambles (UK)

(a) Incorporation and registered office

Brambles (UK) was incorporated in England and Wales as Wavevale plc on 3 January 2001 as a public limited company under the Companies Act, with registered number 4134697. It was re-named Brambles Industries plc on 31 May 2001. The registered office of Brambles (UK) is 200 Aldersgate Street, London EC1A 4JJ. Although Brambles (UK) has undertaken certain activities and entered into certain agreements in connection with the GKN Demerger as at 18 June 2001 (the latest practicable date prior to the publication of this document) it had not traded. The principal legislation under which Brambles (UK) operates is the Companies Act and the regulations made under that Act.

(b) Share capital

On incorporation, the authorised share capital of Brambles (UK) was £50,000 divided into 50,000 ordinary shares of £1 each, of which two such ordinary shares were issued, fully paid, to the subscribers of Brambles (UK)'s share capital.

By an ordinary resolution of Brambles (UK) passed on 13 June 2001, the authorised share capital of Brambles (UK) was increased by the creation of 49,998 redeemable fixed rate preference shares of £1 each, such shares having no material rights.

On 13 June 2001, the 49,998 redeemable fixed rate preference shares of £1 each were issued for cash at par to UBS AG, acting through its business group UBS Warburg, to enable Brambles (UK) to obtain a trading certificate pursuant to the provisions of the Companies Act. The trading certificate was duly obtained on 13 June 2001 and, on the same date, GKN paid £49,998 in cash to Brambles (UK) by way of a permanent capital gift so as to enable Brambles (UK) to redeem the 49,998 redeemable fixed rate preference shares for cash at par. The shares were redeemed on 14 June 2001.

By a special resolution of Brambles (UK) passed on 19 June 2001:

(i) the entire issued share capital of Brambles (UK) was subdivided into 40 Brambles (UK) Shares of 5 pence each;

(ii) the entire authorised but unissued share capital of Brambles (UK) was subdivided into 1,999,920 Brambles (UK) Shares of 5 pence each;

(iii) the authorised share capital of Brambles (UK) was increased from £99,998 to £45,000,000 by the creation of:

  (A) 898,000,039 Brambles (UK) Shares; and

  (B) one Brambles (UK) Special Voting Share, such Brambles (UK) Special Voting Share to constitute a separate class and, with effect from Completion, having the rights set out in Section 6.6(f).

(iv) the Directors were generally and unconditionally authorised, in accordance with section 80 of the Companies Act, to exercise all the powers of Brambles (UK) to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of:

  (A) £38,265,300 for the purposes of the Demerger; and

  (B) £8,870,610 to such persons and on such terms as the Directors think fit, and

  provided further that the power (unless previously revoked, varied or renewed) was expressed to expire on certain specified terms;

(v) the Directors were authorised pursuant to section 95 of the Companies Act to allot equity securities (as defined in section 94(2) of the Companies Act) for cash pursuant to the authority referred to in paragraph (iv) above as if section 89(1) of the Companies Act did not apply to such allotment provided that the power was limited to:

(A) the allotment of equity securities for the purposes of the Demerger (to the extent, if at all, that any such allotments are for cash);

(B) the allotment of equity securities on a pre-emptive basis; and

(C) other allotments (otherwise than pursuant to paragraphs (1) and (2) above) of equity securities for cash up to an aggregate nominal amount of £1,806,340; and

provided further that the power (unless previously revoked, varied or renewed) was expressed to expire on certain specified terms;

(vi) conditional upon completion of the DLC Combination, the Brambles (UK) Articles were adopted in substitution for the existing articles of association of the Company (which are standard articles of association for public limited companies); and

(vii) conditional upon Admission, Brambles (UK) was authorised to purchase Brambles (UK) Shares by way of market purchase (as defined in section 163(3) of the Companies Act) upon and subject to certain specified terms.

The number of Brambles (UK) Shares on issue on Admission will depend on the number of New GKN Shares on issue on the Demerger Record Date. Upon the Demerger, Brambles (UK) will issue Brambles (UK) Shares to holders of New GKN Shares on the register at the Demerger Record Date on the basis of one Brambles (UK) Share in respect of each New GKN Share then held and will issue the Brambles (UK) Special Voting Share to Brambles (UK) Special Voting Company.

Since incorporation of Brambles (UK) there has been no material change in the amount of the issued share or loan capital of any other member of the Brambles (UK) Group and no share capital of Brambles (UK) or any other member of the Brambles (UK) Group will, following Admission, be under option or has been agreed, conditionally or unconditionally, to be put under option.

8.2 Significant shareholdings in Brambles and Brambles (UK)

Based on

(a) the issued share capitals of GKN and Brambles on 18 June 2001 (being the latest practicable date prior to publication of this document);

(b) interests in GKN Shares disclosed to GKN as at 18 June 2001 (being the latest practicable date prior to publication of this document) pursuant to section 198 of the Companies Act and registered pursuant to section 211 of the Companies Act; and

(c) interests in Brambles Shares disclosed to Brambles and the ASX pursuant to section 671B of the Corporations Law, as at 18 June 2001 (being the latest practicable date prior to publication of this document),

the following persons would have the following interests, in 3% or more (directly or indirectly) of the issued share capital of Brambles (UK), or in 5% or more (directly) of the total number of votes attaching to voting shares in Brambles according to the public register, immediately after Admission becomes effective:

Shareholder[4]	*No. of Brambles (UK) Shares and percentages of issued share capital*[1]	*No. of Brambles Shares and percentage of issued share capital*[1]
The Capital Group Companies Inc	83,778,075/11.6%[2]	N/A[5]
CGNU plc	25,337,275/3.5%[3]	N/A[5]
Chase Manhattan Group	N/A[5]	41,986,082/18.1%
National Nominees Ltd Group	N/A[5]	31,327,088/13.5%
Westpac Custodians Group	N/A[5]	32,341,440/13.9%

1. Based on the assumptions relating to issued share capital described above.
2. 4.1% being held by Capital Group's EuroPacific Growth Fund.
3. 3.5% being managed by Morley Fund Management Ltd (a subsidiary of CGNU plc).
4. In addition, Commonwealth Bank of Australia, Colonial Limited and certain of their subsidiaries together submitted a notice to Brambles on 16 June 2000 stating that they had an interest in 11,673,017 Brambles Shares representing 5.03% of the total votes attaching to voting shares of Brambles and as at 18 June 2001 (being the latest practicable date prior to publication of this document) had not given notice of any change in their interests.
5. Not applicable.

Except as set out above, the Directors are not aware of any person who is, or will be immediately following Admission, interested in 3% or more (directly or indirectly) of the issued ordinary share capital Brambles (UK) or in 5% or more (directly) of the total number of votes attaching to voting shares in Brambles. So far as is known to the Directors, no person could, directly or indirectly, jointly or severally, exercise control over Brambles or Brambles (UK) immediately after Admission.

8.3 Principal Subsidiaries, joint ventures and associated companies of Brambles (UK) and Brambles

The issued share capitals of the companies which comprise the Combined Group will be held directly or indirectly by Brambles (UK) or Brambles. Details of the principal subsidiaries, joint ventures and associated companies are as follows:

Brambles (UK)

Company	*Registered Office*	*Business Activity*	*Percentage of issued share capital to be held by Brambles (UK)*
CHEP UK Ltd	Unit 2 Weybridge Business Park Addlestone Road Addlestone Surrey KT15 2UP UK	Pallet and container pooling services	50%
CHEP Europ BV	Gebouw Statenhof Reaal 5Y 2353 TK Leiderdorp The Netherlands	Pallet and container pooling services	50%
CHEP South Africa (Proprietary) Limited	131 Jan Hofmeyr Road Westville 3630 South Africa	Pallet and container pooling services	100%

Brambles (UK) (continued)

Company	*Registered Office*	*Business Activity*	*Percentage of issued share capital to be held by Brambles*
CHEP USA	The Landmark Building 225 East Robinson Street Orlando Florida 32801 – 4393 USA	Pallet and container pooling services	50%
CLEANAWAY Limited	The Drive Warley Brentwood Essex CM13 3BE UK	Waste Management Services	50%
CLEANAWAY Deutschland Holding GmbH	Hanseatic Trade Centre Am Sandforkai 75 20457 Hamburg Germany	Waste Management Services	50%
Interlake Material Handling Inc	2711 Centerville Road Suite 400 Wilmington Delaware 19808 USA	Pallet and container racking	100%
Meineke Discount Muffler Shops Inc	128 S Tryon Street Suite 900 Charlotte North Carolina 28202 USA	Car servicing franchise	100%
		Brambles	
Brambles Australia Limited	Level 40, Gateway 1 Macquarie Place SYDNEY NSW 2000 Australia	Pallet pooling, shipping, waste management, information management and industrial services	100%
Brambles New Zealand Limited	Level 7 Westpac Tower 120 Albert Street Auckland New Zealand	Pallet and container pooling pooling services and information management	100%
Recall France	44 rue des osiers F-78310 Coigneres France	Information management	100%
Eurotainer S.A.S	Tour Maine Montparnasse 33 Avenue du Maine 55 Etage 75755 Paris Cedex 15 France	Tank container leasing	100%

Brambles (continued)

Company	*Registered Office*	*Business Activity*	*Percentage of issued share capital to be held by Brambles*
Simotra SA	Tour Maine Montparnasse 33 Avenue du Maine 75755 Paris France	Railwagon hire	100%
Eva Eisenbahn-verkehrsmittel verwaltungs GmbH	20 Schillerstrasse D-40237 Dusseldorf Germany	Railwagon hire	100%
Gardemann Arbeitsbuhnen GmbH & Co. KG	Weseler Strasse 3A D-46519 Alpen Germany	Access equipment hire	100%
Lastra Breda B.V.	Eikdonck 13A 4825 AZ Breda The Netherlands	Heavy contracting	100%
Brambles Espana S.A.	Doctor Esquerdo 138-6 28007 Madrid Spain	Railwagon rental and information management	100%
CAIB UK Limited	1 Lamb Walk London SE1 3TT UK	Railwagon rental	100%
Brambles Heavy Contracting Limited	1 Lamb Walk London SE1 3TT UK	Heavy contracting	100%
Recall Limited	1 Lamb Walk London SE1 3TT UK	Information management	100%
Short Bros. (Plant) Limited	1 Lamb Walk London SE1 3TT UK	Steel services	100%
Brambles Equipment Services, Inc	FC Services Inc. Box 20 Toronto Dominion Tower Toronto, Ontario MSK 1N6 Canada	Equipment leasing and sales	100%
ENSCO, Inc	Ste. 1700 425 W. Capitol Ave Little Rock Arkansas 72201 USA	Hazardous waste management	100%
Recall Total Information Management, Inc	1209 Orange Street Wilmington County of New Castle Delaware 19081 USA	Information management	100%

Brambles (continued)

Company	Registered Office	Business Activity	Percentage of issued share capital to be held by Brambles
CHEP UK Limited	Unit 2 Weybridge Business Park Addlestone Road Addlestone, Surrey KT15 2UP UK	Pallet and container pooling service	50%
CHEP Europ BV	Geb. Statenhof 2353 TK Leiderdorp The Netherlands	Pallet pooling and container pooling service	50%
CHEP USA	The Landmark Building 225 East Robinson Street Orlando Florida 32801-4393 USA	Pallet and container pooling service	50%
CLEANAWAY Limited	The Drive, Warley Brentwood, Essex CM133BE UK	Waste management services	50%
CLEANAWAY Deutschland Holding GmbH	Brandschofer Deich 48, 20539 Hamburg Germany	Waste management services	50%

8.4 Directors' interests

(a) Directors

The names of the persons who are proposed to be Directors on Completion and their respective functions are set out in Section 3.

(b) Directors' interests in the share capital of Brambles and Brambles (UK)

Upon Admission and by reference to their holdings in GKN Shares and Brambles Shares as at 18 June 2001 (the latest practicable date prior to the publication of this document), and on the basis that they receive one New GKN Share and one Brambles (UK) Share in respect of every GKN Share held at the Scheme Record Date and the Demerger Record Date respectively and approximately 3.128 Brambles Additional Shares for every Brambles Share held on the Brambles Additional Share Issue Record Date pursuant to the Brambles Additional Share Issue and on the assumption that the Directors do not exercise any options under the GKN Share Option Schemes, the Directors and their immediate families are expected to have the beneficial interests in Brambles and Brambles (UK) Shares shown in the table below, such interests being those (excluding in all cases any rights to acquire Brambles Shares arising under the GKN LTIPs): (i) which are required to be notified by each Director to Brambles (UK) pursuant to section 324 or 328 of the Companies Act or to the ASX under section 205G of the Corporations Law; or (ii) which are required to be shown in the register of Directors' interests maintained by Brambles (UK) under section 325 of the Companies Act; or (iii) which are interests of a connected person of a Director which would, if the connected person were a Director, be required to be disclosed under (i) or (ii) above, and the existence of which is known to or could, with reasonable diligence, be ascertained by that Director:

Director	*Number of Brambles (UK) Shares*	*Number of Brambles Shares*
Don Argus AO	–	9,000
Sir David Lees	204,897	–
Mark Burrows	–	82,427
Sir C.K. Chow	20,066	–
David Turner	50,302	–
Sir John Parker	3,354	–
Roy Brown	2,018	–
Allan McDonald	–	34,698
Ron Milne	–	45,000
Graham Kraehe	–	2,800

The employee benefit trusts used to operate the GKN LTIPs will be amended to enable the trustees to hold Brambles (UK) Shares.

Except as disclosed above and in Section 8.5 below, on Completion no proposed Director of Brambles and/or Brambles (UK) nor any person connected (within the meaning of section 346 of the Companies Act) with a Director at the date of this document is expected to have any interest in the share capital of either Brambles or Brambles (UK).

Sir C.K. Chow and David Turner have conditional and deferred awards under the GKN LTIPs which are currently over GKN Shares and, if amendments to the GKN LTIPs are approved by GKN Shareholders so that those rights become conditional rights to acquire New GKN Shares and Brambles (UK) Shares, they may acquire additional Brambles (UK) Shares. The Brambles (UK) Listing Particulars (which are available for inspection by Brambles Shareholders – see Section 8.16) contain more detailed discussion of the proposed amendments to the GKN LTIPs and the rights of employees under them.

(c) Directors' options over Brambles Shares

None of the Directors had options or awards, as the case may be, over Brambles Shares under the Brambles Share Schemes as at 18 June 2001 (the latest practicable date prior to the publication of this document).

(d) Directors' options over Brambles (UK) Shares

The Directors have no options to acquire Brambles (UK) Shares as there are no option schemes currently in place.

The Directors listed below have conditional and deferred awards under the GKN LTIPs which are currently over GKN Shares.

Director	*Conditional Awards*	*Deferred Awards*
Sir C.K. Chow	125,250	229,924
David Turner	68,600	124,776

In the case of conditional rights to acquire GKN Shares granted under the GKN LTIPs, where the three-year performance period has not ended, it is proposed to amend the GKN LTIPs so that the right will become a conditional right to acquire New GKN Shares and, in the event that the New GKN Reduction of Capital becomes effective, Brambles (UK) Shares. The total shareholder return comparison with the comparator group at the start of the measurement period will then be calculated on a bundle of New GKN Shares (excluding the GKN Support Services Activities) and Brambles (UK) Shares from the commencement of dealings in these shares.

Participants in the GKN LTIPs who will be employees of the Brambles (UK) Group or the Brambles Group will leave the employment of the GKN Group as a result of the Demerger. Their conditional rights will continue to be measured up to the end of the measurement period, but the number of shares they receive will be time apportioned to reflect the period up to the date they leave the employment of the GKN Group.

In the case of existing deferred rights to acquire GKN Shares, where the three-year measurement period has already ended, it is proposed, subject to GKN Shareholder approval, to amend the right so that it becomes, in the event that the Scheme becomes effective, a right to acquire New GKN Shares and, in the event that the New GKN Reduction of Capital becomes effective, Brambles (UK) Shares. In accordance with the existing rules, the relevant number of New GKN Shares and Brambles (UK) Shares will be released to participants at the commencement of the first open period following the Court sanctioning the Scheme.

(e) Directors' interests in transactions

Except as set out in Section 8.6 in respect of the Indemnities, no Director has or has had any interest in any unusual or significant transactions relevant to the business of the Brambles Group or the Brambles (UK) Group and which were effected by any member of the Brambles Group or the Brambles (UK) Group during the current or previous financial year or which were effected during any earlier financial year and which remain in any respect outstanding or unperformed.

(f) Directors' loans/guarantees

There are no outstanding loans or guarantees granted or provided by any member of the Brambles Group or the Brambles (UK) Group to or for the benefit of any Director.

(g) Other directorships of Directors and senior managers

The Brambles (UK) Listing Particulars (which are available for inspection by Brambles Shareholders – see Section 8.16) set out the full names of the senior managers and their respective business addresses and functions. They also set out in respect of each Director and senior manager, the names of all companies and partnerships of which he or she has at any time in the previous five years been a director or partner, as appropriate (subject to specified exclusions).

8.5 Directors' service agreements and emoluments

(a) Executive Directors

It is proposed that the two executive Directors, Sir C.K. Chow and David Turner (together the "**Executives**" and each an "**Executive**"), will enter into service agreements with Brambles. Their employment will commence on the date on which the DLC Structure becomes effective. The principal proposed terms of the arrangements are set out below.

(i) *Annual total fixed remuneration*

The total fixed remuneration for Sir C.K. Chow is £975,000 and for David Turner is £560,000 (in each case to be paid in A$). These amounts include pension contributions, healthcare, disability and life insurance benefits and the cost of providing a motor vehicle (in each case, if the Executive so elects). The total fixed remuneration and benefits described in paragraphs (ii)(A) and (ii)(B) below are subject to annual review but may not be decreased.

(ii) *Principal benefits*

In addition to the total fixed remuneration, the Executives are entitled to the following principal benefits:

(A) relocation and accommodation costs for themselves and their respective immediate families;

(B) legal and other costs in connection with the service agreement (apart from costs of advice in connection with termination of employment or for breach of the agreement by the relevant Executive) and reimbursement for certain additional tax burdens incurred as a result of Australian residency;

(C) an annual cash bonus of up to a maximum of 50% of the total fixed remuneration for that year depending on the achievement of specific performance targets (including net cash flow and financial/balance sheet objectives). An additional cash bonus may also be paid in a particular year at the discretion of the Brambles board where every performance target has been exceeded in that particular year;

(D) options over Brambles Shares that will be granted on the commencement of employment and on each anniversary. The options will vest three years after their grant subject to satisfaction of a performance hurdle based on total shareholder return measured over the three year period from the date of grant against a peer group of companies. If not all options have vested on the third anniversary because the performance hurdle has not been met, the performance hurdle will subsequently be retested on the fourth, fifth and sixth anniversary of their grant and the appropriate number of options (if any) will vest. The maximum number of options granted in any year cannot exceed a specified percentage of the total fixed remuneration for that year divided by the Black Scholes Value (a measure of share option value) at the time of the grant. The specified percentage for Sir C.K. Chow is 75% and for David Turner is 60%. The exercise price for each option will be the volume weighted average price of Brambles Shares traded on ASX in the 20 trading days prior to the date of the grant. Approval by shareholders of the issue of the various options will be sought in accordance with the ASX Listing Rules;

(E) rights to acquire Brambles Shares ("**Performance Shares**") which vest for no consideration three years following their grant subject to satisfaction of a performance hurdle based on compound earnings per share growth[1]. The rights to Performance Shares are granted on the commencement of employment and on each anniversary. The maximum number of rights to Performance Shares granted in any year cannot exceed a specified percentage of the total fixed remuneration for that year divided by the Brambles Share price at allocation. The specified percentage for Sir C.K. Chow is 75% and for David Turner is 60%. If not all Performance Shares have vested on the third anniversary because the performance hurdle has not been met, the performance hurdle will subsequently be retested on the fourth, fifth and sixth anniversary of their grant and the appropriate number of Performance Shares (if any) will vest. Approval by shareholders of the issue of the rights to Performance Shares will be sought in accordance with the ASX Listing Rules; and

1. Performance is measured according to the following table:

Compound EPS Growth	% Vesting of Brambles Shares
Below 7% per annum	No vesting
7% per annum	25% vesting
15% or above per annum	100% vesting
7-15% per annum	pro rata straight line vesting

Earnings per share (EPS) calculations shall be normalised to exclude all exceptional profits and losses as defined under UK GAAP.

(F) subject to the performance hurdle based on compound earnings per share growth in paragraph (E) above (calculated over two years of employment) being met, a sign-on grant of rights to 107,300 Brambles Shares to Sir C.K. Chow and 54,700 Brambles Shares to David Turner will vest at the end of that two year period. These rights will be increased pro-rata to the Brambles Additional Shares issued under the Brambles Additional Share Issue. If not all rights have vested on the second anniversary because the performance hurdle has not been met, the performance hurdle will be retested on the third, fourth and fifth anniversary of the grant of the rights and the appropriate number (if any) of Brambles Shares will vest. Any rights which have not vested on or before the fifth anniversary of their grant will lapse (or may lapse earlier in particular circumstances such as termination). Approval by Brambles Shareholders of the respective sign-on grant of rights to each Executive is the subject of Resolutions 14 and 15 set out in the Notice of Meeting at the back of this document.

(iii) *Termination of employment*

The employment of either Executive may be terminated:

(A) by Brambles in certain circumstances, including but not limited to bankruptcy of the relevant Executive, his conviction of a serious criminal offence or as a result of his protracted illness or disablement; or

(B) by Brambles on the giving of at least 24 months' written notice in the case of Sir C. K. Chow, and at least 2 months' written notice after the first 22 months following the commencement of employment in the case of David Turner; or

(C) by the relevant Executive upon (1) three months' written notice if there is a material change in his role during the term of employment or (2) at least six months' written notice which, only in the case of David Turner, may not be given until after the second anniversary of commencement of employment.

(D) In addition, David Turner may terminate his employment upon giving at least three months' prior written notice before the second anniversary of the commencement of his employment, such termination to be effective on the day prior to the second anniversary of his employment.

(iv) *The consequences of termination*

Where the agreement may be terminated with notice under either paragraph (iii)(B) or (iii)(C) above Brambles may elect to waive the notice period and instead pay the relevant Executive:

(A) where Brambles terminates the employment of the relevant Executive under paragraph (iii)(B), two times his total fixed remuneration and two times his average annual cash bonus. The Brambles Shares comprising the sign-on grant will vest on a pro-rata basis for the time period that has elapsed irrespective of the performance hurdle. In addition, options and other Performance Shares will also vest in accordance with their terms of issue (see paragraphs (ii)(D) and (E) above); and

(B) where the Executive terminates his employment under paragraph (iii)(C)(2), half his total fixed remuneration and half his average annual cash bonus. In addition, Performance Shares (including the Brambles Shares comprising the sign-on grant) will also vest on a pro-rata basis for the time period that has elapsed in accordance with their terms of issue. Options, Performance Shares and Brambles Shares comprising the sign-on grant which have vested will be exercisable in accordance with their terms of issue.

Where the agreement is terminated under paragraph (iii)(C)(1) above, the relevant Executive is entitled to the same payments and benefits as if Brambles had terminated the employment and elected to waive the relevant Executive's services as set out in paragraph (iv)(A) above.

Where David Turner terminates his employment in the circumstances set out in paragraph (iii)(D) above, Brambles shall pay him one times his total fixed remuneration and one times his average annual cash bonus. Options granted on the commencement of employment and two thirds of those options granted on the first anniversary will vest subject to the application of any performance hurdle in accordance with the terms of their issue and be exercisable for a period of six months from vesting (after which, if not exercised, they will lapse). Rights to Performance Shares granted on the commencement of employment, two thirds of rights to Performance Shares granted on the first anniversary and Brambles Shares comprising the sign-on grant will vest subject to the performance hurdle (without any retesting). If he has not obtained alternative employment by the first anniversary of the date of termination (provided he has not been or has not unreasonably declined to be employed by Brambles in a suitable position in the Combined Group in the UK materially commensurate with his expertise and experience) he will be entitled to a further payment of one times his total fixed remuneration payable in twelve monthly instalments, which instalments shall cease if he has obtained alternative employment or has been or has unreasonably declined to be employed by Brambles as described in this paragraph.

Where the agreement is terminated by the death of the Executive, the estate of the relevant Executive is entitled to 1.3 times the relevant Executive's total fixed remuneration.

Except as set out in this paragraph (iv), all options, rights to Performance Shares and rights to Brambles Shares under the sign-on grant which have not vested at the date of termination will lapse.

(v) *Covenants*

Under the agreements the Executives have agreed to observe certain covenants throughout their employment and for a period after termination. These include an agreement not to compete with the business, nor solicit employees, contractors or the custom of clients and suppliers of the Combined Group and to maintain the confidentiality of certain information.

(b) ASX Listing Rule 10.11

Listing Rule 10.11 provides, among other things, that a listed entity must not issue equity securities to a related party without shareholder approval. The proposed sign-on grant of rights over Brambles Shares to Sir C.K. Chow and David Turner (who are proposed directors of Brambles and will be directors of Brambles at the time of the proposed grant, and who are therefore related parties of Brambles), fall within this rule.

Accordingly, two of the resolutions on which Brambles Shareholders are being asked to vote are resolutions to approve the sign-on grant of rights to Sir C.K. Chow and David Turner respectively (see Resolutions 14 and 15 set out in the Notice of Meeting at the back of this document).

Listing Rule 10.13 requires the Notice of Meeting and Information Memorandum to include the following specified information in relation to the approvals sought under Listing Rule 10.11:

(i) Name of persons to whom the equity securities are to be issued: Sir C.K. Chow and David Turner.

(ii) The number of equity securities to be issued to each person: rights in respect of 107,300 Brambles Shares (increased pro rata to the Brambles Additional Shares issued under the Brambles Additional Share Issue) to Sir C.K. Chow and in respect of 54,700 Brambles Shares (increased pro rata to the Brambles Additional Shares issued under the Brambles Additional Share Issue) to David Turner.

(iii) The date by which the equity securities will be issued: on Completion, which is expected to be 7 August 2001.

(iv) The issue price of the securities: nil consideration.

(v) A statement of the terms of issue: see paragraph (a) above.

(vi) A voting exclusion statement: see the notes behind the Notice of Meeting.

(vii) The intended use of the funds raised: not applicable (securities issued as remuneration).

As disclosed in Sections 8.5(a)(ii)(D) and (E) above, the options and rights to Performance Shares will be subject to subsequent shareholder approval under the ASX Listing Rules. It is expected that the initial grants of options and rights to Performance Shares will be sought at the next annual general meeting of Brambles.

(c) Non-executive Directors

The non-executive Directors will be appointed by letters of appointment from each Company. The initial term of each appointment is up to a maximum of three years. See Section 3.5 for details of proposed non-executive Directors' remuneration.

Sir David Lees, Sir John Parker and Roy Brown will continue to be directors of GKN and New GKN following Completion.

8.6 Directors' Indemnity

Brambles has executed a Deed Poll of Indemnity in favour of those of your Directors who are proposed to become directors of Brambles (UK) on Completion. Although the Indemnity has been agreed, it is subject to approval by Brambles Shareholders under Chapter 2E of the Corporations Law. An overview of the Indemnity, together with your Directors' reasons for recommending its approval, is set out in Section 3.4.

The key terms of the Indemnity are as follows:

(a) Indemnified parties

The Indemnified Directors in favour of whom the Indemnities have been granted are: Don Argus AO, Mark Burrows, Allan McDonald, Ron Milne and Graham Kraehe.

(b) Indemnity

Subject to certain exclusions, Brambles will indemnify each of the Indemnified Directors in respect of any liability of the Indemnified Director which arises directly or indirectly as a result of him being named as a proposed director of Brambles (UK) in the Brambles (UK) Listing Particulars, or in connection with any representations of warranties or any information provided to any person by the Indemnified Director in relation to the proposed admission of the Brambles (UK) Shares to the Official List of the UK Listing Authority.

(c) Exclusions

In summary, the Indemnity does not cover any liability in respect of which an indemnity is prohibited under the Corporations Law (or any other law), any liability arising from fraud, wilful misconduct, bad faith or knowingly wrongful conduct on the part of the Indemnified Director, and any liability which is recoverable under Brambles (UK)'s directors and officers (**D&O**) insurance coverage.

The Indemnity also sets out the following:

(a) the obligation of the Indemnified Director to promptly notify Brambles of any claim or potential claim;

(b) the requirement for the Indemnified Director to take such action as Brambles reasonably requires to pursue any available claim in mitigation at Brambles' expense, provided Brambles has loaned to the Indemnified Director the amount which it would otherwise be required to pay by way of indemnity, such amount to be set off/repaid (as applicable) once the indemnified amount is ascertained;

(c) the requirement for the Indemnified Director to subrogate his rights to Brambles or otherwise take such action as Brambles reasonably requires;

(d) the ability of Brambles (in its absolute discretion) to decide to loan to an Indemnified Director money to fund the costs of defending an action covered by the Indemnity;

(e) the exclusion from the Indemnity of any claim to the extent that the Indemnified Director has made an admission without Brambles' consent (which consent is not to be unreasonably withheld);

(f) the entitlement of Brambles to conduct the defence of a claim in the name of the Indemnified Director in circumstances where Brambles has acknowledged its liability to indemnify the Indemnified Director, has provided security for all legal and other costs, has satisfied the Indemnified Director of its financial ability to indemnify him, and has obtained legal advice from senior counsel that there is a reasonable prospect of successfully defending the claim, in which case there is an obligation on the Indemnified Director to render all reasonable assistance and co-operation in the conduct of such defence;

(g) the continued operation of the Indemnity notwithstanding the Indemnified Director's ceasing to be a Director or proposed Director of Brambles (UK);

(h) the ability of Brambles to claw back as an on-demand loan any amount paid to an Indemnified Director in excess of the amount actually ascertained and payable by way of indemnity; and

(i) the requirement that the amount payable by way of indemnity is to be calculated on a net (that is, after-tax) basis.

The Indemnity may not be assigned by the Indemnified Directors without the written consent of Brambles. The Indemnity is governed by the laws of New South Wales.

8.7 Share option schemes

(a) Brambles

(i) Details of unlisted options in Brambles

As at 18 June 2001 (being the latest practicable date prior to publication of this document), Brambles has on issue 9,886,712 unlisted options under the Brambles employee option plan **(EOP)**. Each option entitles the holder, on the payment of the subscription amount, to be issued one Brambles Share. With an issued capital of 232,010,516 Shares at 18 June 2001, this equates to approximately 4.3% of Brambles' issued share capital, excluding any shares issued pursuant to the Brambles Additional Share Issue. The unlisted options are not listed on the ASX and, under the terms and conditions of the plans, these options are not capable of being transferred to any other person. On exercise of the options, Brambles Shares are issued and are listed on the ASX. No other securities are capable of being converted into Brambles Shares.

(ii) Summary of the Brambles Employee Option Plan (**EOP**)

Brambles' EOP includes the following share option schemes **(Schemes)**:

(A) **Qualifying Option Scheme** (for certain Australian employees): The Qualifying Option Scheme is intended to comply with Australian taxation requirements as a result of which tax benefits flow to the recipient of the options and to Brambles.

(B) **International Trust Scheme** (mainly to cover certain employees in the United States): The International Trust Scheme is a structure which permits options to be issued in the United States and may potentially be used in other jurisdictions.

(C) **Standard Scheme** (applying generally): The Standard Scheme may be used to supplement options issued under another Scheme or where neither of the other Schemes is appropriate.

The Schemes all have substantially the same terms. An employee may be invited to participate in more than one Scheme.

Persons are eligible to participate in the offer of options under the EOP if they are permanent employees or Directors of Brambles, its subsidiaries and any associated entities (where Brambles has a minimum 20% interest), subject to any eligibility restrictions determined by the Directors. Eligibility under the Qualifying Option Scheme is set having regard to the requirements of Australian taxation law. Eligibility does not confer any right to receive an offer of options. Options will be issued to the eligible employee or an entity approved by the Directors.

EOP options are exercisable at an exercise price equal to the market price of Brambles Shares at the time the option is issued. No payment is required for the grant of options. The number of options offered to an employee under any Scheme is at the discretion of the Directors.

The Directors have the power to impose conditions upon the vesting or exercise of options issued under any Scheme except in relation to options issued under the Qualifying Option Scheme for so long as such conditions would have an adverse taxation impact. Performance-based conditions are currently imposed on options issued to all senior executives. If performance or other conditions are not satisfied, all or some of the options lapse or are carried forward, as determined by the Directors.

The first date for exercise of any option under any Scheme is determined by the Directors on grant (having regard to applicable tax law) provided that the first date for exercise must not occur within the first 2 years after grant (except where the first date for exercise is accelerated pursuant to the Scheme rules). EOP Options expire on a date determined by the Directors up to a maximum of six years from the date of grant of the options. The total number of share options held at any time under any of Brambles' employee share schemes is limited to, broadly, no more than 10% of Brambles' issued share capital.

Following the exercise of any options, Brambles shall issue the relevant shares to the optionholder and apply for listing of those shares. The issued shares will rank equally with existing Brambles Shares.

In the Directors' discretion, options issued under the Standard Scheme and International Trust Scheme may be forfeited by the employee where the Directors are satisfied in their absolute discretion that the employee has committed a fraud or other serious act of misconduct. No similar provision applies to options issued under the Qualifying Option Scheme as it would result in forfeiture and a loss of the tax benefit.

EOP options are not transferable.

The EOP includes provision for loans and other financial accommodation to be given to optionholders, other than Brambles Directors, to enable the exercise of those options.

(iii) Details of the issue of share options over Brambles Shares

Details of the issue of share options over Brambles Shares as at 31 December 2000 are set out in Annexure A. Since 31 December 2000 there has been one further issue of share options over Brambles Shares under the Brambles' EOPs. This consisted of the issue of 98,000 options, expiring on 24/10/2006 with an exercise price of A$50.23.

(b) Brambles (UK)

Brambles (UK) intends to consider the adoption of a number of employee share schemes following Completion and, if it decides to proceed with any, proposals will be sent to Shareholders for approval in due course as appropriate.

8.8 Brambles' Overseas Shareholders Dividend Plan (OSDP)

Brambles currently has in place an Overseas Shareholders Dividend Plan (**OSDP**) under which Brambles Shareholders may elect to receive dividends from Brambles Investments plc, a UK subsidiary of Brambles, in lieu of dividends they would otherwise be entitled to receive from Brambles.

Brambles Shareholders who elect to participate in the OSDP receive a fully paid non-voting income share (**Income Share**) of one pence in the capital of Brambles Investments plc.

The amount of dividends paid on each Income Share is determined by the directors of Brambles Investments plc (in their absolute discretion). The dividend paid on an Income Share will generally be equal to the dividend payment the Brambles Shareholder would have been entitled to receive from Brambles had he or she not participated in the OSDP, but will not be more.

To the extent a Brambles Shareholder receives dividend payments from Brambles Investments Plc, he or she foregoes the right to receive dividends from Brambles. If the dividend paid on the Income Share does not match the dividend which the Brambles Shareholder would otherwise have received from Brambles, then Brambles is obliged to pay a dividend to that Brambles Shareholder equal to the shortfall.

It is presently intended that the OSDP will continue to be offered to Brambles Shareholders following implementation of the DLC Proposal.

The continued operation of the OSDP will not affect the economic and voting rights of Shareholders under the DLC Structure as described in Section 6 above because:

(a) participation in the OSDP does not affect a Brambles Shareholder's voting rights in Brambles; and

(b) under the DLC Structure, Brambles and Brambles (UK) will calculate any dividend payable to Shareholders on a pre-election basis (that is, without regard to any elections made by Brambles Shareholders under the OSDP).

8.9 Litigation

No member of the Combined Group is, or has been, engaged in any legal or arbitration proceedings which have or have had, during the 12 months preceding the date of this document, a significant effect on the Combined Group's financial position, nor, so far as the Directors are aware, are any such proceedings pending or threatened by or against any member of the Combined Group.

8.10 Financing arrangements

Due to the GKN Demerger and DLC Structure, Brambles and Brambles (UK) will need to refinance existing borrowings with existing lenders with effect from Completion.

For that purpose, under an Underwriting Letter dated 19 June 2001 from Brambles, Brambles (UK) (each a ***Company***) and GKN to ABN Amro Bank NV, Commerzbank AG, Commonwealth Bank of Australia, Deutsche Bank AG London, HSBC Investment Bank plc and National Australia Bank Limited (each a **Joint Lead Arranger**), the Joint Lead Arrangers severally agree to underwrite a syndicated multicurrency backstop loan facility totalling US$3.4 billion or its equivalent for the Companies and other members of the Combined Group for the purpose of refinancing existing indebtedness and ongoing corporate purposes. A Joint Lead Arranger may designate another entity in the same group as the Joint Lead Arranger to assume its rights and obligations under the Underwriting Letter. The amount of the syndicated facility and underwriting may be reduced to take account of bilateral facilities referred to below and, subject to that reduction, will comprise a five year revolving tranche for a maximum amount of US$1.4 billion, a five year term tranche for a maximum amount of US$1 billion and a two year revolving tranche for a maximum amount of US$1 billion. If there is a reduction it will be applied against the first mentioned tranche, then the second, then the third.

The agreement for the syndicated facility is to be signed three days after Brambles and GKN have received all necessary shareholder approvals for the DLC Proposal, or if earlier, 31 August 2001 in an agreed form which comprises terms and conditions (including representations and warranties, undertakings and events of default) typical for transactions of this type. The syndicated facility would become available for drawing on and from Completion. The interest rate on the syndicated facility will be at a commercial margin over LIBOR or EURIBOR, depending on the currency.

In the Underwriting Letter the Joint Lead Arrangers agree to provide bilateral facilities to the Companies and certain members of the Combined Group. The bilateral facility agreements are to be entered into in an agreed form on terms and conditions typical for transactions of this type (including representations and warranties, undertakings and events of default). The interest rate on the Bilateral Facilities will be at a commercial margin over LIBOR, EURIBOR or the Australian bank bill rate or other applicable base rate. The bilateral facilities would be available on and from Completion for refinancing existing facilities of the Combined Group and for general corporate purposes.

During the period from the date of the Underwriting Letter until the day after Brambles and GKN have received all necessary shareholder approvals for the DLC Proposal, or if earlier, 29 August 2001 (the **Bilateral Period**) Brambles and GKN on behalf of Brambles (UK) will formally be approaching other existing relationship banks to seek further bilateral facilities for the Combined Group.

The amount of the syndicated facility and the amount underwritten will be reduced to the extent that the Companies enter into agreements relating to committed bilateral facilities with the other relationship banks during the Bilateral Period and with Joint Lead Arrangers.

The Companies are required to reimburse the Joint Lead Arrangers for their expenses on a several basis. Each Company also indemnifies the Joint Lead Arrangers in relation to claims against them arising out of the transactions contemplated by the Underwriting Letter. The liability of the Companies in each case is several in the proportion of 57 to 43, such that 57% of any such liability shall lie with Brambles and 43% of any such liability shall lie with Brambles (UK). GKN has guaranteed to the Joint Lead Arrangers the due and punctual performance by Brambles (UK) of its obligations under the Underwriting Letter. This guarantee continues in full force and effect until the Demerger becomes effective, at which time such guarantee is automatically released and GKN is held harmless by the Companies against all liabilities under it. The obligations under the Underwriting Letter shall cease on the earlier of the date of termination of the Merger Agreement or, if the DLC Proposal has not been implemented by such date, on 31 October 2001. The conditions precedent to availability of the underwritten facilities are standard for financing arrangements of this nature and include the obtaining of shareholder approvals and Court approvals necessary for Completion occurring.

8.11 CHEP and CLEANAWAY joint ventures

The GKN Support Services Activities are to be transferred to Brambles (UK) pursuant to the GKN Demerger. The CHEP businesses (other than in Australia, New Zealand and Southern Africa) and the CLEANAWAY businesses in Europe have been operated to date as joint ventures between members of the GKN and Brambles Groups. As the DLC Structure does not involve the transfer of any of the underlying assets of either the Brambles Group or the Brambles (UK) Group from either group to the other, the various existing joint venture arrangements will continue following Completion.

All of the joint ventures will be, as between Brambles and Brambles (UK), 50:50 deadlock joint ventures and, as such, all decisions which are reserved for determination by Brambles and Brambles (UK) in their capacities as shareholders in the joint ventures must be taken unanimously. The operation of the various joint ventures is regulated by a series of agreements which govern, amongst other matters, the geographic scope and future expansion of the jointly-owned CHEP and CLEANAWAY businesses and the financing structure and dividend policy of the joint ventures. The joint venture agreements also typically impose various non-compete obligations on the parties and give the parties pre-emption rights in the event of a proposed sale by the other party of its interest in the joint venture.

The joint venture agreements generally provide that, in the event of a material breach by either party, the innocent party may terminate the relevant agreement. The effect of termination is generally that the party in breach is obliged to offer to sell all of its shares in the joint venture entity to the innocent party for a price agreed by the parties or, in the absence of an agreement as to price, for the fair market value of the shares as independently determined.

In order to give effect to the DLC Structure, the various businesses comprising the Combined Group will be operated, so far as possible, as a single economic enterprise. Accordingly, in operating the DLC Structure the Boards of Brambles (UK) and Brambles may choose to terminate, modify, or waive or suspend compliance with, the specific terms of the joint venture agreements.

8.12 The Merger Agreement between Brambles and GKN

This agreement governs the implementation of the DLC Proposal and was executed by Brambles and GKN on 19 April 2001. The material provisions of the Merger Agreement include:

(a) Obligations

Under the terms of the Merger Agreement, following satisfaction of certain Conditions (see Section 5.8) and the giving of an Election Notice by one party to the other (see Section 5.9):

(i) GKN has agreed to implement the Demerger;

(ii) the parties have agreed to implement the DLC Structure by Brambles allotting and issuing the Brambles Special Voting Share to Brambles SVC, and by Brambles (UK) allotting and issuing the Brambles (UK) Special Voting Share to Brambles (UK) SVC;

(iii) Brambles and Brambles (UK) will enter into the DLC Agreements;

(iv) Brambles and Brambles (UK) will appoint to their respective Boards such persons as have been nominated by GKN and Brambles so as to ensure that the Boards of each Company are identical; and

(v) Brambles and GKN have warranted to each other that the information provided to each other for the purposes of providing documentation to be sent to shareholders complies with all applicable laws and regulations relating to the content, accuracy and completeness of the relevant documentation.

(b) Net cash balance

GKN has agreed to use its reasonable endeavours to procure that the net cash and debt balance of the wholly owned businesses comprised within the GKN Support Services Activities on the last GKN accounting month end immediately prior to completion of the GKN Demerger will be zero. In the event that the net cash balance is not zero, a balancing payment mechanism will be implemented in order to ensure that the net cash balance on Completion is zero.

(c) Demerger

GKN is permitted to implement the GKN Demerger in such manner as it thinks fit. However, if it decides to do so other than in accordance with an agreed list of steps, it must first consult with and obtain the approval of Brambles. Brambles may not withhold its approval unless it has a specified material reason for doing so. Material reasons for withholding approval would include where the matter in respect of which such approval is required would or (in Brambles' reasonable opinion) would be likely to:

(i) cause a material restriction on Brambles (UK)'s ability to distribute its profits;

(ii) have a material adverse effect on Brambles (UK) or the Brambles (UK) Group as a whole or their ability to conduct their businesses or affairs in accordance with past practices or to carry out a material corporate reorganisation or would have a material adverse effect on Brambles Shareholders or Brambles (UK) Shareholders as a whole;

(iii) significantly increase the risk that any indemnities contained in the Demerger Agreement will need to be relied on by Brambles (UK);

(iv) adversely affect Brambles' or Brambles (UK)'s reputation or standing with a governmental agency, financiers or investors;

(v) give rise to a materially increased risk of the potential insolvency of a transferor company in respect of the GKN Demerger or cause a material breach of applicable laws and regulations; or

(vi) give rise to a materially increased risk that a condition to the Merger Agreement would not be satisfied,

in each case when compared to the position that would arise if the Demerger was carried out in accordance with the agreed list of steps.

The Merger Agreement also sets out the terms of the Demerger Agreement, further details of which are given in Section 5.6.

(d) Structuring of Brambles (UK)

The ownership of certain of the GKN Support Services Activities is to be transferred to a new wholly-owned UK subsidiary of GKN (***IS Holdco***) in exchange for shares in IS Holdco or for a cash consideration. Subsequently, it is intended that IS Holdco will effect a bonus issue of shares to its immediate parent company and apply to the Court to effect a capital reduction of part of its issued share capital to create distributable reserves from which dividends can be paid by that company. If the Court does not make the relevant capital reduction order then GKN has agreed to pay an aggregate amount equal to £14.7 million (A$39.2 million, based on an exchange rate of A$2.6661:GB£1) in cash (on an after-tax basis) to Brambles (UK) or its nominee(s) in order to compensate it for not having distributable reserves in IS Holdco. Subject to the fulfilment of certain conditions, the ownership of IS Holdco will be transferred to Brambles (UK) or its nominees pursuant to the GKN Demerger.

In addition, certain GKN Support Services Activities (consisting of certain shares in CHEP Europ BV, CHEP France Holdings SA, CHEP Deutschland GmbH and CLEANAWAY Deutschland Holdings GmbH) are proposed to be transferred to a wholly-owned US subsidiary of GKN **(GKN Industries Inc)** as part of the reorganisation of the GKN Group in preparation for the proposed GKN Demerger. The ownership of GKN North America Inc, the holding company of GKN Industries Inc, will also be transferred to

Brambles (UK) pursuant to the GKN Demerger. As a result of GKN Industries Inc. acquiring ownership of those GKN Support Services Activities:

(i) future dividends paid on those shares may bear higher overall taxes than if those shares were held directly by Brambles (UK) or by a United Kingdom subsidiary of Brambles (UK); and

(ii) profits or gains on subsequent disposals by GKN Industries Inc. of those shares may be subject to higher taxes (in the United States) than if those shares were held directly by Brambles (UK) or by a United Kingdom subsidiary of Brambles (UK).

(e) Costs

Brambles (UK) will contribute to the reasonable professional costs and expenses incurred by GKN in connection with the negotiation and implementation of the Merger Agreement and the DLC Agreements up to a maximum of A$37.5 million (excluding VAT).

8.13 Other material contracts of the Brambles Group

The following are all contracts (not being contracts entered into in the ordinary course of business) which have been entered into within the two years immediately preceding the date of this document and are or may be material and all other contracts (not being contracts entered into in the ordinary course of business) which contain any provision under which any member of the Brambles Group has any obligation or entitlement which may be material:

(a) the Indemnity summarised in Section 8.6 above; and

(b) the Merger Agreement summarised in Section 8.12 above.

8.14 Other material contracts of the Brambles (UK) Group

Set out below are summaries of all contracts (not being contracts entered into in the ordinary course of business) which have been entered into by a member of the Brambles (UK) Group within the two years immediately preceding the date of this document and are or may be material to the Combined Group and all other contracts (not being contracts entered into in the ordinary course of business) which contain any provision under which any member of the Brambles (UK) Group has any obligation or entitlement which may be material to the Combined Group:

(a) An agreement dated 4 May 2000, as amended on 19 May 2000 and 5 June 2000, between CLEANAWAY Deutschland Holding GmbH, GKN Automotive International GmbH, Brambles Holdings Deutschland GmbH (together, the **Purchasers**) and Waste Management International BV, for the sale of the entire issued share capital of WMD Waste Management Deutschland Holding GmbH **(WMD)**, holding company of the Waste Management Inc. group in Germany, to the Purchasers, for a cash consideration of DEM 178,700,000. The agreement includes a restrictive covenant which prohibits Waste Management International BV from competing with the business of WMD and its subsidiaries until 15 June 2003 in the locations where WMD and its subsidiaries carried on business at the date of the agreement. WMD is involved in the collection, disposal, transfer and treatment of various kinds of waste.

(b) An agreement dated 9 January 2001 between 3i Group Plc and others and CLEANAWAY Limited, pursuant to which CLEANAWAY Limited acquired the entire issued share capital of ServiceTeam Holdings Limited for a consideration of GB£45.6 million in cash and GB£9.4 million in loan notes. The agreement includes a restrictive covenant which prohibits the managers and chairman of ServiceTeam Holdings Limited from competing with the business of CLEANAWAY Limited, its subsidiaries and Morrison Serviceteam Limited until 9 January 2004 in the United Kingdom. The business of Serviceteam Holdings Limited involves, inter alia, the provision of refuse collection, ground maintenance and street cleaning services.

(c) A sponsorship agreement dated 22 June 2001 between Brambles (UK) and UBS Warburg Ltd (the **Sponsorship Agreement**) pursuant to which UBS Warburg Ltd has agreed to act as sponsor in connection with the introduction of the Brambles (UK) Shares to listing on the Official List of the UK Listing Authority and to trading on the LSE (**Introduction**).

Brambles (UK) has undertaken in the Sponsorship Agreement (subject to the cap on expenses described in Section 8.12(e)) to bear all the expenses of or incidental to the Introduction. There is no provision in the Sponsorship Agreement for any separate fee or commission to be paid to UBS Warburg for services under that agreement.

The Sponsorship Agreement contains warranties given by Brambles (UK) to UBS Warburg Ltd of a kind which are customary for an agreement of this sort. In addition, the Sponsorship Agreement also contains indemnities from Brambles (UK) in favour of UBS Warburg Ltd in respect of certain potential liabilities connected with the Introduction.

8.15 Miscellaneous information

(a) Except as disclosed in this Information Memorandum and, in particular, in Section 1 in relation to current trading and prospects, there has been no significant change in the financial or trading position of Brambles since 31 December 2000, the date to which the last audited interim accounts were drawn up.

(b) Except as disclosed in this Information Memorandum and, in particular, in Section 1 in relation to current trading and prospects, there has been no significant change in the financial or trading position of the GKN Support Services Activities since 31 December 2000.

(c) Since 3 January 2001, the date of its incorporation, Brambles (UK) has not traded. Save for matters relating to the GKN Demerger and the DLC Proposal, there has been no significant change in the financial position of Brambles (UK) since 31 May 2001, the date to which the last financial information of Brambles (UK) was prepared, as set out in Section 2.

(d) It is estimated that the total expenses, including professional fees, printing and advertising costs, payable by Brambles and Brambles (UK) in connection with the transaction will amount to approximately A$82.5 million (excluding VAT and GST). It is further estimated that Brambles' share of the associated costs in connection with the transaction will amount to A$45 million.

(e) PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this Information Memorandum with its reports set out in Annexure A in the form and context in which they are included.

(f) Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this Information Memorandum with its report set out in Annexure B in the form and context in which they are included.

(g) Deloitte & Touche has given and has not withdrawn its written consent to the issue of this Information Memorandum with its reports set out in Annexures A and D in the form and context in which they are included.

(h) UBS Warburg Ltd has given and has not withdrawn its written consent to the issue of this Information Memorandum with its report set out in Annexure D in the form and context in which it is included.

(i) Macquarie Bank Limited has given and has not withdrawn its written consent to the issue of this Information Memorandum with its Fairness Report set out in Annexure C in the form and context in which it is included.

(j) The Demerger is intended to result in the transfer of all of GKN's right, title, obligations and interest in the GKN Support Services Activities to Brambles (UK). For legal and regulatory reasons, it may not be possible to effect the transfer of the 50% shareholding interest of the GKN Group in CHEP Malaysia to Brambles (UK) pursuant to the Demerger. If that is the case, it is intended that the GKN Group would retain that shareholding interest under arrangements which contemplate its transfer in the future. CHEP Malaysia is at an early stage of developing its business and does not, at present, make a material contribution to the financial results of the GKN Support Services Activities.

8.16 Documents available for inspection

Copies of the following documents will be available for inspection by Brambles Shareholders during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to and including the day of the Brambles Meeting at Brambles' registered office (Level 40, Gateway, 1 Macquarie Place, Sydney, New South Wales, Australia):

(a) the existing Brambles Constitution and the proposed new Brambles Constitution (also available on the Brambles website (**www.Brambles.com**);

(b) the Memorandum of Association of Brambles (UK) and the proposed new Brambles (UK) Articles;

(c) the published audited consolidated accounts of Brambles for each of the two financial years ended 31 June 1999 and 2000;

(d) the reports by PricewaterhouseCoopers set out in Annexure A;

(e) the reports of Deloitte & Touche set out in Annexures A and D;

(f) the report of Deloitte Touche Tohmatsu set out in Annexure B;

(g) the report of UBS Warburg Ltd set out in Annexure D;

(h) the Fairness Report of Macquarie Bank Limited set out in Annexure C;

(i) the unaudited interim results for Brambles for the half year to 31 December 2000;

(j) a memorandum setting out the Directors' service contracts referred to in Section 8.5;

(k) the Indemnity referred to in Section 8.6;

(l) the DLC Agreements referred to in Section 6 and the agreed form of Demerger Agreement referred to in Section 5.6;

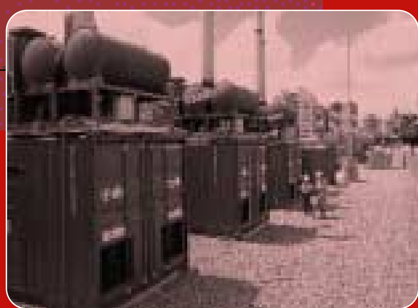
(m) the written consents referred to in Section 8.15;

(n) the Brambles (UK) Listing Particulars, the New GKN Listing Particulars, and the GKN Circular.

BRAMBLES

Annexure A

Historical Financial Information



FINANCIAL INFORMATION RELATING TO BRAMBLES AND BRAMBLES (UK)

HISTORICAL BRAMBLES FINANCIAL INFORMATION

Historical financial information relating to Brambles for the three financial years to 30 June 2000

The financial information given on pages 135 to 175 is prepared in accordance with Australian GAAP. Statutory accounts for Brambles have been delivered to the ASIC for each of the three years ended 30 June 2000.

Deloitte Touche Tohmatsu, Chartered Accountants, Grosvenor Place, 225 George Street, Sydney, NSW 2000, are auditors to Brambles and reported on the published financial information referred to above without qualification for each of the years ended 30 June 1998, 30 June 1999 and 30 June 2000. The audit reports in each of the three years did not refer to any matter of fundamental uncertainty.

The financial information set out on pages 135 to 175 below has been extracted without material adjustment from the published audited consolidated financial statements of Brambles for the years ended 30 June 1998, 1999 and 2000.

Historical financial information relating to Brambles for the six months ended 31 December 2000

The financial information for the six months ended 31 December 2000 set out in this Annexure should be read together with the Accountants' Report from Deloitte & Touche which has been extracted from the Brambles (UK) Listing Particulars and is contained herein.

HISTORICAL BRAMBLES (UK) FINANCIAL INFORMATION

On pages 184 to 222 is an accountant's report prepared by PricewaterhouseCoopers for inclusion in the Brambles (UK) Listing Particulars containing historical financial information prepared in accordance with UK GAAP on the GKN Support Services Activities (in this Annexure referred to as "GSS") which following the Demerger will be owned by Brambles (UK). The financial information shows the results of operations and the financial position of GSS for the periods presented as if GSS had been in existence as an entity since 1 July 1997.

On pages 219 to 220 is a summary of differences between UK GAAP and Australian GAAP of GSS for the 3 1/2 years ended 31 December 2000 and a report from PricewaterhouseCoopers on the reconciliations to Australian GAAP.

Also included on pages 223 to 224 is anaccountants report prepared by PricewaterhouseCoopers for inclusion in the Brambles (UK) Listing Particulars on thefinancial statements of Brambles (UK) for the period ended 31 May 2001.

Consolidated Profit and Loss Statements

	Notes	*Six months ended 31 December 2000 A$m*	*Year ended 30 June 2000 A$m*	*1999 A$m*	*1998 A$m*
Trading revenue					
Controlled entities	2	1,699.8	3,191.9	3,104.4	2,938.4
Equity share of associates (including CHEP USA)		1,049.6	1,730.9	1,586.9	1,075.5
Total trading revenue		2,749.4	4,922.8	4,691.3	4,013.9
Operating profit before abnormal items and income tax	2	240.6	501.7	463.0	414.5
Abnormal items before income tax	3	(195.0)	(23.3)	—	28.6
Operating profit before income tax		45.6	478.4	463.0	443.1
Income tax attributable to operating profit before abnormal items	4	(57.8)	(135.0)	(131.5)	(129.6)
Income tax attributable to abnormal items	3/4	46.0	27.9	—	(27.7)
Operating profit after income tax		33.8	371.3	331.5	285.8
Outside equity interests in operating profit after income tax		(0.9)	(1.9)	(1.0)	(1.6)
Operating profit after income tax attributable to members of the chief entity		32.9	369.4	330.5	284.2
Retained profits at the beginning of the financial period		881.6	692.9	548.9	400.5
Equity accounting adjustment		—	—	—	(25.5)
Aggregate of amounts transferred from reserves	17	1.2	4.9	0.5	56.7
Total available for appropriation		915.7	1,067.2	879.9	715.9
Dividends provided for or paid	17	(95.1)	(185.6)	(177.1)	(165.9)
Aggregate of amounts transferred to reserves	17	(12.7)	—	(9.9)	(1.1)
Retained profits at the end of the financial period		807.9	881.6	692.9	548.9

Consolidated Balance Sheets

	Notes	*As at 31 December 2000 A$m*	*As at 30 June 2000 A$m*	*1999 A$m*	*1998 A$m*
Current assets					
Cash	26	101.6	145.2	76.3	58.9
Receivables	5	751.4	666.1	553.6	713.4
Inventories	6	105.3	128.0	100.8	99.1
Other	7	52.1	32.7	24.9	23.9
Total current assets		1,010.4	972.0	755.6	895.3
Non-current assets					
Receivables	5	21.6	20.4	19.5	21.6
Investments in associates	8/24	606.9	512.7	389.0	340.3
Other investments	8/24	412.9	335.5	186.9	129.4
Inventories	6	1.0	1.3	1.9	2.0
Property, plant and equipment	9	2,182.2	2,264.9	2,182.5	2,184.8
Intangibles	10	546.6	553.2	379.8	326.9
Other	11	51.8	41.8	39.9	55.3
Total non-current assets		3,823.0	3,729.8	3,199.5	3,060.3
Total assets		4,833.4	4,701.8	3,955.1	3,955.6
Current liabilities					
Accounts payable	12	463.4	529.2	408.9	406.3
Borrowings	13	46.8	20.8	33.3	46.6
Provisions	14	284.4	278.9	252.9	311.6
Total current liabilities		794.6	828.9	695.1	764.5
Non-current liabilities					
Accounts payable	12	5.0	5.6	6.2	7.7
Borrowings	13	1,727.7	1,562.8	1,233.8	1,300.2
Provisions	14	191.0	236.7	228.8	191.9
Total non-current liabilities		1,923.7	1,805.1	1,468.8	1,499.8
Total liabilities		2,718.3	2,634.0	2,163.9	2,264.3
Net assets		2,115.1	2,067.8	1,791.2	1,691.3
Shareholders' equity					
Share capital	15	1,111.7	1,059.1	997.7	112.2
Reserves	16	178.7	109.5	84.3	1,015.5
Retained profits	17	807.9	881.6	692.9	548.9
Shareholders' equity attributable to members of the chief entity		2,098.3	2,050.2	1,774.9	1,676.6
Outside equity interests in controlled entities	18	16.8	17.6	16.3	14.7
Total shareholders' equity		2,115.1	2,067.8	1,791.2	1,691.3

Consolidated Statements of Cash Flows

	Six months ended 31 December	*Year ended 30 June*		
	2000	*2000*	*1999*	*1998*
	A$m	*A$m*	*A$m*	*A$m*
Cash flows from operating activities				
Receipts in the course of operations	1,646.6	3,151.6	3,134.9	2,935.3
Payments in the course of operations	(1,371.9)	(2,494.5)	(2,380.0)	(2,231.2)
Dividends received from associates	43.2	80.1	84.1	77.7
Other dividends received	—	—	0.1	0.1
Interest received	7.7	9.8	5.3	6.1
Interest paid	(54.8)	(79.3)	(84.7)	(71.5)
Income taxes paid	(58.3)	(62.3)	(113.3)	(93.5)
Net operating cash inflows	212.5	605.4	646.4	623.0
Cash flows from investing activities				
Purchase of property, plant and equipment	(285.3)	(488.8)	(657.7)	(651.4)
Proceeds from sale of property, plant and equipment	41.9	204.8	217.1	121.3
Acquisition of entities	(84.6)	(255.5)	(146.3)	(189.6)
Purchase of other investments	(31.4)	(64.9)	(74.3)	(85.8)
Proceeds from sale of entities	93.3	56.8	154.5	107.0
Proceeds from sale of business and other investments	—	10.4	11.2	12.1
Loans to associates	(15.3)	(84.8)	(28.8)	(29.4)
Loans repaid by associates	—	33.3	—	21.0
Other	(1.8)	—	—	—
Net investing cash outflows	(283.2)	(588.7)	(524.3)	(694.8)
Cash flows from financing activities				
Proceeds from issues of shares	52.6	61.7	54.7	29.8
Borrowings:				
Proceeds	385.7	1,126.9	2,528.4	2,924.1
Repayments	(340.4)	(954.3)	(2,503.7)	(2,744.9)
Dividends paid:				
Shareholders of chief entity	(94.3)	(182.4)	(171.7)	(160.7)
Outside equity interests	(0.6)	(1.0)	(1.1)	(1.6)
Other cash inflows	—	—	—	10.3
Other cash outflows	(0.4)	(0.4)	(3.5)	(15.8)
Net financing cash inflows/(outflows)	2.6	50.5	(96.9)	41.2
Net (decrease)/increase in cash held	(68.1)	67.2	25.2	(30.6)
Cash at beginning of period	129.0	62.1	43.0	61.7
Exchange rate adjustment	4.0	(0.3)	(6.1)	11.9
Cash at end of period	64.9	129.0	62.1	43.0

1. Significant accounting policies

Basis of accounting

These financial statements are a general purpose financial report.

The financial statements have been made out in accordance with the requirements of the Corporations Law and comply with accounting standards applicable in Australia.

The financial statements are drawn up in accordance with the conventions of historical cost accounting, except to the extent that certain non-current assets have been revalued, as disclosed in these notes. The accounting policies adopted are consistent with those of the previous year. Comparative information is adjusted where appropriate to enhance comparability.

Principles of consolidation

The consolidated financial statements of Brambles include the financial statements of Brambles and all its controlled entities. The consolidation process eliminates all inter-entity accounts and transactions. The financial statements of overseas controlled entities have been prepared in accordance with overseas accounting practices and, for consolidation purposes, have been adjusted to comply with accounting standards and generally accepted accounting principles in Australia.

Investments in associates, where Brambles exercises significant influence, and other joint venture entities are accounted for using the equity method in the consolidated financial statements. Under this method, Brambles' share of the profits or losses of associates is recognised as revenue in the consolidated profit and loss statement, and its share of movements in reserves is recognised in consolidated reserves.

Foreign currency translation

Foreign currency transactions in the ordinary course of business are recorded at the rates of exchange applicable at the dates of the transactions. Any exchange differences arising from these transactions are taken to account in determining the operating profit and no amounts are carried forward.

Translation of the financial statements of overseas controlled entities and any hedge transactions relating thereto in overseas currencies is on the basis of exchange rates ruling at each balance date. The resultant differences arising therefrom are taken to the foreign currency translation reserve. Results of overseas controlled entities are converted to Australian currency at average exchange rates.

Revenue

Amounts disclosed as revenue are net of agency collections, duties and taxes paid.

Revenue is recognised on the following basis:

(a) revenue from the rendering of services is generally recognised by invoicing the customer following the provision of the service and/or under the terms of agreed contracts. Where services are provided under long term contracts the percentage of completion method is used to recognise applicable revenue. Where the outcome of a contract cannot be reliably estimated but the applicable costs are expected to be recovered, revenue is recognised only to the extent of costs incurred.

(b) revenue is recognised on property, plant and equipment disposed of in the ordinary course of business when control of the property has passed to the buyer.

Assets

Receivables

Debtors are shown at amounts receivable less provision for doubtful debts. Trade debtors are recognised when services are provided and settlement is expected within normal credit terms.

Known bad debts are written off. In addition, a general provision for doubtful debts is made in respect of the closing balance of trade debtors.

Inventories

Stock and stores on hand are valued at the lower of cost and net realisable value and where appropriate, provision is made for possible obsolescence. Work in progress, which represents partly-completed work undertaken at pre-arranged rates but not invoiced at balance sheet date, is recorded at cost or net realisable value.

Cost is determined on a first-in, first-out basis and, where relevant, includes an appropriate portion of overhead expenditure.

Recoverable amount of non-current assets

The carrying amounts of non-current assets are not stated at values in excess of their recoverable amounts. Recoverable amounts of assets are the net amounts expected to be recovered through the cash flows from their continued use and subsequent disposal. Except where noted, cash flows are not discounted.

Investments

Investments in associated companies, where Brambles exercises significant influence, are equity accounted as is the interest in the CHEP USA partnership.

Brambles' associated companies are all joint venture entities and, as required by AASB1006 – Interests in Joint Ventures, have now been aggregated in the Note 24 disclosures with the CHEP USA partnership, which is also a joint venture entity. Loans to equity accounted associated companies under formal loan agreements are long term in nature and are included as other investments. Other investments, where Brambles does not exert significant influence, are shown at cost and dividends are brought to account when received.

Property

Land and buildings were independently valued as at 1 January 1995. The properties were valued on an "in use" basis, and the book values of all freehold properties so valued, were adjusted to the respective amounts placed thereon by the directors. The directors relied on the independent values and valued the properties accordingly. No property was valued in excess of the independent value. The resultant net surplus was transferred to the asset revaluation reserve. Real estate purchases since 1 January 1995 are recorded in the financial statements at cost.

Brambles' policy is to obtain valuations for its properties every three years. In accordance with this policy, land and buildings were independently valued as at 1 January 1998 by licensed real estate valuers of the Jones Lang Wootton organisation in Australia, Expertim in Europe and various licensed valuers in the US. The properties were valued on an "in use" basis. Other than for writedowns to recoverable amount no adjustment has been made to the book values, as was the case in 1995. The revalued amounts are shown in Note 9. Potential capital gains tax is not taken into account in determining revaluation amounts as there is no intention to sell the assets concerned.

Depreciation of property, plant and equipment

Depreciation is charged in the financial statements so as to write off all property, plant and equipment, including landfill sites but excluding other freehold land, during their expected useful lives. Predominantly, the straight-line method of calculation has been used except for landfills, where the depreciation is based on capacity used of the total capacity available. The expected useful lives of property, plant and equipment are generally:

Buildings	50 years
Leasehold improvements	5-10 years
Plant and equipment (owned and leased)	5-20 years

Goodwill

Goodwill, being the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on the straight-line method. The amortisation period varies depending upon the acquisition up to a maximum of 20 years from the date of acquisition.

Liabilities

Accounts payable

Trade and other creditors represent liabilities for goods and services provided to Brambles prior to the end of the financial period and which are unpaid. The amounts are unsecured and are paid within normal credit terms.

Borrowings

Borrowings are carried at principal amounts. Interest at prevailing market rates is charged as an expense on an accruals basis.

Employee entitlements

Employee entitlements are provided by Brambles in accordance with the legal and social requirements of the country of employment. Principal entitlements are for annual leave, long service leave and contract entitlements, which, when vested, are classified as current liabilities.

Liabilities for employee entitlements which are expected to be settled within one year are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Goods and Services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

(a) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(b) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Income tax

The income tax expense for the period is the amount that would be payable on the pre-tax accounting profit adjusted for permanent differences. The effect of timing differences gives rise to movements on the future income tax benefit or provision for deferred income tax accounts. For Australia, the ordinary tax expense for 2000 is taken at a tax rate of 36 per cent. with the timing difference effect of the tax rate reduction to 34 per cent. for 2001 and 30 per cent. thereafter taken to account in 2000 as an abnormal item.

The provision for deferred income tax carried by certain overseas controlled entities has been calculated on the basis that certain differences between tax and accounting depreciation expense which arose in the past are permanent differences in that they are unlikely to reverse and give rise to an income tax liability in the foreseeable future. The provision for deferred income tax therefore covers only the estimated amount of income tax expected to be assessed in the future as a result of the reversal of timing differences.

Future tax benefits not recognised which are attributable to tax losses, including capital losses, total A$70.1 million as at 31 December 2000 (30 June 2000 – A$71.4 million, 1999 – A$63.0 million, 1998 – A$55.7 million). Such benefits will only be obtained if the applicable companies:

(a) derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;

(b) continue to comply with the conditions for deductibility imposed by tax legislation;

(c) are not adversely affected by changes in tax legislation in realising the benefit from the deductions for the loss.

The amount by which the provision for deferred tax has been reduced by future income tax benefits attributable to tax losses totals A$232.7 million as at 31 December 2000 (30 June 2000 – A$183.5 million, 1999 – A$137.6 million, 1998 – A$149.1 million). Where it is considered that the profits of overseas controlled entities may be distributed, withholding tax has been provided for in the consolidated financial statements.

Rounding off

As Brambles is a company of a kind referred to in Australian Securities and Investments Commission Class Order 98/0100, relevant amounts in the financial report and directors' report have been rounded to the nearest tenth of a million dollars in accordance therewith.

2. Operating profit

	Six months ended 31 December 2000 A$m	Year ended 30 June 2000 A$m	1999 A$m	1998 A$m
The following items have been recognised in the profit and loss statements:				
Revenue from operating activities				
Dividends received/receivable from:				
Other corporations	—	—	0.1	—
Interest received/receivable from:				
Associated companies	4.5	5.0	3.2	3.3
Other corporations	3.2	5.1	2.7	3.7
Sundry non-trading revenue	13.2	25.9	15.6	—
Proceeds from sale of non-current assets				
– ordinary	174.3	269.6	259.5	179.8
– abnormal	—	—	—	218.7
Total non-trading revenue	195.2	305.6	281.1	405.5
Share of associates' net profit attributable to members	82.7	133.5	106.2	78.1
Revenue from the rendering of services by controlled entities	1,699.8	3,191.9	3,104.4	2,938.4
Total revenue from operating activities	1,977.7	3,631.0	3,491.7	3,422.0
Net profit on disposal of non-current assets:				
Investments	22.0	17.7	10.8	10.0
Property, plant and equipment	13.2	72.6	64.0	59.7
Abnormal profit on disposal of businesses	—	—	—	53.3
Borrowing costs paid/payable to:				
Other corporations	57.1	85.2	85.0	70.1
Finance charges on capitalised leases	1.1	1.4	1.4	0.9
Borrowing costs capitalised	(0.5)	(0.3)	(3.4)	(2.2)
	57.7	86.3	83.0	68.8
Bad debts written off – trade debtors	4.0	6.4	5.9	8.0
– other debtors	—	0.2	0.8	—
Amounts transferred to/(from) provisions for doubtful debts	1.3	1.5	(0.2)	—
	5.3	8.1	6.5	8.0
Amortisation of:				
Goodwill	24.4	38.9	33.7	26.2
Leased assets capitalised	0.4	0.8	1.5	1.8
Leasehold improvements	2.5	4.0	4.1	4.7
Deferred expenditure	4.2	5.7	5.4	4.5
Depreciation of property, plant and equipment	212.3	413.7	416.9	368.4
Amounts transferred to/(from) provision for:				
Employee entitlements	22.5	56.9	68.2	50.1
Closedown and rationalisation	0.9	2.9	(2.5)	12.8
Other	8.2	4.2	(4.5)	31.3
Minimum lease payments for operating leases	54.8	76.1	77.5	63.2
Net foreign currency exchange profit	0.2	0.1	0.8	(1.8)

Earnings per share in cents per share (including abnormal items)

	Basic	Diluted
Six months ended 31 December 2000	14.3	14.3
Year ended 30 June 2000	162.0	160.0
Year ended 30 June 1999	146.3	144.2
Year ended 30 June 1998	127.3	125.7

Earnings per share in cents per share (excluding abnormal items)		
Six months ended 31 December 2000	79.1	78.7
Year ended 30 June 2000	160.0	158.1
Year ended 30 June 1999	146.3	144.2
Year ended 30 June 1998	126.9	125.3

Basic weighted average number of shares in the six months ended 31 December 2000 was 230,151,256 (2000 – 228,020,077; 1999 – 225,848,357; 1998 – 223,167,047)

	Six months ended 31 December	Year ended 30 June		
	2000	2000	1999	1998
	A$m	A$m	A$m	A$m
Auditors' remuneration				
Amounts received or due and receivable for audit services by:				
Auditors of the chief entity	568	1,267	1,521	1,576
Other auditors(1)	1,065	2,631	2,477	2,771
	1,633	3,898	3,998	4,347
Amounts received or due and receivable for other services by:(2)				
Auditors of the chief entity	225	632	419	537
Other auditors(1)	952	3,617	3,440	1,435
	1,177	4,249	3,859	1,972

(1) Primarily overseas associated firms of Deloitte Touche Tohmatsu.

(2) Includes share registry, taxation and other consulting services.

3. Abnormal items

	Six months ended 31 December	Year ended 30 June		
	2000	2000	1999	1998
	A$m	A$m	A$m	A$m
Profit on sale of Atlantic Waste Disposal, Inc. before income tax expense of A$10.7 million	—	—	—	26.7
Profit on sale of Cargowaggon before income tax expense of A$26.6 million	—	—	—	26.6
Wagon division rationalisation expenses before income tax relief of A$9.6 million	—	—	—	(24.7)
Exchange gain on return of share capital before income tax expense of A$nil	—	17.6	—	—
Restructuring costs in Australia before income tax relief of A$6.8 million	—	(19.0)	—	—
Asset write-downs in Australia before income tax relief of A$7.9 million	—	(21.9)	—	—
Asset write-downs in Equipment businesses before income tax relief of A$46.0	195.0	—	—	—
	195.0	(23.3)	—	28.6

4. Income tax expense

	Six months ended 31 December 2000 A$m	Year ended 30 June 2000 A$m	1999 A$m	1998 A$m
Prima facie income tax expense calculated at 34 per cent. for the six months ended 31 December 2000 (2000 – 36 per cent., 1999 – 36 per cent., 1998 – 36 per cent.) on the operating profit before abnormal items	81.8	180.6	166.7	149.2
Increase/(decrease) in tax expense due to:				
Equity accounted net profits of associates	(28.1)	(48.1)	(38.2)	(28.1)
Goodwill amortised	6.5	11.0	9.8	7.0
Overseas tax rate differential	1.7	2.1	6.0	4.6
Non-taxable profit on sale of assets	(0.4)	(9.5)	(4.6)	(3.6)
Other (non-assessable)/non-deductible items – net	(3.6)	(0.9)	(4.3)	1.9
	57.9	135.2	135.4	131.0
Over provision in respect of prior years	(0.1)	(0.2)	(3.9)	(1.4)
Income tax expense charged against operating profit before abnormal items	57.8	135.0	131.5	129.6
Prima facie income tax calculated at 34 per cent. for the six months ended 31 December 2000 (2000 – 36 per cent., 1999 – 36 per cent., 1998 – 36 per cent.) on abnormal items	(66.3)	(8.4)	—	10.3
Additional tax on Cargowaggon sale	—	—	—	17.0
Non-taxable exchange gain on return of share capital	—	(6.3)	—	—
Overseas tax rate differential	(4.1)	—	—	0.4
Tax rate change in Australia	—	(13.2)	—	—
Goodwill written-off	24.4	—	—	—
Income tax (relief)/expense charge against abnormal items	(46.0)	(27.9)	—	27.7
Total income tax expense comprises:				
Added to current income tax liability	73.5	98.0	71.8	108.1
Added to/(deducted from) provision for deferred income tax	(64.8)	3.6	47.5	34.5
Deducted from future income tax benefit	3.1	5.5	12.2	14.7
	11.8	107.1	131.5	157.3
Dividend franking account balance at 34 per cent. (2000 – 34 per cent., 1999 – 36 per cent., 1998 – 36 per cent.)	23.4	(11.6)	(18.8)	5.0

5. Receivables – Current

	As at 31 December 2000 A$m	As at 30 June 2000 A$m	1999 A$m	1998 A$m
Trade debtors	597.8	566.5	459.2	461.9
Provision for doubtful debts	(8.3)	(7.1)	(5.3)	(5.5)
Trade debtors – net	589.5	559.4	453.9	456.4
Associated companies	3.2	8.1	12.8	44.8
Other debtors[1]	160.7	100.6	88.9	214.3
Provision for doubtful debts	(2.0)	(2.0)	(2.0)	(2.1)
Other debtors – net	161.9	106.7	99.7	257.0
	751.4	666.1	553.6	713.4
Receivables – Non-current				
Other debtors[1]	21.6	20.4	19.5	21.6
	21.6	20.4	19.5	21.6

(1) Other debtors generally arise from transactions outside the usual operating activities of Brambles. Interest and/or security is not normally obtained.

6. Inventories – Current

	As at 31 December 2000 A$m	As at 30 June 2000 A$m	1999 A$m	1998 A$m
Stock and stores on hand: at cost	79.0	94.3	69.0	72.2
Provision for losses	(1.9)	(2.3)	(0.3)	(1.7)
	77.1	92.0	68.7	70.5
At net realisable value	1.1	0.9	2.2	1.1
Work in progress: at cost	27.1	31.7	27.6	23.6
At net realisable value	—	3.4	2.3	3.9
	105.3	128.0	100.8	99.1
Inventories – Non-current				
Work in progress: at net realisable value	1.0	1.3	1.9	2.0
	1.0	1.3	1.9	2.0

7. Other current assets

	As at 31 December 2000 A$m	As at 30 June 2000 A$m	1999 A$m	1998 A$m
Prepayments	52.1	32.7	24.9	23.9

8. Investments – Non-current

	As at 31 December 2000 A$m	As at 30 June 2000 A$m	1999 A$m	1998 A$m
Investment in associates[1]:				
Shares in associated companies	606.9	512.7	389.0	340.3
Other investments:				
Interest in CHEP USA partnership[1]	265.2	205.8	128.6	93.4
Loans to associated companies	147.0	124.9	58.0	34.5
Shares in other non-listed companies at cost	0.7	4.8	0.3	1.5
	412.9	335.5	186.9	129.4

(1) All associated companies are joint venture entities and are aggregated with CHEP USA in the disclosures set out in Note 24.

9. Property, plant and equipment

	As at 31 December 2000 A$m	As at 30 June 2000 A$m	1999 A$m	1998 A$m
Land at cost	47.0	23.9	24.3	30.1
Land at directors' valuation 1 January 1995	—	26.0	31.5	45.2
	47.0	49.9	55.8	75.3
Buildings at cost	95.2	53.8	58.3	68.5
Buildings at directors' valuation 1 January 1995	—	42.4	50.3	80.7
	95.2	96.2	108.6	149.2
Provision for depreciation	(12.3)	(10.8)	(9.7)	(9.2)
Buildings – net	82.9	85.4	98.9	140.0
Leasehold improvements at cost	53.8	47.5	35.0	33.9
Provision for amortisation	(28.7)	(25.1)	(17.5)	(16.5)
Leasehold improvements – net	25.1	22.4	17.5	17.4
Plant and equipment – owned at cost	4,778.7	4,723.2	4,340.7	4,278.2
Provision for depreciation	(2,774.1)	(2,634.7)	(2,348.8)	(2,334.2)
Plant and equipment – owned – net	2,004.6	2,088.5	1,991.9	1,944.0
Plant and equipment – leased	34.5	29.0	26.8	17.1
Provision for amortisation	(11.9)	(10.3)	(8.4)	(9.0)
Plant and equipment – leased – net	22.6	18.7	18.4	8.1
	2,182.2	2,264.9	2,182.5	2,184.8
As disclosed in Note 1, land and buildings were independently valued at 1 January 1998. The revalued amounts, which have not been included in the financial statements as at the balance sheet dates were:				
Land at independent valuation 1 January 1998	47.3	47.2	63.7	85.6
Buildings at independent valuation 1 January 1998	108.3	111.5	127.3	162.7
Purchased since 1 January 1998:				
Land at cost	15.4	14.5	10.9	3.9
Buildings at cost	36.5	34.3	27.4	14.6
	207.5	207.5	229.3	266.8
Provision for depreciation	(7.8)	(6.0)	(5.0)	(1.7)
Land and buildings – net	199.7	201.5	224.3	265.1

10. Intangibles

	As at 31 December 2000 A$m	As at 30 June 2000 A$m	1999 A$m	1998 A$m
Goodwill at cost	843.3	725.1	506.7	426.1
Provision for amortisation	(194.0)	(171.9)	(126.9)	(99.2)
Provision for diminution in value	(102.7)	—	—	—
Goodwill – net	546.6	553.2	379.8	326.9

11. Other non-current assets

	As at 31 December 2000 A$m	As at 30 June 2000 A$m	1999 A$m	1998 A$m
Deferred expenditure	19.1	34.6	29.8	31.7
Provision for amortisation	(8.5)	(22.4)	(15.6)	(18.9)
Deferred expenditure – net	10.6	12.2	14.2	12.8
Future income tax benefits	33.5	20.6	24.1	40.7
Prepayments	4.4	4.9	1.6	1.8
Other	3.3	4.1	—	—
	51.8	41.8	39.9	55.3

12. Accounts Payable – Current

	As at 31 December 2000 A$m	As at 30 June 2000 A$m	1999 A$m	1998 A$m
Trade creditors	422.5	468.2	386.4	376.1
Other creditors	29.4	48.6	22.5	30.2
Associated companies	11.5	12.4	—	—
	463.4	529.2	408.9	406.3

Accounts payable – Non-current

Trade creditors	3.3	3.2	2.5	2.2
Other creditors	1.7	2.4	3.7	5.5
	5.0	5.6	6.2	7.7
Maturity:				
between one and two years	3.1	1.9	1.6	1.7
between two and five years	0.1	1.6	2.8	4.2
after five years	1.8	2.1	1.8	1.8
	5.0	5.6	6.2	7.7

13. Borrowings – Current

	As at 31 December 2000 A$m	As at 30 June 2000 A$m	1999 A$m	1998 A$m
Secured borrowings:[1]				
Other loans	1.8	—	3.2	1.1
Unsecured borrowings:				
Bank loans	4.5	1.8	6.9	24.5
Bank overdrafts	36.7	16.2	14.2	15.9
Other loans	0.9	—	7.1	2.4
Lease liabilities	2.9	2.8	1.9	2.7
	46.8	20.8	33.3	46.6

Borrowings – Non-current[2]

	As at 31 December 2000 A$m	As at 30 June 2000 A$m	1999 A$m	1998 A$m
Secured borrowings:[1]				
Other loans	9.0	—	—	1.4
Unsecured borrowings:				
Bank loans	1,623.4	1,499.5	1,199.9	1,266.3
Other loans	77.4	50.8	20.9	29.0
Lease liabilities	14.2	12.5	13.0	3.5
Debenture stock	3.7	—	—	—
	1,727.7	1,562.8	1,233.8	1,300.2
Maturity:				
between one and two years	380.1	653.2	499.8	561.4
between two and five years	1,273.8	819.2	655.0	709.2
after five years	73.8	90.4	79.0	29.6
	1,727.7	1,562.8	1,233.8	1,300.2

(1) Other loans are secured by charge over certain equipment and freehold property of controlled entities.

(2) Included above are borrowings by controlled entities, predominantly US Dollars, Euros and Pounds Sterling, totalling A$1,652.2 million at 31 December 2000 (2000 – A$1,491.5 million; 1999 – A$1,068.9 million; 1998 – A$1,110.5 million).

14. Provisions – Current

	As at 31 December 2000 A$m	As at 30 June 2000 A$m	1999 A$m	1998 A$m
Employee entitlements	75.4	84.4	87.4	80.9
Close-down and rationalisation	5.2	6.7	16.0	18.0
Other	18.0	21.1	17.2	53.9
Proposed final dividend	94.7	93.9	90.7	85.3
Dividends payable to outside equity interests	0.1	0.3	0.3	0.4
Income tax	91.0	72.5	41.3	73.1
	284.4	278.9	252.9	311.6
Provisions – Non-current				
Employee entitlements	36.1	34.2	34.9	35.7
Deferred income tax	147.0	195.8	178.3	137.0
Other	7.9	6.7	15.6	19.2
	191.0	236.7	228.8	191.9

15. Share capital

	As at 31 December 2000 A$m	As at 30 June 2000 A$m	1999 A$m	1998 A$m
Paid up capital				
Opening balance	1,059.1	997.7	112.2	111.2
Transfer from share premium reserve(1)	—	—	837.3	—
Shares issued on the exercise of options	52.6	61.4	48.2	1.0
Closing balance(2)	1,111.7	1,059.1	997.7	112.2

(1) Corporations Law changes in 1999 abolished the par value concept of share capital and as a consequence the balance of the share premium reserve was transferred to the paid up share capital account. Refer also Note 16.

(2) As at 31 December 2000 – 231,054,972 ordinary shares; 2000 – 229,142,709; 1999 – 226,791,194; 1998 – 224,416,869.

At 31 December 2000 *Ordinary shares*	*Number of shares*	*Option issue date*	*Issue price A$*	*Paid up capital A$m*
Particulars of ordinary shares issued by Brambles during the six months ended 31 December 2000				
Ordinary shares issued on exercise of options under the employee option plans (options are issued with an exercise price of the market price at the time of issue):	15,000	27/10/1995	14.06	0.2
	375,246	19/12/1995	14.90	5.6
	30,500	21/12/1995	14.92	0.4
	10,510	29/03/1996	16.89	0.2
	20,000	31/05/1996	17.55	0.3
	250,439	08/11/1996	21.81	5.4
	497,690	28/11/1997	28.67	14.3
	360,108	29/06/1998	30.84	11.1
	5,000	27/08/1998	35.10	0.2
	22,220	31/03/1999	39.48	0.9
	96,520	21/06/1999	39.93	3.9
	107,940	07/06/1999	40.94	4.4
	36,230	26/08/1999	43.48	1.6
	84,860	15/06/2000	48.27	4.1
	1,912,263			52.6

Share options	*Number of options*	*Expiry date*	*Exercise price A$*
Options over ordinary shares are in respect of the employee option plans and those on issue as at 31 December 2000 are:	214,838	29/03/01	16.89
	40,000	31/05/01	17.55
	965,305	08/11/01	21.81
	1,704,726	28/11/02	28.67
	1,272,092	29/06/03	30.84
	25,500	27/08/03	35.10
	328,210	30/09/04	39.48
	75,000	06/11/04	42.05
	1,130,800	07/12/02	40.94
	1,309,790	21/12/04	39.93
	750,000	26/02/05	43.48
	143,000	05/05/05	44.71
	175,000	02/06/05	43.36
	260,000	21/06/05	41.60
	50,000	23/08/05	36.17
	54,250	04/11/05	48.91
	1,028,580	15/12/03	48.27
	592,435	15/12/05	48.27
	1,075,415	05/06/06	45.20
	13,490	22/06/06	42.95
	11,208,431		

	Number of options	Expiry date	Exercise price A$
Since 31 December 2000 and up to the date of this report further issues of options over ordinary shares in respect of the employee option plans were as follows:	98,000	24/10/2006	50.23
	98,000		

	Number of shares	Option issue date	Issue price A$
Since 31 December 2000 and up to the date of this report further issues of fully paid ordinary shares of Brambles on the exercise of options under the employee options plans were as follows:			
	214,238	29/03/1996	16.89
	40,000	31/05/1996	17.55
	141,990	08/11/1996	21.81
	229,962	28/11/1997	28.67
	101,490	29/06/1998	30.84
	35,242	31/03/1999	39.48
	59,030	21/06/1999	39.93
	45,232	07/06/1999	40.94
	40,510	26/08/1999	43.48
	13,460	05/12/2000	45.20
	34,390	15/06/2000	48.27
	955,544		

Details of options issued to directors are shown in Note 29.

There is no right, by virtue of the options, to participate in any share issue of any other corporation.

30 June 2000

Ordinary shares	*Number of shares*	*Option issue date*	*Issue price A$*	*Paid up capital A$m*
Particulars of ordinary shares issued by Brambles during 2000				
Ordinary shares issued on exercise of options under the employee option plans (options are issued with an exercise price of the market price at the time of issue):	103,057	07/06/1999	40.94	4.2
	104,010	21/06/1999	39.93	4.2
	27,030	26/08/1999	43.48	1.2
	5,780	15/06/2000	48.27	0.3
	40,000	31/05/1996	17.55	0.7
	17,360	20/12/1994	12.00	0.2
	90,000	05/06/1995	13.66	1.2
	7,500	27/10/1995	14.06	0.1
	226,940	19/12/1995	14.90	3.4
	19,500	21/12/1995	14.92	0.3
	94,986	29/03/1996	16.89	1.6
	508,418	08/11/1996	21.81	11.1
	763,204	28/11/1997	28.67	21.9
	293,720	29/06/1998	30.84	9.1
	50,010	31/03/1999	39.48	1.9
	2,351,515			61.4

Share options	*Number of options*	*Expiry date*	*Exercise price A$*
Options over ordinary shares are in respect of the employee option plans and those on issue as at 30 June 2000 are:	15,000	27/10/2000	14.06
	377,406	19/12/2000	14.90
	30,500	21/12/2000	14.92
	225,348	29/03/2001	16.89
	60,000	31/05/2001	17.55
	1,215,744	08/11/2001	21.81
	2,221,776	28/11/2002	28.67
	1,640,700	29/06/2003	30.84
	30,500	27/08/2003	35.10
	350,590	30/09/2004	39.48
	75,000	06/11/2004	42.05
	1,238,740	07/12/2002	40.94
	1,428,920	21/12/2004	39.93
	904,890	26/02/2005	43.48
	163,000	05/05/2005	44.71
	175,000	02/06/2005	43.36
	260,000	21/06/2005	41.60
	50,000	23/08/2005	36.17
	54,250	04/11/2005	48.91
	635,615	15/12/2005	48.27
	1,075,235	15/12/2003	48.27
	12,228,214		

30 June 1999

Ordinary shares	*Number of shares*	*Option issue date*	*Issue price A$*	*Paid up capital A$m*
Particulars of ordinary shares issued by Brambles during 1999				
Ordinary shares issued on exercise of options under the employee option plans (options are issued with an exercise price of the market price at the time of issue):	1,800	27/05/1993	12.84	—
	606,133	28/10/1993	12.88	7.8
	15,750	28/04/1994	14.42	0.2
	33,000	26/05/1994	14.38	0.5
	2,860	20/12/1994	12.00	—
	30,000	05/06/1995	13.66	0.4
	7,500	27/10/1995	14.06	0.1
	237,846	19/12/1995	14.90	3.6
	14,000	21/12/1995	14.92	0.2
	182,811	29/03/1996	16.89	3.1
	565,195	08/11/1996	21.81	12.3
	432,800	28/11/1997	28.67	12.4
	243,930	29/06/1998	30.84	7.6
	700	31/03/1999	39.48	—
Total	2,374,325			48.2

Share options	*Number of options*	*Expiry date*	*Exercise price A$*
Options over ordinary shares are in respect of the employee option plans and those on issue as at 30 June 1999 are:	17,360	20/12/1999	12.00
	90,000	05/06/2000	13.66
	22,500	27/10/2000	14.06
	614,246	19/12/2000	14.90
	50,000	21/12/2000	14.92
	320,934	29/03/2001	16.89
	100,000	31/05/2000	17.55
	1,734,650	08/11/2001	21.81
	3,087,000	28/11/2002	28.67
	2,037,160	29/06/2003	30.84
	50,500	27/08/2003	35.10
	408,400	30/09/2004	39.48
	75,000	06/11/2004	42.05
	1,341,797	07/12/2002	40.94
	1,568,540	21/12/2004	39.93
Total	11,518,087		

30 June 1998

Ordinary shares	*Number of shares*	*Option issue date*	*Issue price A$*	*Paid up capital A$m*
Particulars of ordinary shares issued by Brambles during 1998				
Ordinary shares issued on exercise of options under the employee option plans (options are issued with an exercise price of the market price at the time of issue):	1,013,142	27/05/1993	12.84	13.0
	65,695	30/09/1993	12.88	0.9
	163,412	28/10/1993	12.88	2.1
	14,500	28/04/1994	14.42	0.2
	33,500	26/05/1994	14.38	0.5
	7,380	20/12/1994	12.00	0.1
	30,000	05/06/1995	13.66	0.4
	7,500	27/10/1995	14.06	0.1
	209,266	19/12/1995	14.90	3.1
	116,800	29/03/1996	16.89	2.0
	200,825	08/11/1996	21.81	4.4
	107,650	28/11/1997	28.67	3.1
	1,969,670			29.8

Share options	*Number of options*	*Expiry date*	*Exercise price A$*
Options are in respect of the employee option plans and those on issue as at 30 June 1998 are:	1,800	27/05/1998	12.84
	145,552	30/09/1998	12.88
	464,581	28/10/1998	12.88
	15,750	28/04/1999	14.42
	33,000	26/05/1999	14.38
	20,220	20/12/1999	12.00
	120,000	05/06/2000	13.66
	30,000	27/10/2000	14.06
	858,452	19/12/2000	14.90
	70,000	21/12/2000	14.92
	503,645	29/03/2001	16.89
	100,000	31/05/2001	17.55
	2,387,025	08/11/2001	21.81
	18,750	27/03/2002	20.90
	3,624,900	28/11/2002	28.67
	2,346,390	29/06/2003	30.84
	10,740,065		

As Brambles is an entity of a kind referred to in the Australian Securities Commission Class Order 97/1011 dated 9 July 1997, options issued to officers of it or a related body corporate pursuant to the employee option plans are not disclosed in detail.

16. Reserves

	As at 31 December	*As at 30 June*		
	2000	*2000*	*1999*	*1998*
	A$m	*A$m*	*A$m*	*A$m*
Share premium reserve:				
Opening balance	—	—	837.3	808.5
Transfer to paid up capital	—	—	(837.3)	—
Premium on shares issued on exercise of options under employee options plan	—	—	—	28.8
Closing balance	—	—	—	837.3
Asset revaluation reserve:				
Opening balance	1.2	5.6	11.7	7.2
Equity accounting adjustment	—	—	(3.9)	4.5
Reversal of prior increment	—	(1.3)	(1.7)	(1.1)
Transfer (to)/from retained profits	(1.2)	(3.1)	(0.5)	1.1
Closing balance	—	1.2	5.6	11.7
General reserve:[(1)]				
Opening balance	80.2	82.0	71.7	126.6
Equity accounting adjustment	—	—	0.4	1.8
Transfer from/(to) retained profits	12.7	(1.8)	9.9	(56.7)
Closing balance	92.9	80.2	82.0	71.7
Foreign currency translation reserve:				
Opening balance	28.1	(3.3)	94.8	(9.5)
Equity accounting adjustment	—	—	—	(8.9)
Transfer on consolidation	57.7	31.4	(98.1)	113.2
Closing balance	85.8	28.1	(3.3)	94.8
	178.7	109.5	84.3	1,015.5

(1) 2000 – A$76.4 million; 1999 – A$78.0 million; 1998 – A$70 million of the general reserve represents profits in respect of overseas controlled entities which are presently unavailable for distribution by way of dividend being the difference between the distributable profits according to the statutory requirements of the countries concerned and the profits reported under generally accepted accounting principles in Australia.

17. Retained profits

	As at 31 December 2000 A$m	As at 30 June 2000 A$m	1999 A$m	1998 A$m
Opening balance	881.6	692.9	548.9	400.5
Operating profit after income tax attributable to members of Brambles	32.9	369.4	330.5	284.2
Final dividend (adjustment)	(0.4)	(0.2)	(0.3)	(0.1)
Interim dividend	(94.7)	(91.5)	(86.1)	(80.5)
Final dividend	—	(93.9)	(90.7)	(85.3)
Equity accounting adjustment	—	—	—	(25.5)
Transfer (to)/from:				
General reserve	(12.7)	1.8	(9.9)	56.7
Asset revaluation reserve	1.2	3.1	0.5	(1.1)
Closing balance	807.9	881.6	692.9	548.9

Dividends paid during the six months ended 30 June 2001 were:

The interim for the year ending 30 June 2001 was paid 12 April 2001 at 41.0 cents per share (24.6c franked at 34 per cent tax rate).

Dividends paid during 2000 were:

Interim 2000 paid 13 April 2000 at 40.0 cents per share (22.0c franked at 36 per cent tax rate) by Brambles (A$89.9 million) and Brambles Investments Plc (A$1.6 million). Final 1999 paid 15 October 1999 at 40.0 cents per share (26.0c franked at 36 per cent tax rate) by Brambles (A$87.2 million) and Brambles Investments Plc (A$3.7 million).

Final 2000 paid 12 October 2000 at 41.0 cents per share (28.7c franked at 34 per cent tax rate) by Brambles ($90.7 million) and Brambles Investments Plc ($3.6 million). This dividend was referred to in the previous directors' report dated 26 September 2000.

Dividends paid during 1999 were:

Interim 1999 paid 15 April 1999 at 38.0 cents per share (30.4c franked at 36 per cent tax rate) by Brambles (A$80.3 million) and Brambles Investments Plc (A$5.8 million). Final 1998 paid 15 October 1998 at 38.0 cents per share (30.4c franked at 36 per cent tax rate) by Brambles (A$80.6 million) and Brambles Investments Plc (A$5.0 million).

Dividends paid during 1998 were:

Interim 1998 paid 23 April 1998 at 36.0 cents per share (28.8c franked at 36 per cent tax rate) by Brambles (A$76.5 million) and Brambles Investments Plc (A$4.0 million). Final 1997 paid 23 October 1997 at 36.0 cents per share (28.8c franked at 36 per cent tax rate) by Brambles (A$76.5 million) and Brambles Investments Plc (A$3.7 million).

18. Outside equity interests

	As at 31 December 2000 A$m	As at 30 June 2000 A$m	1999 A$m	1998 A$m
Paid up capital	14.9	16.0	15.3	2.4
Reserves	—	—	0.1	11.1
Retained profits	1.9	1.6	0.9	1.2
	16.8	17.6	16.3	14.7

As at 31 December 2000 ENSCO had 336,011 preferred stock on issue (2000 – 347,733; 1999 – 360,024; 1998 – 466,860) which is convertible at the option of the holder at any time, unless previously redeemed, into cash in an amount equal to US$15.624 per share. The preferred stock is redeemable, in whole or in part, at the option of Ensco at US$25.00. Dividends accrue on the preferred stock at a 7 per cent. effective rate and are cumulative and payable quarterly.

The preferred stock is also exchangeable in whole, only at the option of Ensco on any dividend payment date, for 7 per cent. Convertible Subordinated Debentures due 1 December 2011, at the rate of US$25.00 principal amount of debentures for each share of preferred stock. The debentures, if issued, will be convertible at the option of the holder at any time, unless previously redeemed, into cash in an equivalent amount to the conversion price applicable to the preferred stock for which the debentures were exchanged.

19. Contingent liabilities

(a) Brambles has contingent liabilities (unsecured) in respect of:

(i) Guarantees given by it relating to performance under contracts entered into by controlled entities and associated companies totalling A$58.8 million at 31 December 2000 (2000 – A$54.1 million, 1999 – A$22.1 million; 1998 – A$7.6 million).

(ii) Guarantees relating to bank credit and leasing facilities of controlled entities and associated companies totalling A$3,093.9 million at 31 December 2000 (2000 – A$2,460.6 million; 1999 – A$2,380.3 million; 1998 – A$2,381.9 million), of which 2001 – A$1,852.6 million (2000 – A$1,617.5 million; 1999 – A$1,342.0 million; 1998 – A$1,532.9 million) has been drawn.

(b) Controlled entities have contingent liabilities (unsecured) in respect of guarantees given relating to performance under contracts entered into totalling A$207.4 million at 31 December 2000 (2000 – A$186.0 million; 1999 – A$87.3 million, 1998 – A$88.7 million), of which A$193.6 million are also guaranteed by Brambles (2000 – A$157.3 million; 1999 – A$67.4 million; 1998 – A$70.1 million).

(c) Controlled entities have entered into arrangements with a number of financial institutions in the normal course of business whereby Brambles may be required to purchase various assets at future dates for pre-determined values totalling A$21.2 million at 31 December 2000 (2000 – A$31.4 million, 1999 – A$18.2 million, 1998 – A$2.4 million). The exercise of these arrangements is expected to result in the creation of an asset of equal value.

(d) In the ordinary course of business, controlled entities become involved in litigation most of which falls within Brambles' insurance arrangements. Whilst the outcomes are uncertain, contingent liabilities exist which should not be material to Brambles.

(e) Environmental contingent liabilities
Brambles' activities include the treatment and disposal of hazardous and non-hazardous waste through controlled entities and corporate joint ventures. In addition, other activities of Brambles entail using, handling and storing of materials which are capable of causing environmental impairment.

Brambles' operations are subject to, and substantially affected by, numerous laws and regulations in the jurisdictions in which it operates which govern environmental protection, liability, land use, planning and other matters. These extensive laws and regulations are continually evolving in response to technological advances and other developments. Brambles cannot predict the extent to which it may be affected by any legislation or regulation that may be enacted or enforced against any of its operations. Non-compliance with regulations or permit conditions, even if unintentional, may result in fines, shutdowns or remedial actions.

It is Brambles' policy that all businesses will follow strict environmental compliance procedures, and the board of Brambles reviews and monitors environmental protection and remediation practices within the economic entity.

As a consequence of the inherent risks associated with the nature of certain of Brambles' operations and the expansion of such operations through acquisitions, Brambles has incurred and will continue to incur costs associated with maintenance, closure and post-closure of sites and facilities and has incurred and will incur expenses and liabilities for environmental matters including remediation of operating and landfill sites and facilities.

Contingent liabilities exist in relation to the remediation of environmentally impaired sites obtained by acquisition, and provisions exist for certain estimated clean-up and protection costs. While it is not possible to be certain that such costs are fully provided for, it is believed that any remaining financial exposure is not capable of quantification.

Contingent liabilities also exist in Brambles and its corporate joint ventures in relation to the restoration, monitoring and control of completed landfill sites, and in respect of possible but unidentified remediation requirements on certain such sites. Provisions have been made in respect of estimated restoration costs and in the past any other costs have been expensed as incurred. The extent to which contingent liabilities may involve future costs for which no provisions are held is not possible to predict.

Brambles maintains environmental insurance cover for sudden and unintended pollution. Environmental Systems Company maintains a level of broad pollution cover. Such cover is not held by other parts of Brambles because of the limited availability and cost.

20. Financial instruments

The range of financial instruments utilised by Brambles is straightforward and business based. Foreign exchange products are only used to cover existing exposures and borrowings are generally undertaken in the same currencies as the expenditure.

Derivatives

Brambles enters into various financial derivative transactions to control and manage financial risks which arise from its domestic and international operations. The use of derivative instruments is restricted to situations where Brambles hedges underlying physical or translation exposure relating to the movement in exchange rates and interest rates. Brambles does not enter into derivative contracts for speculative or trading purposes.

Interest rate risk management

Brambles enters into various interest rate risk management transactions for the purpose of reducing net interest costs and to achieve a more stable and predictable interest expense result. The instruments primarily used are interest rate swaps, where a variable rate is effectively converted into a fixed rate, and interest rate options, where a premium is paid to set a ceiling or cap on the interest rate charged.

Of interest-bearing debt Brambles has the following rate profile:

	As at 31 December 2000		*As at 30 June 2000*		*As at 30 June 1999*	
	Average Interest Rate	*A$m*	*Average Interest Rate*	*A$m*	*Average Interest Rate*	*A$m*
Variable rate debt						
– bank loans	6.0%	658.6	6.0%	561.4	4.2%	385.7
– bank overdrafts	6.5%	36.7	7.0%	16.2	5.6%	14.2
– other loans	4.8%	17.1	—	—	0.0%	2.0
	6.0%	712.4	6.0%	577.6	4.2%	401.9
Fixed rate debt via swap/cap						
– bank loans	6.5%	969.3	6.1%	939.9	6.1%	820.3
Fixed rate debt						
– bank loans	—	—	—	—	6.0%	0.7
– other loans	7.5%	92.8	7.6%	66.1	6.6%	44.2
	7.5%	92.8	7.6%	66.1	6.6%	44.9
Total	6.3%	1,774.5	6.1%	1,583.6	5.5%	1,267.1

The average interest rate term of the fixed rate debt including swaps/caps approximates 3.3 years as at 31 December 2000 (2000 – 3.5 years, 1999 – 3.1 years, 1998 – 2.9 years).

Foreign exchange risk management

Brambles enters into forward foreign exchange contracts to hedge currency exposures arising from normal commercial transactions involving the purchase of equipment and services, intercompany cross-currency loans and, when appropriate, the translation of the net assets of certain overseas businesses. As at 31 December 2000 translation hedge borrowings totalling A$84.9 million (2000 – A$80.3 million, 1999 – A$173.9 million, 1998 – A$196.0 million) were in place. Forward foreign exchange and currency option contracts are also used at times to protect the results of controlled entities overseas when translated into Australian dollars for consolidation.

As at 31 December 2000 the notional amount outstanding on open forward foreign exchange contracts was A$161.0 million (2000 – A$51.0 million, 1999 – A$37.1 million, 1998 – A$199.8 million) and was from predominantly forward sales contracts in US dollars and Euros. This is made up by intercompany cross-currency loans of A$131.3 million (2000 – A$5.8 million, 1999 – A$2.6 million, 1998 – A$130.2 million) and purchase of equipment and services of A$29.7 million (2000 – A$45.2 million, 1999 – A$34.5 million, 1998 – A$69.6 million).

Credit exposure

A significant portion of Brambles' transactions in financial instruments is held against prime rated international banks which in turn provide long-term borrowing facilities to the economic entity. In many cases derivative contracts are matched against underlying loan obligations to the same institution. Brambles controls the credit risk associated with these instruments through monitoring procedures and formal credit reviews. These factors assist with the mitigation of credit exposure.

Brambles is a party to a standard form negative pledge agreement with various relationship banks which affects drawn borrowings of controlled entities totalling A$1,365.6 million (2000 – A$1,284.3 million, 1999 – A$1,102.6 million, 1998 – A$1,255.8 million).

Under the arrangements, Brambles has undertaken, *inter alia*, not to:

(i) borrow or incur liabilities where the total amount of liabilities of Brambles would exceed 65% of its consolidated assets; or

(ii) create nor permit to subsist a specific or general or floating mortgage charge or encumbrance over any of its assets if the aggregate amount secured by all such mortgages, charges or encumbrances would exceed 15 per cent. of its consolidated assets; or

(iii) permit the net interest expense coverage ratio (defined as the ratio of the aggregate earnings before net interest expense and tax to net interest expense for each half year) to be less than 2.0:1.

Net fair value of financial instruments

The financial statements of Brambles disclose financial instruments at their face/book value.

In the case of current financial instruments (cash, accounts receivable/payable and short-term borrowings) the book value fairly represents the net fair or market value of the items due to the proximity to maturity date.

In the case of non-current borrowings Brambles intends to hold these until maturity and thus the book value equals the face value of the borrowing. Where borrowings have a fixed or capped rate of interest the market value of the debt varies accordingly.

	Book Value A$m	*Net Fair Value A$m*
Non-current fixed rate debt		
31 December 2000	1,029.6	1,048.9
30 June 2000	1,003.2	992.4
30 June 1999	855.0	858.0
30 June 1998	716.7	722.5

In addition to the above, the forward foreign exchange contracts outstanding at period end have been revalued to year end rates and the exchange variances booked appropriately. This gives rise to an unrealised cash settlement amount owing to or by the counterparties (prime rated banks) which, as at 31 December 2000 is A$1.7 million owing to Brambles (2000 – A$0.1 million owing by Brambles, 1999 – A$2.1 million owing by Brambles, 1998 – A$1.2 million owing by the banks).

21. Commitments on long-term leases and hire contracts of the economic entity

	As at 31 December	*As at 30 June*		
	2000 A$m	*2000 A$m*	*1999 A$m*	*1998 A$m*
Minimum lease payments of operating leases:				
Due				
– within one year	102.9	95.8	83.0	66.8
– between one and five years	323.8	277.3	226.9	154.6
– after five years	287.1	259.3	186.0	74.3
	713.8	632.4	495.9	295.7

Finance leases:

Due				
– within one year	2.9	3.1	2.6	3.0
– between one and five years	14.2	11.3	14.6	3.5
– after five years	5.2	6.3	3.6	0.7
Minimum lease payments	22.3	20.7	20.8	7.2
Future finance charges	(5.2)	(5.4)	(5.9)	(1.0)
Carrying amount of lease liabilities (present value of minimum finance lease payments)	17.1	15.3	14.9	6.2

Leasing arrangements: Finance leases of plant and equipment are not a material feature of Brambles' funding arrangements. Operating leases covering offices, operational locations and plant and equipment are undertaken primarily when the ownership of the equipment at the end of the lease term is not required. Contingent rental payments are rare, as are purchase options and escalation clauses, or, in the case of finance leases, immaterial. There are no material restrictions imposed by the lease arrangements.

22. Commitments for capital expenditure

Contracts for capital expenditure are estimated at:

	As at 31 December	*As at 30 June*		
	2000	*2000*	*1999*	*1998*
	A$m	*A$m*	*A$m*	*A$m*
Due				
– within one year	39.1	83.8	55.9	158.9
– between one and two years	43.5	36.4	5.3	0.5
– between two and five years	14.3	20.6	16.9	—
– after five years	2.3	2.6	—	—
	99.2	143.4	78.1	159.4

23. Reports for geographic and industry segments

The geographic segments within which Brambles operates are Australia/New Zealand, Europe and North America. The small South East Asia operation is included with North America in an "Americas/Rest of the World" segment.

Within the geographic regions the following industry segmentation is applicable:

Equipment Hire: This segment covers the hire of pallets, forklifts, aerial work platforms, construction industry equipment and tank and other containers.

The businesses included in this segment are:

Australia – CHEP, Equipment Services (forklifts) and Wreckair
Europe – CHEP, Gardemann, Forklifts and Eurotainer
Americas/RoW – CHEP, Equipment Rental and Federal Container Corporation.

Transport and Logistics: This segment covers transport and associated operations on road, rail and sea.

The businesses included in this segment are:

Australia – Specialised Transport, Security, Shipping and Towage
Europe – Freight Forwarding, Security and Wagon Rental
Americas/RoW – Security

Specialised Services: This segment covers the balance of Brambles' businesses being industrial services, waste and records management.

The businesses included in this segment are:

Australia – Industrial Services, Gardner Perrott, CLEANAWAY and Recall
Europe – Industrial Services, CLEANAWAY and Recall
Americas/RoW – ENSCO and Recall

	Total revenue (including sales revenue of joint ventures)				*Operating profit before abnormal items and tax*			
	Six months ended 31 December	*Year ended 30 June*			*Six months ended 31 December*	*Year ended 30 June*		
	2000 A$m	*2000 A$m*	*1999 A$m*	*1998 A$m*	*2000 A$m*	*2000 A$m*	*1999 A$m*	*1998 A$m*
Geographic segments								
Australia/New Zealand	895.6	1,875.7	1,866.2	1,712.9	73.9	205.0	222.1	232.3
Europe	1,287.7	2,226.1	2,098.7	1,721.6	143.3	262.9	222.1	169.9
Americas/Rest of the World	751.0	1,114.9	991.1	759.2	80.6	128.6	113.6	94.7
	2,934.3	5,216.7	4,956.0	4,193.7	297.8	596.5	557.8	496.9
Unallocated								
– Australia/New Zealand	4.2	5.2	12.4	2.9	(5.9)	(23.5)	(29.2)	(26.1)
– Europe	5.3	5.4	2.9	3.4	(27.0)	(40.6)	(35.2)	(28.9)
– Americas/Rest of the World	0.7	1.1	1.1	0.7	(24.3)	(30.7)	(30.4)	(27.4)
	2,944.5	5,228.4	4,972.4	4,200.7	240.6	501.7	463.0	414.5
Industry segments								
Equipment hire	1,230.1	2,016.5	1,887.0	1,475.3	133.0	280.1	258.3	206.1
Transport and logistics	383.8	931.4	980.6	969.0	59.5	127.5	147.8	120.9
Specialised services	1,320.4	2,268.8	2,088.4	1,749.4	105.3	188.9	151.7	169.9
	2,934.3	5,216.7	4,956.0	4,193.7	297.8	596.5	557.8	496.9
Unallocated								
– Interest income	7.7	10.1	5.9	7.0	7.7	10.1	5.9	7.0
– Interest expense					(57.7)	(86.3)	(83.0)	(68.8)
– Administration and other unallocated items	2.5	1.6	10.5		(7.2)	(18.6)	(17.7)	(20.6)
	2,944.5	5,228.4	4,972.4	4,200.7	240.6	501.7	463.0	414.5
Operating revenue is reconciled as follows:								
Sales revenue								
– controlled entities	1,699.8	3,191.9	3,104.4	2,938.4				
– joint ventures including Chep USA	1,049.6	1,730.9	1,586.9	1,075.5				
Other revenue (excluding joint venture profits/ dividends and abnormal items)	195.1	305.6	281.1	186.8				
	2,944.5	5,228.4	4,972.4	4,200.7				

	Total assets			
	As at 31 December	As at 30 June		
	2000	2000	1999	1998
	A$m	A$m	A$m	A$m
Geographic segments				
Australia/New Zealand	1,279.1	1,390.6	1,555.9	1,547.3
Europe	2,199.0	2,045.6	1,565.3	1,485.9
Americas/Rest of the World	1,217.8	1,109.5	763.7	864.8
	4,695.9	4,545.7	3,884.9	3,898.0
Unallocated				
– Australia / New Zealand		75.8	5.3	8.1
– Europe	137.5	67.9	42.1	36.4
– Americas/Rest of the World		12.4	22.8	13.1
	4,833.4	4,701.8	3,955.1	3,955.6
Industry segments				
Equipment hire	1,775.2	1,935.2	1,669.3	1,588.8
Transport and logistics	719.1	701.5	786.8	875.1
Specialised services	2,201.6	1,909.0	1,428.8	1,434.1
	4,695.9	4,545.7	3,884.9	3,898.0
Unallocated				
– Interest income				
– Interest expense	137.5	156.1	70.2	57.6
– Administration and other unallocated items				
	4,833.4	4,701.8	3,955.1	3,955.6

24. Investment in joint venture entities

Investments in joint venture entities, which includes the CHEP USA partnership, are accounted for in the consolidated financial statements using the equity method of accounting.

	Principal activities	%
Material joint venture entities(1)		
CHEP USA(2)	Pallet pooling	50
CHEP UK Limited	Pallet pooling	50
CHEP Europe Group(3)	Pallet pooling	50
CLEANAWAY Europe Group(4)	Waste management	50

(1) The financial information used in applying the equity method of accounting is the most recent made available to the shareholders.

(2) As CHEP USA is a partnership it is equity accounted on an after royalty and interest and before tax basis. CHEP USA's contribution on a before royalty after tax basis for the six months ended 31 December 2000 was A$21.2 million, 2000 – A$34.4 million, 1999 – A$31.5 million.

(3) CHEP Europe Group covers the CHEP companies in Austria, Belgium, Czechoslovakia, France, Germany, Greece, Israel, Italy, The Netherlands, Poland, Scandinavia, Switzerland, Spain and its branch in Portugal.

(4) CLEANAWAY Europe Group covers the waste management operations in the UK, The Netherlands and Germany. The Netherlands operations were sold during the year ended 30 June 2000.

	6 months ended 31 December 2000 A$m	Year ended 30 June 2000 A$m	1999 A$m
Brambles' share of joint venture entities:			
Trading revenue	1,049.6	1,730.9	1,586.9
Expenses	(912.4)	(1,489.9)	(1,381.0)
Operating profit before income tax	137.2	241.0	205.9
Income tax expense	(36.5)	(74.6)	(66.6)
Operating profit after income tax	100.7	166.4	139.3
Retained profits (opening balance)	141.7	39.4	(41.4)
Dividends received/receivable	(41.9)	(64.4)	(57.2)
Transfer to reserves	12.6	0.3	(1.3)
Retained profits (closing balance)	213.1	141.7	39.4
Reserves attributable to joint venture entities			
Opening balance	(15.4)	(14.9)	(2.6)
Movements	22.4	(0.5)	(12.3)
Closing balance	7.0	(15.4)	(14.9)
Movement in equity carrying amount of investment in joint venture entities			
Carrying amount (opening balance)	718.5	517.6	433.7
New investments	51.0	68.5	72.9
Disposals	—	(8.8)	—
Share of operating profits after income tax	100.7	166.4	139.3
Dividends received/receivable	(41.9)	(64.4)	(57.2)
Other movements	43.8	39.2	(71.1)
Carrying amount (closing balance)	872.1	718.5	517.6
Brambles' share of joint venture entities:			
Current assets	669.2	539.1	431.4
Non-current assets	2,306.6	1,949.4	1,521.8
Current liabilities	1,196.6	1,014.9	657.4
Non-current liabilities	984.5	824.9	777.6

The joint venture entities have contingent liabilities (unsecured) in respect of guarantees given relating to performance under contracts entered into for which Brambles' equity share as at 31 December 2000 is A$52.6 million (2000 – A$54.8 million, 1999 – A$45.4 million; 1998 – A$39.1 million).

The joint venture entities have entered into contracts for capital expenditure for which Brambles' equity share as at 31 December 2000 is A$21.2 million (2000 – A$19.7 million, 1999 – A$11.3 million; 1998 – A$12.2 million).

25. Superannuation Plans

Brambles contributes to various plans which provide superannuation or retirement benefits for employees. These plans provide for either an accumulation benefit or a defined benefit.

Accumulation benefit is based on contributions and income thereon held by the fund on behalf of the member. In accumulation funds the percentage of salary contributions, both employee and company, is usually fixed by virtue of the applicable trust deed.

Defined benefit is generally based on length of service and salary/wage of the member at retirement. In defined benefit funds the percentage of salary contribution for employees is generally fixed by virtue of the applicable trust deed and the company contribution usually varies according to the assets of the fund to ensure a fully funded plan.

Details of the material defined benefit funds, or funds with a material defined benefit element, are as follows:

Name of plan (date of last actuarial assessment)	*Company contributions during year A$m*	*Accrued benefits A$m*	*Market value of plan assets A$m*	*Surplus (deficiency) A$m*	*Vested benefit A$m*
31 December 2000					
Brambles Superannuation Fund (1 October 1999)	—	155.8	166.2	10.4	163.0
Brambles Shipping Seagoing Officers' Superannuation Fund (1 July 1999)	0.2	1.9	2.1	0.2	1.9
EVA Retirement Pension Plans (19 June 2000)	0.7	11.9	10.3	(1.6)	9.8
Brambles United Kingdom Pension Plan (31 March 2000)	1.1	41.2	39.4	(1.8)	41.2
	2.0	210.8	218.0	7.2	215.9

Name of plan (date of last actuarial assessment)	*Company contributions during year A$m*	*Accrued benefits A$m*	*Market value of plan assets A$m*	*Surplus (deficiency) A$m*	*Vested benefit A$m*
30 June 2000					
Brambles Superannuation Fund (1 October 1999)	—	155.8	166.2	10.4	163.0
Brambles Shipping Seagoing Officers' Superannuation Fund (1 July 1999)	0.2	1.9	2.1	0.2	1.9
EVA Retirement Pension Plans (19 June 2000)	0.5	11.3	9.8	(1.5)	9.3
Brambles United Kingdom Pension Plan (31 March 1997)	1.4	24.7	26.2	1.5	24.7
	2.1	193.7	204.3	10.6	198.9

Name of plan (date of last actuarial assessment)	*Company contributions during year A$m*	*Accrued benefits A$m*	*Market value of plan assets A$m*	*Surplus (deficiency) A$m*	*Vested benefit A$m*
30 June 1999					
Brambles Superannuation Fund (1 October 1996)	—	90.6	93.9	3.3	90.3
Brambles Shipping Seagoing Officers' Superannuation Fund (1 July 1996)	0.3	7.6	10.4	2.8	7.2
EVA Retirement Pension Plans (28 June 1999)	1.3	10.9	9.5	(1.4)	9.3
Brambles United Kingdom Pension Plan (31 March 1997)	1.4	23.0	24.4	1.4	23.0
	3.0	132.1	138.2	6.1	129.8

Name of plan (date of last actuarial assessment)	Accrued benefits A$m	Market value of plan assets A$m	Surplus (deficiency) A$m	Vested benefit A$m
30 June 1998				
Brambles Superannuation Fund (1 October 1996)	90.6	93.9	3.3	90.3
Brambles Shipping Seagoing Officers' Superannuation Fund (1 July 1996)	7.6	10.4	2.8	7.2
EVA Retirement Pension Plans (7 July 1988)	10.9	9.6	(1.3)	9.3
Brambles United Kingdom Pension Plan (31 March 1997)	26.2	27.8	1.6	25.1
	135.3	141.7	6.4	131.9

The obligation to contribute to the various funds is covered by trust deeds and/or legislation and the legal enforceability is dependent upon these.

Company contributions in respect of employees with defined benefits in the Brambles Superannuation Fund have been reduced to nil. Except for the foregoing, contributions continue as required in all other funds.

The deficiency in the EVA Retirement Pension Plans will be amortised over 11 years (as at 31 December 2000).

26. Statements of cash flows – additional information

	Six months ended 31 December	*Year ended 30 June*		
	2000 A$m	*2000 A$m*	*1999 A$m*	*1998 A$m*
Non-cash financing or investing activities				
There were no financing or investing transactions which have had a material effect on the assets and liabilities of Brambles that did not involve cash flows.				
Reconciliation to operating profit				
Reconciliation of operating profit after income tax (including abnormal items) to net operating cash inflows/(outflows):				
Operating profit after income tax	33.8	371.3	331.5	285.8
Add back:				
Depreciation and amortisation	243.8	463.0	461.6	405.6
Profit on disposal of non-current assets including investments	(35.2)	(90.3)	(74.8)	(69.7)
Abnormal profit on capital repatriation	—	(17.6)	—	(53.3)
Partnership/associate company adjustment	(56.9)	(78.1)	(48.5)	(9.6)
Capitalised interest paid	(0.5)	(0.3)	(3.4)	(2.2)
Assets provided for or written off	195.0	23.7	—	—
Net currency realignments on controlled entities and foreign currency hedges		—	—	1.1
Balance sheet movements net of acquisitions:				
Provisions				
– Tax	(59.6)	22.4	5.2	58.1
– Provision for diminution of investments	—	—	(1.7)	—
– Employee entitlements	0.8	(1.6)	8.9	11.3
– Other	(3.0)	(25.2)	(50.9)	14.3
Accounts receivable	(54.3)	(86.2)	(20.9)	(61.6)
Accounts payable	(40.9)	45.3	45.7	37.1
Inventories	9.0	(13.7)	(4.3)	8.1
Prepayments	(19.5)	(7.3)	(2.0)	(2.0)
Net cash inflows from operating activities	212.5	605.4	646.4	623.0

	Six months ended 31 December 2000 A$m	Year ended 30 June 2000 A$m	1999 A$m	1998 A$m
Acquisitions and disposals of entities				
Details of acquisitions and disposals of controlled entities and businesses are as follows:				
Acquisitions:				
Purchase price	95.2	308.1	148.1	194.0
Deferred settlement	(4.2)	(50.9)	0.2	0.8
Cash paid	91.0	257.2	148.3	194.8
Cash held by entities acquired at date of acquisition	(3.9)	(1.7)	(2.0)	(5.2)
Net cash outflow	87.1	255.5	146.3	189.6
Fair value of net assets acquired:				
Current assets				
Cash	3.9	1.7	2.0	5.2
Receivables	14.7	48.6	29.3	25.7
Inventory	0.5	11.9	4.8	5.8
Other	6.4	2.2	2.1	1.1
Non-current assets				
Receivables	—	0.3	—	—
Property, plant and equipment	10.9	140.0	87.1	86.9
Other	2.1	2.8	0.4	1.3
Current liabilities				
Accounts payable	(17.0)	(35.2)	(34.3)	(18.2)
Borrowings	(0.4)	(6.4)	(24.5)	(19.3)
Provisions	(2.4)	(21.0)	(13.5)	(12.2)
Non-current liabilities				
Accounts payable	(0.4)	—	(0.6)	—
Borrowings	(5.5)	(23.8)	(19.3)	(7.9)
Provisions	(1.7)	(11.0)	(4.0)	(1.2)
Outside equity interests	—	—	1.3	1.5
Goodwill	84.1	198.0	117.3	125.3
Purchase price	95.2	308.1	148.1	194.0
Disposals:				
Disposal price	133.4	59.3	23.7	250.4
Deferred settlement from prior years (net)	1.2	2.1	132.9	0.3
Deferred settlement	(37.3)	(7.4)	(2.1)	(147.5)
Deferred disposal costs (net)	(1.5)	5.5	—	11.5
Cash received	95.8	59.5	154.5	114.7
Cash held by entities disposed at date of disposal	(2.5)	(2.7)	—	(7.7)
Net cash inflow	93.3	56.8	154.5	107.0

	Six months ended 31 December 2000 A$m	Year ended 30 June 2000 A$m	1999 A$m	1998 A$m
Acquisitions and disposals of entities (Continued)				
Assets and liabilities disposed of:				
Current assets				
Cash	2.7	2.7	—	7.7
Receivables	58.6	13.8	8.3	27.6
Inventory	13.2	—	1.1	1.5
Other	1.8	0.4	0.3	0.2
Non-current assets				
Receivables	—	—	—	0.3
Property, plant and equipment	81.8	38.8	13.2	169.9
Intangibles	9.3	—	2.1	4.5
Other	1.7	3.5	—	20.1
Current liabilities				
Accounts payable	(31.1)	(5.6)	(7.0)	(24.0)
Borrowings	(0.2)	—	—	(0.3)
Provisions	(6.3)	(7.4)	(1.0)	(3.6)
Non-current liabilities				
Creditors	(17.8)	—	—	—
Borrowings	(0.5)	—	—	(0.3)
Provisions	(1.8)	—	(0.7)	(5.0)
Outside equity interests	—	—	—	(1.8)
Profit on disposal – ordinary	22	13.1	7.4	0.3
– abnormal	—	—	—	53.3
Disposal price	133.4	59.3	23.7	250.4
Components of cash				
Cash at bank and on hand	88.7	124.6	41.0	36.3
Deposits at call(1)	12.9	20.6	35.3	22.6
	101.6	145.2	76.3	58.9
Bank overdraft	(36.7)	(16.2)	(14.2)	(15.9)
	64.9	129.0	62.1	43.0

(1) Interest at variable market rates is recognised on an accruals basis.

	Six months ended 31 December 2000 A$m	Year ended 30 June 2000 A$m	1999 A$m	1998 A$m
Borrowing facilities and credit stand-by arrangements				
Committed credit facilities				
Australia	260.4	255.8	450.1	476.1
Overseas	2,481.7	2,032.4	1,611.5	1,346.2
	2,742.1	2,288.2	2,061.6	1,822.3
Credit standby/uncommitted arrangements	188.8	147.1	142.3	284.5
Total credit facilities	2,930.9	2,435.3	2,203.9	2,106.8
Amounts utilised				
Australia	(85.3)	(80.8)	(270.1)	(351.3)
Overseas	(1,689.2)	(1,502.8)	(997.0)	(995.5)
	(1,774.5)	(1,583.6)	(1,267.1)	(1,346.8)
Net available	1,156.4	851.7	936.8	760.0

Credit facilities are arranged by Brambles on behalf of its controlled entities. Funding is generally sourced from relationship banks on a medium to long-term basis. The expiry dates of committed facilities range to calendar year 2008 with an average term to maturity equivalent to 3.0 years at 31 December 2000 (2000 – 2.4 years, 1999 – 2.5 years, 1998 – 2.4 years). All facilities are structured on an unsecured, revolving basis and are predominantly guaranteed by the chief entity. Extension of each facility is normally pursued prior to the date of expiry.

27. Acquisition/disposal of controlled entities

The following material controlled entities were acquired during the period covered by this report. The dates of acquisition are also the date from which the operating results are included in the profit and loss statement as is the case with all acquisitions. No material controlled entity was disposed of during the three year period.

	Consideration (cash) A$m	*Economic interest %*
Short Bros. (Plant) Limited (acquisition date 5 November 1999)	140.8	100
ECO – Arc S.A. Group (acquisition date 31 August 1998)	73.5	100
Cockburn Corporation Limited (acquisition date 21 October 1997)	68.2	100

28. Directors' and Executives' Remuneration[1]

The number of directors of Brambles, including executive directors whose total income from Brambles or related parties within the following bands is:

	Six months ended 31 December	*Year ended 30 June*		
	2000	*2000*	*1999*	*1998*
A$10,000 – A$19,999	—	—	1	—
A$40,000 – A$49,999	1	—	—	—
A$50,000 – A$59,999	—	—	—	1
A$60,000 – A$69,999	—	—	1	3
A$70,000 – A$79,999	1	3	3	1
A$80,000 – A$89,999	1	1	1	—
A$90,000 – A$99,999	2	1	—	—
A$160,000 – A$169,999	1	—	—	1
A$170,000 – A$179,999	—	1	—	—
A$190,000 – A$199,999	—	1	—	—
A$200,000 – A$209,999	1	—	—	—
A$210,000 – A$219,999	—	—	1	—
A$240,000 – A$249,999	1	—	—	—
A$720,000 – A$729,999	—	—	—	1
A$830,000 – A$839,999	—	—	1	—
A$900,000 – A$909,999	—	1	—	—
A$1,800,000 – A$1,809,999	—	1	—	—
A$1,910,000 – A$1,919,999	—	—	—	1
A$1,990,000 – A$1,999,999	—	—	1	—
A$2,060,000 – A$2,069,999	1	—	—	—
A$2,210,000 – A$2,219,999	1	—	—	—
	10	9	9	8
	A$000	*A$000*	*A$000*	*A$000*
Total income paid or payable, or otherwise made available to directors, including executives, of the chief entity and controlled overseas entities.	25,464	41,434	36,777	29,610
Total income paid or payable, or otherwise made available to directors of the chief entity.				
Non-executive directors (excluding benefits paid upon retirement)	395	778	611	477
Executive directors (excluding benefits paid upon retirement)	1,940	2,708	2,833	2,639
	2,335	3,486	3,444	3,116

(1) Includes ongoing superannuation contributions (and retirement benefits in 1998) which do not require approval by shareholders.

Remuneration of executives

The number of executive officers employed in Australia who received, or in respect of whom income on a cost to company basis is due and receivable, which exceeds A$100,000 from Brambles or related parties within the following bands is:

	Six months ended 31 December	*Year ended 30 June*		
	2000	*2000*	*1999*	*1998*
A$110,000 – A$119,999	—	1	—	—
A$120,000 – A$129,999	—	1	—	—
A$130,000 – A$139,999	1	1	—	—
A$140,000 – A$149,999	—	—	—	3
A$150,000 – A$159,999	—	5	1	—
A$160,000 – A$169,999	—	3	—	3
A$170,000 – A$179,999	1	2	1	4
A$180,000 – A$189,999	—	2	3	4
A$190,000 – A$199,999	5	5	3	4
A$200,000 – A$209,999	5	2	3	2
A$210,000 – A$219,999	1	4	8	3
A$220,000 – A$229,999	2	1	2	1
A$230,000 – A$239,999	1	1	3	1
A$240,000 – A$249,999	5	2	2	4
A$250,000 – A$259,999	1	2	—	4
A$260,000 – A$269,999	2	1	1	5
A$270,000 – A$279,999	—	—	4	1
A$280,000 – A$289,999	—	—	2	1
A$290,000 – A$299,999	1	1	4	—
A$300,000 – A$309,999	—	—	4	2
A$310,000 – A$319,999	1	—	3	2
A$320,000 – A$329,999	1	2	—	—
A$330,000 – A$339,999	2	2	—	—
A$340,000 – A$349,999	—	2	2	—
A$350,000 – A$359,999	—	2	1	—
A$360,000 – A$369,999	2	1	—	1
A$370,000 – A$379,999	—	1	—	—
A$380,000 – A$389,999	1	—	—	1
A$390,000 – A$399,999	2	—	—	—
A$400,000 – A$409,999	1	—	—	1
A$410,000 – A$419,999	2	—	1	—
A$430,000 – A$439,999	—	1	—	—
A$450,000 – A$459,999	—	1	—	1
A$460,000 – A$469,999	—	2	1	—
A$500,000 – A$509,999	—	—	—	2
A$510,000 – A$519,999	—	1	—	—
A$520,000 – A$529,999	—	—	—	1
A$530,000 – A$539,999	—	—	1	—
A$540,000 – A$549,999	—	1	—	—
A$570,000 – A$579,999	2	—	—	—
A$580,000 – A$589,999	2	—	—	—
A$650,000 – A$659,999	1	—	—	—
A$720,000 – A$729,999	—	—	—	1
A$750,000 – A$759,999	—	—	—	1
A$770,000 – A$779,999	—	—	1	—
A$830,000 – A$839,999	—	1	1	—
A$900,000 – A$909,999	—	1	—	—
A$970,000 – A$979,999	—	—	1	—
A$1,490,000 – A$1,499,999	1	—	—	—
A$1,800,000 – A$1,809,999	—	1	—	—
A$1,910,000 – A$1,919,999	—	—	—	1
A$1,990,000 – A$1,999,999	—	—	1	—
A$2,060,000 – A$2,069,999	1	—	—	—
A$2,210,000 – A$2,219,999	1	—	—	—
	45	53	54	54

	Six months ended 31 December 2000 A$000	Year ended 30 June 2000 A$000	1999 A$000	1998 A$000
Total remuneration, including salary, bonus, superannuation, retirement payments and other benefits received, or due and receivable, by these executives from Brambles or related parties.	10,477	16,490	17,761	16,321

All amounts are determined on a cost to company basis which includes applicable fringe benefits tax.

Emoluments of directors and five named officers (general policies)

Directors

Brambles' Constitution provides that the directors are to be paid such remuneration as determined by shareholders in general meeting and that the remuneration is to be divided amongst the directors in such proportions and manner as the directors determine. At the Annual General Meeting held on 6 November 1998, shareholders approved an increase in overall directors' fees to A$850,000 per annum.

The level of fees paid to individual non-executive directors is determined by the whole Brambles Board. In setting the fees, consideration is given to the responsibilities of directors in dealing with the complexity and geographical spread of Brambles' affairs and the level of fees paid to non-executive directors in comparable companies.

Senior Executives

Brambles' remuneration policy ensures that remuneration packages properly reflect the duties and responsibilities of the senior executives and are sufficient to attract, retain and motivate quality people.

All senior executives are given annual performance objectives, and a significant percentage of their remuneration depends on the achievement of these objectives.

In addition senior executives are granted performance based options under the employee option plan. These performance based options are intended to provide a longer term performance incentive.

The chief executive's remuneration is reviewed annually by a committee comprising all independent members of the board. In setting the chief executive's package, the committee takes into account advice provided by an independent and expert international remuneration consultant.

The remuneration of other senior managers is reviewed annually by the chief executive and all increases are subject to board approval. In reviewing senior executive salaries, the chief executive is required to obtain independent market information relevant to the position of each executive.

The total value of remuneration for each senior position takes into account the ruling remuneration market value for that position and the incumbent's level of experience and performance.

Brambles' policy encourages the payment of cash in lieu of non-cash benefits and packages are valued on a cost to company basis against market.

In addition to their fixed annual remuneration, senior executives are given individual bonus plans. The performance conditions in these plans typically comprise a mixture of group performance and personal objectives. Bonus payments are made in cash and are subject to any required tax.

Emoluments of directors and five named officers for the 6 months ended 31 December 2000

Details of remuneration provided to directors of Brambles and to the five most highly remunerated officers of Brambles are as follows:

Non-Executive Directors

	Directors' Fees A$000	*Committee Fees A$000*	*Superannuation contributions A$000*	*Retirement allowance A$000*	*Total A$000*
D R Argus, AO	115	—	4	—	119
M D I Burrows	77	—	4	—	81
W A Bennett	24	—	2	180	206
E J Cloney	38	—	3	—	41
N Kroes	38	—	—	—	38
F A McDonald (a)	38	2	3	—	43
R C Milne (a)	38	6	3	—	47

Executive Directors

	Salaries A$000	*Cash allowances A$000*	*Bonuses A$000*	*Super-annuation contributions A$000*	*Motor vehicle A$000*	*Other benefits A$000*	*Total A$000*	*Options granted (number) (d)*
J E Fletcher	632	185	507	—	—	20	1,344	—
M R Brown	254	45	228	38	30	1	596	—

Officers

	Salaries A$000 (b)	*Cash allowances A$000*	*Bonuses A$000*	*Super-annuation & retirement benefits A$000*	*Motor vehicle A$000*	*Social security taxes A$000*	*Relocation/ expatriate allowances A$000 (c)*	*Other benefits A$000*	*Total A$000*	*Options granted (number) (d)*
R S Anderson	632	—	—	13	—	6	28	—	679	—
E J Hobbs	277	5	152	34	6	52	—	1	527	—
G M Legtmann	300	—	223	9	3	7	—	—	542	10,000
T R Mulligan	50	10	—	527	2	—	—	—	589	—
L H Trekels	183	2	161	42	7	114	—	—	509	—

(a) Committee fees are paid in respect of extra services rendered to Trustee companies of Brambles' superannuation funds;

(b) Includes base salary and directors' fees;

(c) Includes relocation allowances and housing subsidies;

(d) Shows the total number of options granted under the Brambles Employees Option Plan (BEOP) during the year. Details on the BEOP together with the value of the options using the Black-Scholes option pricing model are set out below.

Options issued under the BEOP give the holder the right to subscribe for one ordinary share in Brambles' at the subscription price, subject to the terms and conditions of the BEOP. Options issued to the Executive Directors and senior executives have a term of 5.5 years and are subject to performance hurdles based on an annual compound growth of 7.5 per cent in Brambles' diluted earnings per share. Subject to the performance conditions being met, 20 per cent of the options are exercisable after two years and a further 20 per cent each at years three and four, with the final 40 per cent exercisable at the fifth anniversary. If the performance condition is not met at the exercise date, 25 per cent of the options in the tranche automatically lapse.

Name	*Date of grant*	*First date of exercise*	*Exercise price per option*	*Value of each option*
G Legtmann	22-12-2000	22-12-2002	A$42.95	A$13.24

Emoluments of directors and five named officers for year ended 30 June 2000

Details of remuneration provided to directors of Brambles and to the five most highly remunerated officers of Brambles are as follows:

Non-Executive Directors

	Directors' Fees A$000	*Committee Fees A$000*	*Superannuation contributions A$000*	*Total A$000*
D R Argus, AO	190	—	7	197
M D I Burrows	166	—	7	173
W A Bennett	75	—	5	80
E J Cloney	75	—	5	80
N Kroes	75	—	—	75
F A McDonald (a)	75	4	5	84
R C Milne (a)	75	10	6	91

Executive Directors

	Salaries A$000	*Cash allowances A$000*	*Bonuses A$000*	*Superannuation contributions A$000*	*Motor vehicle A$000*	*Other benefits A$000*	*Total A$000*	*Options granted (number) (d)*
J E Fletcher	1,428	223	146			9	1,806	140,000
M R Brown	539	101	127	81	53	1	902	120,000

Officers

	Salaries A$000 (b)	*Cash allowances A$000*	*Bonuses A$000*	*Super-annuation & retirement benefits A$000*	*Motor vehicle A$000*	*Social security taxes A$000*	*Relocation/ expatriate allowances A$000 (c)*	*Other benefits A$000*	*Total A$000*	*Options granted (number) (d)*
R Anderson	671		33	45	—	16	66	5	836	30,000
G Legtmann	571		225	13	30	32	—	4	876	100,000
J-L Laurent	580		313	206	20	135	—	5	1,259	—
J M Mauvilly	322	10	159	49	8	239	—	—	787	—
L Trekels	336	4	152	69	13	176	—	1	752	—

(a) Committee fees are paid in respect of extra services rendered to Trustee companies of Brambles' superannuation funds;

(b) Includes base salary and directors' fees;

(c) Includes relocation allowances and housing subsidies;

(d) Shows the total number of options granted under the Brambles Employees Option Plan (BEOP) during the year. Details on the BEOP together with the value of the options using the Black-Scholes option pricing model are set out below.

Options issued under the BEOP give the holder the right to subscribe for one ordinary share in Brambles at the subscription price, subject to the terms and conditions of the BEOP. Options issued to the Executive Directors and senior executives have a term of 5.5 years and are subject to performance hurdles based on an annual compound growth of 7.5 per cent in Brambles' diluted earnings per share. Subject to the performance conditions being met, 20 per cent of the options are exercisable after two years and a further 20 per cent each at years three and four, with the final 40 per cent exercisable at the fifth anniversary. If the performance condition is not met at the exercise date, 25 per cent of the options in the tranche automatically lapse.

Name	*Date of grant*	*First date of exercise*	*Exercise price per option*	*Value of each option*
J E Fletcher	21-12-1999	21-12-2001	A$41.60	A$11.26
M R Brown	21-12-1999	21-12-2001	A$41.60	A$11.26
R J Anderson	15-06-2000	15-06-2002	A$48.27	A$15.68
G Legtmann	26-08-1999	26-08-2001	A$43.48	A$12.69

Emoluments of directors and five named officers for year ended 30 June 1999

Details of remuneration provided to directors of Brambles and to the five most highly remunerated officers of Brambles are as follows:

Non-Executive Directors

	Directors' Fees A$000	*Committee Fees A$000*	*Superannuation contributions A$000*	*Total A$000*
M D I Burrows	209	—	7	216
D R Argus (a)	12	—	1	13
W A Bennett	70	—	5	75
E J Cloney	70	—	5	75
N Kroes	70	—	—	70
F A McDonald (b)	70	4	5	79
R C Milne (b)	70	9	6	85

Executive Directors

	Base remuneration (c) A$000	*Incentives (d) A$000*	*Super-annuation contributions A$000*	*Other benefits (e) A$000*	*Total A$000*	*Options granted (number) (g)*
J E Fletcher	1,218	417	—	364	1,999	—
M R Brown	486	126	73	150	835	—

Officers

	Base remuneration (c) A$000	*Incentives (d) A$000*	*Super-annuation contributions A$000*	*Other benefits (e) A$000*	*Relocation/ expatriate allowances (f) A$000*	*Total A$000*	*Options granted (number) (g)*
R Anderson	564	258	30	49	70	971	20,007
T Bourne	490	66	74	146	—	776	—
G Legtmann	386	—	30	104	235	755	—
J-L Laurent	529	113	148	108	—	898	—
J M Mauvilly	336	25	47	204	—	612	7,500

(a) Appointed 4 May 1999;

(b) Committee fees are paid in respect of directorships of trustee companies of Brambles' superannuation funds;

(c) Includes base salary and directors' fees;

(d) Comprises performance bonuses;

(e) This includes allowances and the value of any non-cash benefits, such as motor vehicles, including applicable fringe benefit tax and any social security taxes;

(f) Includes relocation allowances and housing subsidies;

(g) Shows the total number of options granted under the Brambles' Employee Option Plan during the year. Details of the scheme involved, the number of options granted to each officer together with the subscription price for each option are set out below. Each option gives the holder the right to subscribe for one ordinary share in Brambles at the subscription price, subject to the terms and conditions of the scheme.

The Qualifying Option Scheme was established to comply with Australian taxation requirements which enabled a taxation benefit of A$1,000 to be claimed by the optionholder. All Australian permanent employees with two years service were invited to participate in this scheme.

Options issued under the Standard Scheme are subject to performance hurdles based on a compound growth in Brambles' diluted earnings per share. The conditions applicable to R J Anderson's options provide that, subject to the performance conditions being met, 20 per cent of the options are exercisable after two years and a further 20 per cent each year thereafter. The final 40 per cent is exercisable at the fifth anniversary. If the performance condition is not met at the exercise date, 25 per cent of the options in the tranche automatically lapse. The conditions applicable to J M Mauvilly's options provide that, subject to the performance conditions being met, the options are available for exercise at the fifth anniversary of the date of granting. Due to the conditions of the scheme and the nature of the performance hurdle, the value of these options is considered to be indeterminable.

					No. of options	
Name	*Date of grant*	*First date of exercise*	*Maximum life years*	*Subscription price A$*	*Standard scheme*	*Qualifying option scheme*
R J Anderson	21/06/1999	21/06/2001	5.5	39.93	19,750	—
	07/06/1999	07/06/2002	3.5	40.94		257
J M Mauvilly	21/06/1999	21/06/2004	5.5	39.93	7,500	—

29. Related party information

Controlled entities

Brambles has amounts receivable and payable to wholly-owned controlled entities as disclosed in Notes 5 and 13. Interest is charged on amounts receivable at commercial rates of interest. Interest received/receivable is shown in Note 2. No interest is charged on amounts payable by Brambles to wholly-owned controlled entities except for deemed money market transactions with Brambles Security Services Limited.

Dividends are declared by all Australian controlled entities which have franking credits and distributable profits. Dividends received/receivable by Brambles are shown in Note 2 and are eliminated on consolidation.

Within Europe and North America there are loans between controlled entities all of which are documented and carry commercial interest rates applicable to the currency and term of the loans.

When Brambles guarantees the bank debt of controlled entities, a guarantee fee is charged in accordance with market rates.

All amounts receivable and payable by controlled entities and any interest thereon are eliminated on consolidation.

Associated entities

Share of associates' net profit after tax and interest received from associated companies are disclosed in Note 2.

Amounts receivable from associated companies disclosed in Note 5 are primarily current account amounts in respect of outstanding dividends, interest and technical aid fees. No interest is generally charged on these amounts.

Loans to associated companies as disclosed in Note 8 are of a long-term nature and carry commercial rates of interest. The average rate for the 6 months ended 31 December 2000 was 6.51 per cent, (2000 – 6.09 per cent, 1999 – 4.68 per cent, 1998 – 6.17 per cent).

CHEP USA operates as a partnership, particulars of which are disclosed in Note 8. The partnership interest is held by Brambles Industries, Inc. in the US. As is the case with the other CHEP entities, CHEP USA pays a technology licence fee to the partners which is attributed back to CHEP USA when determining its contribution to Brambles' profit.

Directors

Details of the directors of Brambles who served during the year ended 30 June 2000 are included in this Part A in this section.

The names of the directors of Brambles and details of their remuneration are set out in Note 28.

Brambles has a non-interest bearing advance outstanding as at 31 December 2000 of A$7.302 million, 2000 – A$10.221 million, 1999 – A$7.848 million, 1998 – A$6.490 million to Brambles Custodians Pty Limited, the trustee under the Brambles employee loan scheme. The advance is administered by Brambles Custodians Pty Limited to enable employees to acquire shares in Brambles pursuant to the terms and conditions of the employee loan scheme and approved by shareholders in general meeting on 18 November 1992. Employees who are also directors of controlled entities have outstanding advances under the loan scheme included in the above of A$0.072 million as at 31 December 2000 (2000 – A$0.098 million, 1999 – A$0.163 million, 1998 – A$0.278 million).

Acquisitions and disposal of shares in controlled entities by directors during the financial year were undertaken only on behalf of Brambles and were covered by trust agreements.

Issue of options over ordinary shares in Brambles in terms of the employee option plans during the financial period:

To directors of Brambles	—	six months ended 31 December 2000 – nil (2000 – 260,000, 1999 – nil, 1998 – 210,000 as approved by shareholders)
To directors of controlled entities	—	six months ended 31 December 2000 – 77,630 (2000 – 536,410, 1999 – 414,371, 1998 – 967,350)

Exercise of options over ordinary shares in Brambles in terms of the employee option plans during the financial period:

By directors of Brambles	—	six months ended 31 December 2000 – 93,000 (2000 – 90,000, 1999 – 315,010, 1998 – 76,000)
By directors of controlled entities	—	six months ended 31 December 2000 – 270,838 (2000 – 295,767, 1999 – 365,152, 1998 – 250,792)

The aggregate number of ordinary shares held by directors and their director-related entities as at the balance sheet dates in Brambles:

By directors of Brambles and their director-related entities	—	six months ended 31 December 2000 – 326,225 (2000 – 363,375, 1999 – 378,375, 1998 – 171,375)
By directors of controlled entities and their director-related entities	—	six months ended 31 December 2000 – 65,036 (2000 – 153,524, 1999 – 139,223, 1998 – 89,955)

All ordinary shares in controlled entities held by directors of controlled entities overseas as at the balance sheet dates were held under trust agreements on behalf of Brambles.

The aggregate number of options over ordinary shares in Brambles held by directors and their director-related entities as at the balance sheet dates:

By directors of Brambles	—	six months ended 31 December 2000 – 452,000 (2000 – 545,000, 1999 – 375,000, 1998 – 690,010)
By directors of controlled entities	—	six months ended 31 December 2000 – 1,626,779 (2000 – 2,134,330, 1999 – 1,937,948, 1998 – 1,830,774)

Dividends received from Brambles in respect of shares held at the relevant times by directors of Brambles and directors of controlled entities totalled A$0.181 million in the six months ended 31 December 2000 (2000 – A$0.412 million, 1999 – A$0.328 million, 1998 – A$0.209 million).

R. Helman and G. Glover are partners in professional firms and are non-executive directors of controlled entities. Amounts paid for legal services to the respective firms were A$0.821 million in the six months ended 31 December 2000 (2000 – 0.217 million, 1999 – A$0.407 million, 1998 – A$0.318 million, and A$0.148 million, 2000 – A$0.117 million, 1999 – A$0.293 million, 1998 – A$0.299 million).

I. Pollard and M. Watts are non-executive directors of a related entity and were respectively paid a consulting fee of A$0.010 million in the six months ended 31 December 2000 (2000 – A$0.019 million, 1999 – A$0.019 million, 1998 – A$0.019 million) and A$0.005 million, 2000 – A$Nil, 1999 – A$Nil, 1998 – A$Nil.

A director-related entity of R. Zimmermann, an executive director of a controlled entity overseas, was paid A$Nil million in the six months ended 31 December 2000 (2000 – A$0.272 million, 1999 – A$1.027 million, 1998 – A$0.538 million) for computer equipment and software purchases plus support service contracts.

A. Gardemann and E. Hostetter have remained executive directors, following the acquisition of the companies by Brambles, of Gardemann Arbeitsbuehnen GmbH & Co KG and Federal Container Corporation respectively. Five properties are leased from a related party of A. Gardemann and the rental paid in the six months ended 31 December 2000 was A$0.688 million (2000 – A$1.356 million, 1999 – A$1.329 million, 1998 – A$1.533 million). Two properties are leased from a related party of E. Hostetter and the rental paid in the six months ended 31 December 2000 was A$0.054 million (2000 – A$0.096 million, 1999 – A$0.067 million, 1998 – nil).

F. Markert, a director of a controlled entity, completed the sale of the Jardine Shipping business to Brambles which was conditionally contracted for in 1999. Total consideration was A$15.361 million. In addition, certain assets not originally contracted for were sold by F. Markert to Brambles at market price totalling A$1.899 million. Other assets were not purchased but rented by Brambles from F. Markert at a cost of A$0.250 million for the six months ended 31 December 2000 (2000 – A$0.222 million). Furthermore, F. Markert was paid consulting fees of A$0.025 million in the 6 months ended 31 December 2000 (2000 – A$0.050 million).

A director-related entity of R. Mitchell, a non-executive director of a related entity, was paid consulting fees of A$nil million in the six months ended 31 December 2000 (2000 – $0.176 million, 1999 – $0.171 million, 1998 – nil).

N. V. Short has remained as an executive director of a controlled entity following its acquisition by Brambles. The contract of sale includes certain earn-out provisions which provide for additional consideration if certain profit and other targets are met over the next two years.

The directors of Brambles have advised of their directorships in other companies and by virtue only of these directorships may have an interest in any contract which an entity within Brambles may enter into with these other companies.

Other transactions entered into during the year with directors of Brambles or its controlled entities or with their director-related entities were on terms and conditions no more favourable than those available to other employees, customers or suppliers and include transactions in respect of the employee option plans and contracts of employment and reimbursement of expenses. Any other transactions were trivial or domestic in nature.

Directors' indemnities

Brambles has entered into deeds of indemnity with directors shown in this part 4A and the Company Secretary (D. R. Corben). To the extent permitted by law, this action indemnifies them for:

(i) any liability to any person (other than the chief entity or a related body corporate) unless the liability arises out of wrongful conduct or involving a lack of good faith;

(ii) the costs and expenses of successfully defending legal proceedings.

Insurance policies are in place to cover directors and executive officers. However, the terms of the policies prohibit disclosure of the nature thereof and the premiums paid.

30. Employee option plans

At the Annual General Meeting held on 6 November 1998 the introduction of an umbrella Brambles Employees Option Plan (BEOP) was approved. Under the BEOP three employees' schemes were established. These schemes are similar to previous Brambles plans but enable a wider access. The BEOP was also introduced having regard for compliance with Australian taxation requirements for tax benefits to be obtained by both the employee and Brambles.

Awards under the BEOP are at the sole discretion of the directors of Brambles. The class of eligible participants in the BEOP is all employees of the Brambles Group, except those precluded by local laws overseas.

Generally, employees are required to have two or more years of permanent employment before an award under the BEOP is made. The number of options awarded varies, but all are issued at an exercise price equal to the market price at the time of the award. The options lapse if unexercised after six years (five years in 1998), with a minimum two years prior to vesting. Terminated employees may, however, be able to exercise unvested options within 60 days of termination date.

The BEOP options are recognised in the financial statements of Brambles when exercised.

Further details as to options issued and exercised are disclosed in Note 15 and Note 29.

31. Employees

The total number of Brambles employees (excluding joint venture entities) for the six months ended 31 December 2000 was 14,594 (2000 – 14,546, 1999 – 14,614, 1998 – 14,594).

32. Subsequent events

Subsequent to 31 December 2000, Brambles acquired Instashred, a document destruction business, on 3 January 2001 and sold its division of Car Europe in April 2001 for an amount in excess of its carrying value.

This letter has been extracted from the Brambles (UK) Listing Particulars and is provided to Brambles Shareholders for information purposes only. Accordingly, cross references in this letter are to the Brambles (UK) Listing Particulars.

Accountants' report

The following is the letter from Deloitte & Touche, the reporting accountants, to the Directors of Brambles (UK) and to UBS Warburg Ltd. on the financial information of Brambles for the six months ended 31 December 2000:

Deloitte & Touche Corporate Finance
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Deloitte & Touche

The Directors and Proposed Directors
Brambles Industries plc
200 Aldersgate Street
London
EC1A 4JJ

UBS Warburg Ltd.
1 Finsbury Avenue
London
EC2M 2PP

22 June 2001

Dear Sirs

Brambles Industries Limited ("Brambles")

Introduction

We report on the financial information of Brambles for the six months ended 31 December 2000. This financial information has been prepared for inclusion in the listing particulars dated 22 June 2001 (the "Listing Particulars") relating to the admission of Brambles Industries plc ("Brambles (UK)") to the official list of the UKLA and is set out in Part 4A of that document.

Basis of preparation

The financial information for the six months ended 31 December 2000 set out in Part 4A of the Listing Particulars is based on the audited financial statements of Brambles for the six months ended 31 December 2000, to which no adjustments were considered necessary. The financial information has been prepared in accordance with Australian GAAP.

Responsibility

The Brambles financial statements for the six months ended 31 December 2000 are the responsibility of the directors of Brambles, who approved their issue.

The Directors and Proposed Directors of Brambles (UK) are responsible for the contents of the Listing Particulars in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting polices are appropriate to the circumstances of Brambles, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Listing Particulars, a true and fair view of the state of affairs of Brambles as at 31 December 2000 and of its profits and cash flows for the 6 months then ended.

Yours faithfully

Deloitte & Touche
Chartered accountants

B UNAUDITED SUMMARY OF DIFFERENCE BETWEEN AUSTRALIAN GAAP AND UK GAAP FOR THE THREE AND A HALF YEARS ENDED 31 DECEMBER 2000

The financial information on Brambles has been prepared in accordance with Australian GAAP which differ in certain material respects to UK GAAP. Although there are presentational differences there are no differences between Australian GAAP and UK GAAP which affect cash flows.

The following is a summary of the material adjustments to profit for the period and net assets which would have been required to adjust for significant differences between Australian and UK GAAP.

Reconciliation of profit for the period

	Note	*Six months ended 31 December*	*Year ended 30 June*		
		2000	*2000*	*1999*	*1998*
		A$m	*A$m*	*A$m*	*A$m*
Profit for the period as reported under Australian GAAP		33	369	331	283
UK GAAP adjustments:					
Business combination	(i)	(37)	34	36	33
Application of the partial provision method of deferred taxation	(ii)	(19)	5	56	46
Restoration and rehabilitation	(iii)	(1)	—	(1)	—
Other		1	2	2	2
Net profit under UK GAAP		(23)	410	424	364

Reconciliation of net assets

	Note	*As at ended 31 December*	*As at 30 June*		
		2000	*2000*	*1999*	*1998*
		A$m	*A$m*	*A$m*	*A$m*
Net assets as reported under Australian GAAP		2,115	2,068	1,791	1,691
UK GAAP adjustments:					
Business Combinations	(i)	(199)	(324)	(342)	(400)
Application of the partial provision method to deferred taxation	(ii)	154	173	155	90
Restoration and rehabilitation	(iii)	(31)	(31)	(29)	(32)
Other		(4)	(6)	(8)	(10)
Net assets under UK GAAP		2,035	1,880	1,567	1,339

Notes

Differences in accounting treatment as a result of differences between UK and Australian GAAP are noted below:

(i) Business combinations:

Both UK and Australian GAAP require purchase consideration to be allocated to the net assets acquired at their fair value on the date of acquisition with the difference between the consideration paid and the fair value of the identifiable net assets acquired recognised as goodwill.

Under applicable UK and Australian GAAP, goodwill arising on acquisitions subsequent to July 1998 is capitalised against operating profit over its useful economic life. However, under UK GAAP, goodwill arising on acquisitions prior to July 1998 was taken immediately to equity reserves. In the Australian GAAP accounts of Brambles, goodwill arising on acquisitions prior to 1 July 1987 was taken immediately to equity reserves. Under UK GAAP, on subsequent disposal or termination of a previously acquired business, the profit or loss on disposal is calculated after charging or crediting the amount of any related goodwill previously taken directly to reserves or the unamortised balance of any goodwill capitalised.

(ii) Deferred taxation

Under Australian GAAP, deferred tax is provided for on a full liability basis. Under the full liability method, deferred tax assets or liabilities are recognised for timing differences arising from the difference between accounting and taxable profits, and for tax loss carry forwards at the applicable rate at each reporting date. Future income tax benefits in respect of tax losses are recognised to the extent that realisation is virtually certain.

Under UK GAAP, deferred taxation is calculated, using the liability method, in respect of timing differences arising from the difference between accounting and taxable profits. Provision is made for deferred taxation only to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

(iii) Restoration and aftercare costs

Under UK GAAP, full provision is made for the expected restoration costs and aftercare costs at landfill sites at the start of the project. These include maintaining and monitoring gas control and leachate treatment equipment, general maintenance of the site and occasionally more significant engineering works. These provisions are discounted to present value.

Under Australian GAAP, provision is made for the expected restoration and aftercare costs as the available airspace is utilised. Provisions for site aftercare costs are not required. The provisions are not discounted.

Unaudited restatements of financial information on Brambles under UK GAAP

Consolidated profit and loss accounts under UK GAAP

The following tables present the profit and loss accounts of Brambles in accordance with UK GAAP.

	Six months ended 31 December 2000			
	Australian GAAP A$m Note 1	*UK GAAP Adjustments A$m*	*UK GAAP A$m*	*UK GAAP £m Note 2*
Turnover				
Subsidiary undertakings	1,700	—	1,700	639
Share of joint ventures	1,050	—	1,050	394
	2,750	—	2,750	1,033
Operating profit/(loss)				
Subsidiary undertakings	190	(259)	(69)	(26)
Share of joint ventures	185	4	189	71
Total operating profit/(loss)	375	(255)	120	45
Operating profit before goodwill amortisation and exceptional items			385	145
Goodwill amortisation			(16)	(6)
Exceptional items			(249)	(94)
			120	45
Exceptional items	(195)	218	23	9
Profit on ordinary activities before interest and tax	180	(37)	143	54
Net interest payable				
Subsidiary undertakings	(50)	—	(50)	(19)
Share of joint ventures	(44)	—	(44)	(17)
Profit/(loss) on ordinary activities before tax	86	(37)	49	18
Tax on profit on ordinary activities	(52)	(19)	(71)	(26)
Profit/(loss) on ordinary activities after tax	34	(56)	(22)	(8)
Minority interest	(1)	—	(1)	—
Profit for the period	33	(56)	(23)	(8)

Result before goodwill amortisation and exceptional items		
Operating profit	385	145
Profit before tax	291	109

Profit and loss (Continued)

	Year ended 30 June 2000			
	Australian GAAP A$m Note 1	*UK GAAP Adjustments A$m*	*UK GAAP A$m*	*UK GAAP £m Note 2*
Turnover				
Subsidiary undertakings	3,192	—	3,192	1,250
Share of joint ventures	1,731	—	1,731	678
	4,923	—	4,923	1,928
Operating profit				
Subsidiary undertakings	411	8	419	164
Share of joint ventures	305	1	306	120
Total operating profit	716	9	725	284
Operating profit before goodwill amortisation and exceptional items			734	288
Goodwill amortisation			(19)	(8)
Exceptional items			10	4
			725	284
Exceptional items	(24)	29	5	3
Profit on ordinary activities before interest and tax	692	38	730	287
Net interest payable				
Subsidiary undertakings	(76)	—	(76)	(30)
Share of joint ventures	(59)	(2)	(61)	(24)
Profit on ordinary activities before tax	557	36	593	233
Tax on profit on ordinary activities	(186)	5	(181)	(71)
Profit on ordinary activities after tax	371	41	412	162
Minority interest	(2)	—	(2)	(1)
Profit for the period	369	41	410	161
Result before goodwill amortisation and exceptional items				
Operating profit			734	288
Profit before tax			597	234

Profit and loss (Continued)

	Year ended 30 June 1999			
	Australian GAAP A$m Note 1	*UK GAAP Adjustments A$m*	*UK GAAP A$m*	*UK GAAP £m Note 2*
Turnover				
Subsidiary undertakings	3,104	—	3,104	1,182
Share of joint ventures	1,587	—	1,587	604
	4,691	—	4,691	1,786
Operating profit				
Subsidiary undertakings	404	(3)	401	153
Share of joint ventures	265	9	274	104
Total operating profit	669	6	675	257
Operating profit before goodwill amortisation and exceptional items			691	263
Goodwill amortisation			(16)	(6)
Exceptional items			—	—
			675	257
Exceptional items	—	33	33	13
Profit on ordinary activities before interest and tax	669	39	708	270
Net interest payable				
Subsidiary undertakings	(79)	—	(79)	(30)
Share of joint ventures	(57)	(2)	(59)	(23)
Profit on ordinary activities before tax	533	37	570	217
Tax on profit on ordinary activities	(201)	56	(145)	(55)
Profit on ordinary activities after tax	332	93	425	162
Minority interest	(1)	—	(1)	(1)
Profit for the period	331	93	424	161

Result before goodwill amortisation and exceptional items				
Operating profit			691	263
Profit before tax			553	210

Profit and loss (Continued)

	Year ended 30 June 1998			
	Australian GAAP A$m Note 1	*UK GAAP Adjustments A$m*	*UK GAAP A$m*	*UK GAAP £m Note 2*
Turnover				
Subsidiary undertakings	2,938	—	2,938	1,205
Share of joint ventures	1,076	—	1,076	441
	4,014	—	4.014	1,646
Operating profit				
Subsidiary undertakings	375	(17)	358	147
Share of joint ventures	195	9	204	83
Total operating profit	570	(8)	562	230
Operating profit before goodwill amortisation and exceptional items			587	240
Goodwill amortisation			—	—
Exceptional items			(25)	(10)
			562	230
Exceptional items	29	44	73	30
Profit on ordinary activities before interest and tax	599	36	635	260
Net interest payable				
Subsidiary undertakings	(62)	—	(62)	(25)
Share of joint ventures	(42)	(1)	(43)	(18)
Profit on ordinary activities before tax	495	35	530	217
Tax on profit on ordinary activities	(210)	46	(164)	(67)
Profit on ordinary activities after tax	285	81	366	150
Minority interest	(2)	—	(2)	(1)
Profit for the period	283	81	364	149

Result before goodwill amortisation and exceptional items				
Operating profit			587	240
Profit before tax			482	197

Balance sheet information

The following table presents the balance sheet of Brambles in accordance with UK GAAP.

	As at 31 December 2000			
	Australian GAAP A$m Note 1	*UK GAAP Adjustments A$m*	*UK GAAP A$m*	*UK GAAP £m Note 2*
Fixed assets				
Intangible assets	547	(109)	438	163
Tangible assets	2,182	—	2,182	815
Investments				
Joint ventures	607	293	900	336
Other	413	(412)	1	—
	3,749	(228)	3,521	1,314
Current assets				
Stocks	106	—	106	40
Debtors	844	(5)	839	313
Cash at bank and in hand	102	—	102	38
	1,052	(5)	1,047	391
Creditors – amounts falling due within one year	696	—	696	260
Net current assets/(liabilities)	356	(5)	351	131
Total assets less current liabilities	4,105	(233)	3,872	1,445
Creditors – amounts falling due after more than one year	1,734	—	1,734	647
Provisions for liabilities and charges	256	(153)	103	38
Net assets	2,115	(80)	2,035	760

Notes

1. Reclassifications

Reclassifications have been made to the Brambles historical financial information presented under Australian GAAP to conform to presentation under UK GAAP.

2. Exchange rates

The historical financial information has been converted from Australian dollars into pounds sterling using the weighted average exchange rate applicable during the periods presented for the pro forma unaudited profit and loss statements and period end rates for the unaudited pro forma net assets statement.

		A$1.00 = £
30 June 1998	Average rate	0.4100
30 June 1999	Average rate	0.3806
30 June 2000	Average rate	0.3917
31 December 2000	Average rate	0.3758
	Period end rate	0.3735

This letter has been extracted from the Brambles (UK) Listing Particulars and is provided to Brambles Shareholders for information purposes only. Accordingly, cross references in this letter are to the Brambles (UK) Listing Particulars.

C. REPORT ON THE RECONCILIATION TO UK GAAP FROM DELOITTE & TOUCHE

The following is the text of a letter from Deloitte & Touche on the reconciliation to UK GAAP:

Deloitte & Touche Corporate Finance
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Deloitte & Touche

The Directors and Proposed Directors
Brambles Industries plc
200 Aldersgate Street
London
EC1A 4JJ

UBS Warburg Ltd.
1 Finsbury Avenue
London
EC2M 2PP

22 June 2001

Dear Sirs

Brambles Industries Limited ("Brambles")

We report on the restatement to UK GAAP ("the UK GAAP restatements") of financial information of Brambles set out in the comparative table in Part 4B of the listing particulars dated 22 June 2001 of Brambles Industries plc ("Brambles (UK)"). The UK GAAP restatements reconcile the Brambles consolidated balance sheets as at 30 June 1998, 1999 and 2000 and as at 31 December 2000 and the consolidated income statements for each of the periods then ended from Australian GAAP to UK GAAP.

Responsibilities

The Directors and Proposed Directors of Brambles (UK) are responsible for the listing particulars of Brambles (UK) which include the UK GAAP restatements prepared in accordance with paragraph 12.11 of the Listing Rules of the UK Listing Authority (the "Listing Rules") and which are contained in these listing particulars.

It is our responsibility to form an opinion, as required by the Listing Rules, on the UK GAAP restatements and to report our opinion to you.

We do not accept any responsibility for any reports previously given by us on the consolidated financial information of Brambles used in the compilation of the UK GAAP restatements beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

The UK GAAP restatements incorporate significant adjustments to the historical consolidated financial statements of Brambles. The historical consolidated financial statements of Brambles for each of the three years ended 30 June 1998, 1999 and 2000 and for the 6 months ended 31 December 2000 were the responsibilities of the Directors of Brambles.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued in the UK by the Auditing Practices Board. Our work, which was substantially less in scope than an audit, involved no independent examination of any historical underlying financial information. It consisted primarily of making enquiries of the management of Brambles to establish the accounting policies which were applied in the preparation of the underlying historical information, considering the evidence supporting the UK GAAP restatements and discussing the UK GAAP restatements with the Directors and Proposed Directors of Brambles (UK).

Opinion

In our opinion the adjustments made are appropriate for the purpose of presenting the profit for the period for each of the three years ended 30 June 1998, 1999 and 2000 and for the six months ended 31 December 2000 and the net assets as at 30 June 1998, 1999, 2000 and 31 December 2000 on a basis consistent in all material respects with the accounting policies to be adopted by the Combined Brambles Group under UK GAAP and the UK GAAP restatements have been properly compiled on the basis stated.

Yours faithfully

Deloitte & Touche
Chartered Accountants

This letter has been extracted from the Brambles (UK) Listing Particulars and is provided to Brambles Shareholders for information purposes only. Accordingly, cross references in this letter are to the Brambles (UK) Listing Particulars.

FINANCIAL INFORMATION RELATING TO THE SUPPORT SERVICES ACTIVITIES

A. ACCOUNTANTS' REPORT

The following is the full text of a report on the GKN Support Services Activities from PricewaterhouseCoopers, the reporting accountants, to the Directors and Proposed Directors of Brambles Industries plc and to UBS Warburg Ltd:

PRICEWATERHOUSECOOPERS

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22 June 2001

Dear Sirs

GKN Support Services Activities

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the listing particulars dated 22 June 2001 (the "Listing Particulars") relating to the admission to listing of Brambles Industries plc ("Brambles (UK)").

The companies and businesses which, following the proposed demerger described in the Circular to shareholders of GKN plc ("GKN") dated 22 June 2001, will be owned by Brambles (UK) are collectively referred to throughout this report as GKN Support Services Activities ("GSS"). GSS did not constitute a statutory sub-group within the GKN Group of companies ("the GKN Group") during the period under review. Accordingly it has been necessary to compile combined financial information for the purposes of this report. In addition, the GKN Group and the companies and businesses within GSS have historically prepared accounts to a 31 December year end, whereas Brambles (UK) will prepare accounts to 30 June.

Basis of preparation

The combined GSS financial information set out in this report has been prepared to show the results of operations and the financial position of GSS for the periods presented as if GSS had been in existence as an entity since 1 July 1997. The financial information is presented in accordance with the basis of preparation set out in note 1.

The combined GSS financial information is based on the consolidation returns of the companies or businesses comprising GSS (the "Underlying Financial Information") prepared for the purposes of preparing the GKN Group financial statements and interim reports covering the three years and six months ended 31 December 2000, to which no adjustments were considered necessary.

Responsibility

The GKN Group financial statements and interim reports covering the three years and six months ended 31 December 2000, which included the Underlying Financial Information, are the responsibility of the Directors of GKN who approved their issue.

The Directors and Proposed Directors of Brambles (UK) are responsible for the contents of the Listing Particulars in which this report is included.

It is our responsibility to compile the financial information set out in our report from the Underlying Financial Information, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the Underlying Financial Information. Our work also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the Underlying Financial Information and whether the accounting policies are appropriate to the circumstances of GSS, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the combined GSS financial information gives, for the purposes of the Listing Particulars, a true and fair view of the state of affairs of GSS as at the dates stated and of its profits, cash flows, and recognised gains and losses for the periods then ended.

Combined GSS profit and loss accounts

	Note	*Six months ended 31 December 2000 £m*	*Year ended 30 June 2000 £m*	*Year ended 30 June 1999 £m*	*Year ended 30 June 1998 £m*
Sales	2				
Subsidiary undertakings					
Acquisitions		1	10	64	55
Other companies		862	1,493	1,152	822
GSS sales		863	1,503	1,216	877
Share of associates		24	37	44	15
		887	1,540	1,260	892
Operating profit	2				
Subsidiary undertakings					
Acquisitions					
Before goodwill amortisation		1	3	7	8
Goodwill amortisation		(1)	(1)	(1)	(2)
		—	2	6	6
Other companies					
Before goodwill amortisation and exceptional items		160	278	236	173
Goodwill amortisation		(6)	(11)	(9)	—
Exceptional items	4	—	—	248	—
		154	267	475	173
GSS operating profit	3	154	269	481	179
Share of associates		2	3	3	1
Total Operating profit	4	156	272	484	180
Exceptional items – profit on disposal of business		—	3	—	—
Profit on ordinary activities before interest and tax		156	275	484	180
Net interest payable	7	(31)	(43)	(39)	(29)
Profit on ordinary activities before taxation		125	232	445	151
Tax on profit on ordinary activities	8	(34)	(65)	(51)	(43)
Profit on ordinary activities after taxation		91	167	394	108
Minority interest		(38)	(67)	(59)	(44)
Profit attributable to the shareholders		53	100	335	64
Dividends	5	(23)	(33)	(32)	(32)
Retained profit for the period		30	67	303	32
Earnings per share	9	7.3p	13.8p	46.4p	8.9p

	Note				
Results before goodwill amortisation and exceptional items					
Operating profit		£163m	£284m	£246m	£182m
Profit before tax		£132m	£241m	£207m	£153m
Earnings per share	9	8.3p	15.1p	13.4p	9.1p

Combined GSS balance sheets

	Note	As at 31 December 2000 £m	As at 30 June 2000 £m	As at 30 June 1999 £m	As at 30 June 1998 £m
Fixed assets					
Intangible assets	10	228	232	212	176
Tangible assets	11	1,491	1,312	1,038	825
Investments	12				
Associates		20	24	20	19
Other		4	4	4	2
		1,743	1,572	1,274	1,022
Current assets					
Stocks	13	26	25	12	8
Debtors	14	410	381	301	226
Cash at bank and in hand		26	37	25	36
		462	443	338	270
Creditors – amounts falling due within one year	15	(823)	(827)	(745)	(507)
Net current liabilities		(361)	(384)	(407)	(237)
Total assets less current liabilities		1,382	1,188	867	785
Creditors – amounts falling due beyond one year	17	(667)	(542)	(412)	(530)
Provisions for liabilities and charges	19	(61)	(55)	(42)	(275)
Net assets/(liabilities)		654	591	413	(20)
GKN's investment in GSS		393	359	250	(122)
Minority interests					
– Brambles		259	231	162	100
– Other		2	1	1	2
Total shareholders' funds		654	591	413	(20)

Combined GSS statements of total recognised gains and losses

	Six months ended 31 December 2000 £m	Year ended 30 June 2000 £m	Year ended 30 June 1999 £m	Year ended 30 June 1998 £m
Profit for the financial period	53	100	335	64
Currency translation differences	—	5	1	(5)
Total recognised gains and losses for the financial period	53	105	336	59

Reconciliation of movements in GKN's investment in GSS

	As at 31 December 2000 £m	*As at 30 June 2000 £m*	*As at 30 June 1999 £m*	*As at 30 June 1998 £m*
Profit for the financial period	53	100	335	64
Dividends	(23)	(33)	(32)	(32)
	30	67	303	32
Currency translation differences	—	5	1	(5)
Capital contributions by subsidiaries of GKN	11	23	28	30
Movements in loans with other GKN subsidiaries	(7)	14	(20)	(6)
Acquisition consideration paid by subsidiaries of GKN	—	—	60	—
Net increase in GKN's investment	34	109	372	51
Opening GKN investment	359	250	(122)	(173)
Closing GKN investment	393	359	250	(122)

Cumulative goodwill relating to acquisitions made prior to 1998, which has been eliminated against reserves at 31 December 2000, amounts to £52 million (30 June 2000: £52 million, 30 June 1999: £52 million, 30 June 1998: £52 million).

Historical cost profits and losses

There is no material difference between the profits as disclosed in the Combined GSS profit and loss accounts and the profits on an historic cost basis.

Combined GSS cash flow statements

	Note	Six months ended 31 December 2000 £m	Year ended 30 June 2000 £m	Year ended 30 June 1999 £m	Year ended 30 June 1998 £m
Net cash inflow from operating activities	21	222	403	347	255
Returns on investments and servicing of finance					
Interest received		1	3	2	1
Interest paid		(34)	(44)	(39)	(28)
Dividends paid to minority interests		(15)	(30)	(33)	(35)
		(48)	(71)	(70)	(62)
Taxation		(31)	(54)	(39)	(32)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(272)	(394)	(325)	(214)
Sale of tangible fixed assets		8	11	12	—
Investment loans		1	(1)	(1)	(1)
		(263)	(384)	(314)	(215)
Acquisitions and divestments	23				
Purchase of subsidiaries		(6)	(74)	(69)	(219)
Purchase of associates		—	(3)	—	(1)
Net cash acquired with subsidiaries		1	4	1	10
Sale of subsidiaries		—	5	—	—
Sale of associates		3	1	2	—
		(2)	(67)	(66)	(210)
Equity dividends paid		(22)	(64)	(39)	(38)
Net cash outflow before financing		(144)	(237)	(181)	(302)
Financing					
Movement in loans with GKN		(1)	41	46	(4)
Capital contributions		22	45	51	60
Increase in borrowings		113	163	70	299
Capital element of finance lease rentals		—	—	—	(1)
Net cash inflow from financing		134	249	167	354
(Decrease)/increase in net cash	24	(10)	12	(14)	52

Notes to the combined GSS financial information

1. Accounting Policies and Basis of preparation

Basis of preparation

The combined GSS financial information represents a combination of the results, cash flows, assets and liabilities of all the companies, businesses or divisions within the GKN Group which form GSS. Transactions and balances between companies within GSS have been eliminated.

The combined GSS financial information may not be representative of future results. For example, the historical capital structure does not reflect the future capital structure and interest costs, certain future operating costs and tax charges may be significantly different from those that result from being part of GKN.

In preparing the financial information, the results, assets and liabilities of those companies which were, for the relevant period, subsidiary undertakings of GKN and the 50 per cent. joint ventures ("GBE Joint Ventures") with Brambles Industries Limited ("Brambles") have been included as subsidiary undertakings. Upon implementation of the demerger and Dual Listed Company ("DLC") arrangements, the GBE Joint Ventures will be managed on a unified basis and become subsidiary undertakings of Brambles (UK). The interests of Brambles in the GBE Joint Ventures have been recognised as a minority interest. Those companies which were associated undertakings for the relevant period have been included under the equity method of accounting.

The results of subsidiary and associated undertakings acquired or sold during the period are included from or to the effective date of the acquisition or disposal. In the case of acquisitions during the periods, the acquisition method of accounting has been used.

Accounting policies

The financial information has been prepared under the historical cost convention, and complies with UK applicable accounting standards. The following accounting policies have been applied in preparing the financial information in this report:

(i) Sales

Sales shown in the profit and loss account represent the value of goods and services invoiced to customers including UK landfill tax, but excluding any value added taxes.

(ii) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value on a straight-line or reducing balance basis over its expected useful life.

The carrying values of tangible fixed assets are subject to review and any impairment charged to the profit and loss account.

GSS has adopted the transitional arrangement of FRS 15 – Tangible Fixed Assets, and has retained the book amounts of certain tangible fixed assets which were previously revalued.

Freehold and leasehold properties relating to landfill operations are depreciated on the basis of the shorter of the site life or the length of the lease or site licence. Freehold land which does not relate to landfill operations is not depreciated. Leasehold properties are amortised by equal annual instalments over the period of the lease or 50 years whichever is the shorter.

The rates and depreciation methods used are as follows:

	Straight line %	*Reducing balance* %
Freehold buildings	2 to 10	—
Pallets and containers	10 to 20	—
Plant and machinery	—	8 to 35
Computers	20 to 33⅓	—
Motor vehicles:		
commercial	10 to 33⅓	—
other	—	27 to 44

(iii) Finance leases

When GSS enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charge, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

(iv) Taxation

The charge for taxation is based on the result for the financial period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

(v) Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value on a first in first out basis, due allowance being made for obsolete and slow-moving items. Cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

(vi) Foreign currencies

The results and cash flows of overseas subsidiaries and associates are translated to sterling at average exchange rates. Where practicable, transactions involving foreign currencies are protected by forward contracts. Assets and liabilities in foreign currencies are translated at the appropriate forward contract rate or, if not covered, at the exchange rate ruling at the balance sheet date. Differences on revenue transactions are dealt with through the profit and loss account.

The exchange rates used for the currencies most important to GSS's operations are:

	£1 = DM	*£1 = euro*	*£1 = US$*
December 2000 average	3.22	1.65	1.47
June 2000 average	3.11	1.59	1.59
June 1999 average	2.88	N/A	1.64
June 1998 average	2.95	N/A	1.65
December 2000 period end	3.11	1.59	1.49
June 2000 year end	3.09	1.58	1.51
June 1999 year end	2.97	N/A	1.59
June1998 year end	3.01	N/A	1.66

(vii) Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration for acquired businesses over the fair value of the separable net assets acquired. Goodwill arising on acquisitions completed prior to 1 July 1997 has been eliminated against reserves. Goodwill arising on acquisitions after that date has been capitalised and amortised on a straight line basis over its estimated useful life up to a maximum of 20 years. Where an acquired business is sold and goodwill has been previously deducted from reserves, the goodwill is taken into account in calculating the profit or loss on sale. The carrying values of goodwill are subject to review and any impairment charged to the profit and loss account.

(viii) Provisions

Provisions for liabilities are made on the basis that the business has a constructive or legal obligation to transfer economic benefit due to a past event that is of uncertain timing or amount.

Provision is made to cover the future costs of restoration of landfill sites.

(ix) Financial instruments

GSS's accounting policy for derivatives is to recognise in the group profit and loss account gains and losses on hedges of revenues or operating payments as they crystallise. GSS uses forward foreign exchange contracts to manage its exposure to foreign exchange risks. Interest differentials resulting from the use of financial instruments to hedge these exposures are dealt with in the group profit and loss account.

The book value of short-term debtors and creditors are the same as their fair values and have been excluded from the financial instrument disclosures other than those on currency exposures.

(x) Pensions costs and other post retirement benefits

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular cost are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the company in separate trustee administered funds. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2. Segmental analysis

Segmental analyses are included by business and by region of origin. Sales by destination is not materially different from turnover by origin.

Business analysis	*Six months ended 31 December 2000 £m*	*Year ended 30 June 2000 £m*	*Year ended 30 June 1999 £m*	*Year ended 30 June 1998 £m*
Sales				
Pallet and container pooling	473	832	717	586
Waste management	310	525	469	290
Other support services	104	183	74	16
Total	887	1,540	1,260	892
GKN Subsidiaries	117	209	97	40
GBE Joint Ventures	770	1,331	1,163	852
Total	887	1,540	1,260	892

	Six months ended 31 December 2000 £m	*Year ended 30 June 2000 £m*	*Year ended 30 June 1999 £m*	*Year ended 30 June 1998 £m*
Operating profit before goodwill amortisation and exceptional items				
Pallet and container pooling	113	197	170	140
Waste management	38	66	63	37
Other support services	12	21	13	5
Total	163	284	246	182
GKN Subsidiaries	16	30	22	15
GBE Joint Ventures	147	254	224	167
Total	163	284	246	182

	As at 31 December 2000 £m	As at 30 June 2000 £m	As at 30 June 1999 £m	As at 30 June 1998 £m
Net assets				
Pallet and container pooling	1,261	1,082	819	603
Waste management	458	443	385	368
Other support services	79	71	59	(245)
Net operating assets	1,798	1,596	1,263	726
Other net liabilities	(1,144)	(1,005)	(850)	(746)
Total	654	591	413	(20)
GKN Subsidiaries	85	95	75	(230)
GBE Joint Ventures	569	496	338	210
Total	654	591	413	(20)

Net operating assets comprise purchased goodwill, tangible fixed assets, stocks, debtors and creditors. Other net liabilities comprise net debt and tax.

	Six months ended 31 December 2000 £m	Year ended 30 June 2000 £m	Year ended 30 June 1999 £m	Year ended 30 June 1998 £m
Capital expenditure				
Pallet and container pooling	233	345	277	178
Waste management	32	45	44	39
Other support services	7	6	2	1
Total	272	396	323	218
GKN Subsidiaries	10	11	7	6
GBE Joint Ventures	262	385	316	212
Total	272	396	323	218

Geographical analysis	Six months ended 31 December 2000 £m	Year ended 30 June 2000 £m	Year ended 30 June 1999 £m	Year ended 30 June 1998 £m
Sales				
Europe	535	965	874	641
Americas	338	548	362	226
Rest of the World	14	27	24	25
Total	887	1,540	1,260	892

	Six months ended 31 December 2000 £m	Year ended 30 June 2000 £m	Year ended 30 June 1999 £m	Year ended 30 June 1998 £m
Operating profit before goodwill amortisation and exceptional items				
Europe	106	190	172	128
Americas	53	85	66	45
Rest of the World	4	9	8	9
Total	163	284	246	182

	As at 31 December 2000 £m	As at 30 June 2000 £m	As at 30 June 1999 £m	As at 30 June 1998 £m
Net assets				
Europe	1,025	953	807	711
Americas	752	620	435	(2)
Rest of the World	21	23	21	17
Net operating assets	1,798	1,596	1,263	726

Goodwill amortisation is attributable to business segments as follows: Pallet and Container pooling six months to 31 December 2000: £0.3 million (year to 30 June 2000: £0.5 million, year to 30 June 1999: £0.6 million, year to 30 June 1998: £0.4 million), Waste Management six months to 31 December 2000: £5.0 million (year to 30 June 2000: £8.9 million, year to 30 June 1999: £9.0 million, year to 30 June 1998: £2.0 million), Other Support Services six months to 31 December 2000: £1.2 million (year to 30 June 2000: £2.2 million, year to 30 June 1999: £0.8 million, year to 30 June 1998: £nil).

Goodwill amortisation is attributable to region of origin as follows: Europe six months ended 31 December 2000: £5.2 million (year ended 30 June 2000: £9.3 million, year ended 30 June 1999: £9.4 million, year ended 30 June 1998: £2.3 million), Americas six months ended 31 December 2000: £1.2 million (year ended 30 June 2000: £2.2 million, year ended 30 June 1999: £0.9 million, year ended 30 June 1998: £nil), Rest of the World six months ended 31 December 2000: £0.1 million (year ended 30 June 2000: £0.1 million, year ended 30 June 1999: £0.1 million, year ended 30 June 1998: £0.1 million).

The exceptional item in the year ended 30 June 2000 (£3 million) is attributable to the Waste Management segment and its region of origin was Europe. The operating exceptional item in the year ended 30 June 1999 (£248 million) is attributable to the Other Support Services segment and its region of origin was the Americas.

3. Cost of sales, gross profit, distribution costs and administrative expenses

	Six months ended 31 December 2000			*Year ended 30 June 2000*		
	Continuing £m	*Acquisitions £m*	*Total £m*	*Continuing £m*	*Acquisitions £m*	*Total £m*
Sales	862	1	863	1,493	10	1,503
Cost of sales	(530)	(1)	(531)	(909)	(7)	(916)
Gross profit	332	—	332	584	3	587
Distribution costs	(11)	—	(11)	(19)	—	(19)
Administrative costs	(167)	—	(167)	(298)	(1)	(299)
Net operating expenses	(178)	—	(178)	(317)	(1)	(318)
Operating profit before exceptional items	154	—	154	267	2	269

	Year ended 30 June 1999			*Year ended 30 June 1998*		
	Continuing £m	*Acquisitions £m*	*Total £m*	*Continuing £m*	*Acquisitions £m*	*Total £m*
Sales	1,152	64	1,216	822	55	877
Cost of sales	(673)	(44)	(717)	(427)	(40)	(467)
Gross profit	479	20	499	395	15	410
Distribution costs	—	(7)	(7)	—	—	—
Administrative costs	(252)	(7)	(259)	(222)	(9)	(231)
Net operating expenses	(252)	(14)	(266)	(222)	(9)	(231)
Operating profit before exceptional items	227	6	233	173	6	179

The exceptional provision release in the year ended 30 June 1999 was credited to administrative costs.

4. Operating profit

	Six months ended 31 December 2000 £m	Year ended 30 June 2000 £m	Year ended 30 June 1999 £m	Year ended 30 June 1998 £m
Operating profit is stated after charging/(crediting):				
Staff costs (note 6)	147	261	222	165
Depreciation on tangible assets				
– owned assets	93	155	134	92
– leased assets	—	1	3	2
Amortisation of goodwill				
– subsidiaries	7	12	10	2
Operating lease rentals				
– hire of plant and machinery	6	10	10	8
– other	8	14	11	8
Auditors' remuneration				
– audit services	1	1	1	1
– non-audit services	—	1	1	1
(Profit)/loss on disposal of tangible fixed assets	—	(1)	4	10
Exceptional litigation provision release*	—	—	248	—

* The 1999 results include an exceptional credit reflecting the reversal of £248 million of the provision made in respect of the Meineke class action law suit. The judgement made in the District Court, Charlotte, North Carolina in March 1997, which gave rise to the original provision, was reversed by the United States Court of Appeals in August 1998.

5. Dividends

Dividends represent the aggregate of dividends paid by various companies within GSS to their respective holding companies within the GKN Group.

6. Employee costs

Staff costs during the periods were as follows:

	Six months ended 31 December 2000 £m	Year ended 30 June 2000 £m	Year ended 30 June 1999 £m	Year ended 30 June 1998 £m
Wages and salaries	125	221	188	139
Social security costs	18	32	27	21
Other pension costs	4	8	7	5
Total	147	261	222	165

The average numbers of employees during the periods were:

	Six months ended 31 December 2000	Year ended 30 June 2000	Year ended 30 June 1999	Year ended 30 June 1998
Europe	9,846	9,133	8,331	7,950
Americas	3,183	2,646	2,235	870
Rest of the World	1,078	1,012	895	826
Total	14,107	12,791	11,461	9,646

Directors' remuneration

GSS has not historically formed a separate legal group and therefore no-one formally held the position of director of a holding company. The remuneration of those executive Directors of GKN who will become executive Directors of Brambles (UK) is analysed below. This remuneration was borne by GKN and the cost is not included in the profit and loss accounts of GSS.

Total remuneration of the Directors

(a) Executive Directors' remuneration

Total remuneration

The remuneration of the executive Directors, excluding pension benefits and long-term incentives, was as follows:

	Salary £000	*Performance-related £000*	*Benefits £000*	*Six months ended 31 December 2000 £000*
Sir C.K. Chow	315	67	12	394
David Turner	170	30	8	208
	485	97	20	602

	Salary £000	*Performance-related £000*	*Benefits £000*	*Year ended 30 June 2000 £000*
Sir C.K. Chow	560	200	22	782
David Turner	305	102	16	423
	865	302	38	1,205

	Salary £000	*Performance-related £000*	*Benefits £000*	*Year ended 30 June 1999 £000*
Sir C.K. Chow	500	335	19	854
David Turner	276	170	13	459
	776	505	32	1,313

	Salary £000	*Performance-related £000*	*Benefits £000*	*Year ended 30 June 1998 £000*
Sir C.K. Chow	465	286	18	769
David Turner	260	145	11	416
	725	431	29	1,185

(a) Payments of supplementary allowances to the executive Directors to assist them towards securing retirement benefits are included in the money-purchase contributions and allowances for pension benefit purposes disclosed in the table shown below under 'Pensions'. The allowances, detailed below, have therefore been excluded from the total remuneration shown in the table above although they are part of the Directors' aggregate emoluments for the purpose of disclosure under the Companies Act 1985:

Sir C.K. Chow – six months to 31 December 2000: £108,000; (year to 30 June 2000: £202,000; year to 30 June 1999: £180,000; year to 30 June 1998: £164,000).

David Turner – six months to 31 December 2000: £18,000; (year to 30 June 2000: £33,000; year to 30 June 1999: £30,000; year to 30 June 1998: £27,000).

Pensions

For executive Directors subject to the UK restrictions on pensionable earnings in the Finance Act 1989 (the 'earnings cap'), retirement provision has been secured by GKN by a combination of amounts paid to individual 'money-purchase' schemes, supplementary allowances paid to each Director and, where appropriate, membership of the GKN Group Executive and Senior Staff Pension Scheme (the 'Executive Scheme'). The retirement provisions are made in order to assist each Director towards securing overall retirement benefits compatible in value with those available under the Executive Scheme had it not been for the operation of the earnings cap.

The table below shows the amounts paid by GKN to the executive Directors' individual 'money-purchase' schemes and as supplementary allowances to the executive Directors to assist them towards securing retirement benefits.

	Money-purchase contributions and allowances for pension benefit purposes			
	Six months ended 31 December 2000 £000	*Year ended 30 June 2000 £000*	*Year ended 30 June 1999 £000*	*Year ended 30 June 1998 £000*
Sir C.K. Chow	121	229	205	189
David Turner	74	140	128	118
	195	369	333	307

Long-term incentive arrangements

Long-term incentives which closely link executive rewards to the return to shareholders on their investment are an important component in the overall executive remuneration arrangements. GKN's existing long-term incentive plans for executive Directors and senior executives (the 'Plans'), first introduced in 1996, have been approved by GKN's shareholders.

In summary, under the Plans each executive Director may be awarded annually a conditional right to acquire a number of GKN Ordinary Shares equal in value up to a maximum of 100 per cent. of his annual basic salary and calculated by reference to the average of the daily closing prices of GKN ordinary shares during the preceding year. The number of these shares that he will ultimately receive will depend on the GKN Group's performance during the three years commencing on 1 January in the year of award. This is measured by comparing the Total Shareholder Return (growth in share value assuming reinvestment of gross dividends), or 'TSR', from GKN shares with the return from shares in the other companies constituting the FTSE 100 Index at the start of the measurement period. If GKN ranks 25th or above in this comparator group the executive Director will receive all of the shares conditionally awarded to him. If the ranking is below 50th (65th for awards made in 1996 and 1997) he will receive no shares. For intermediate positions, he will receive a proportionate number of shares which will reduce (from 100 per cent.) by two percentage points for each position below 25th.

At the end of the three year measurement period the conditional award is converted into a deferred right to acquire the appropriate number of shares which will not be released to the Director for at least a further two years other than in the specific circumstances set out in the rules of the Plans. Irrespective of GKN's TSR, before any shares become eligible for release the Remuneration Committee must be satisfied that this is justified by the underlying financial performance of the GKN Group over the measurement period.

For completed measurement periods, GKN's TSR and rank against the TSR of the other FTSE 100 companies, together with the percentage of the conditional award converted into a deferred award, were as follows:

Period	*TSR%*	*FTSE 100 ranking*	*Deferred award conversion %*
Jan 1996 – Dec 1998	33.19	17	100
Jan 1997 – Dec 1999	28.30	24	100
Jan 1998 – Dec 2000	16.48	32	86

Conditional and deferred rights to GKN Ordinary Shares under the GKN LTIPs held by the executive Directors at the end of each period, together with awards made and converted during each period, were as follows:

	Awards held 31 December 2000		*Six months ended 31 December 2000*	
	Conditional	*Deferrred*	*Conditional awards made*	*Conditional awards converted to deferred*
Sir C.K. Chow	208,650	158,200	—	—
David Turner	115,200	84,700	—	—

	Awards held 30 June 2000		*Year ended 30 June 2000*	
	Conditional	*Deferrred*	*Conditional awards made*	*Conditional awards converted to deferred*
Sir C.K. Chow	208,650	158,200	57,800	65,000
David Turner	115,200	84,700	31,450	35,900

	Awards held 30 June 1999		*Year ended 30 June 1999*	
	Conditional	*Deferrred*	*Conditional awards made*	*Conditional awards converted to deferred*
Sir C.K. Chow	215,850	93,200	67,450	93,200
David Turner	119,650	48,800	37,150	48,800

	Awards held 30 June 1998		*Year ended 30 June 1998*	
	Conditional	*Deferrred*	*Conditional awards made*	*Conditional awards converted to deferred*
Sir C.K. Chow	241,600	—	83,400	—
David Turner	131,300	—	46,600	—

GKN Executive Schemes

Following the introduction of the GKN LTIPs, no grants of options have been made under these schemes since 1996 and no further grants will be made under the existing schemes. Options outstanding under the executive share option schemes are normally exerciseable between the third and tenth anniversary of the date of grant (between the fifth and tenth anniversary for options granted in 1995 and 1996). The exercise price was fixed at the market price of GKN's shares at the time the options were granted. The outstanding options held by Directors are exerciseable until the year 2006 at prices between 317.5p and 484p per share.

GKN SAYE Share Option Schemes

Outstanding options held by Directors under these schemes, which are open to all UK employees with six months' service or more, are exerciseable by the year 2003 at prices between 395p and 661p per share. Participants save a regular monthly sum of up to £250 for three or five years and can use these savings and any bonus payable under the schemes to exercise the options. As permitted by the Finance Act 1989 the exercise price is normally set at 20 per cent. below the market price before the start of the savings period.

Options over GKN Ordinary Shares which were held by Directors under the GKN Executive Schemes and GKN SAYE Share Option Schemes at the end of each period are given below. No options were granted to Directors during any of these years other than a grant on 13 April 2000 under the 1995 SAYE scheme to Mr Turner of an option over 1,465 shares at an option price of 661p per share. No options held by Directors lapsed during these periods.

	Shares under option 31 December 2000	*Exercise price*	*Shares under option 30 June 2000*	*Shares under option 30 June 1999*	*Shares under option 30 June 1998*
Sir C.K. Chow	4,366	395.0p (a)	4,366	4,366	4,366
David Turner	101,465	433.1p (b)	173,871	179,250	179,250

(a) Exercise price per share of option held at 31 December 2000.

(b) Weighted average exercise price per share of options held at 31 December 2000.

(c) The closing mid-market price of GKN Ordinary Shares on the London Stock Exchange on 29 December 2000 was 707p and the price range during the six months ended on that date was 662.5p to 910p.

Details of options exercised under the GKN Executive Schemes during the six months ended 31 December 2000 were as follows:

	Shares issued on exercise	*Date of grant*	*Exercise price per share*	*Price on date of exercise (a)*	*Shares retained on exercise*
David Turner	15,000	8.4.94	288.0p	893.5p	15,000
	57,406	6.4.95	317.5p	893.5p	15,000

Details of options exercised under the GKN SAYE Share Option Schemes during the year ended 30 June 2000 were as follows:

	Shares issued on exercise	*Date of grant*	*Exercise price per share*	*Price on date of exercise (a)*	*Shares retained on exercise*
David Turner	6,844	28.9.94	252.0p	761.5p	6,844

No options were exercised by the executive Directors under the executive and SAYE share option schemes during the year ended 30 June 1999.

Details of options exercised under the GKN Executive Schemes during the year ended 30 June 1998 were as follows:

	Shares issued on exercise	*Date of grant*	*Exercise price per share*	*Price on date of exercise (a)*	*Shares retained on exercise*
David Turner	70,000	8.4.94	288.0p	613.25p	17,000
	15,000	8.4.94	288.0p	914.0p	—

(a) The closing mid market price per share on date of exercise.

The aggregate of the total gains on options exercised by the Directors during the six months to 31 December 2000 amounted to £0.4 million (year to June 2000: £nil, year to June 1999: £nil, year to June 1998: £0.3 million). This is calculated by reference to the difference between the closing mid-market price of the shares on the date of excercise and the exercise price of the options, disregarding whether such shares were sold or retained at exercise, and is stated before tax.

(b) Non-executive Directors' remuneration

GSS has not historically formed a separate legal group and therefore no-one formally held the position of Director of a holding company. The remuneration of the Directors set out below reflects the remuneration of those non-executive Directors of GKN who will become non-executive Directors of Brambles (UK). This remuneration was borne by GKN and the cost is not included in the profit and loss accounts of GSS.

The remuneration of the non-executive Directors was as follows:

	Six months ended 31 December 2000		
	Fees £000	*Benefits £000*	*Total £000*
Sir David Lees	125	8	133
Sir John Parker	17	—	17
Roy Brown	15	—	15
	157	8	165

	Year ended 30 June 2000		
	Fees £000	*Benefits £000*	*Total £000*
Sir David Lees	225	16	241
Sir John Parker	34	—	34
Roy Brown	30	—	30
	289	16	305

	Year ended 30 June 1999		
	Fees £000	*Benefits £000*	*Total £000*
Sir David Lees	200	19	219
Sir John Parker	27	—	27
Roy Brown	25	—	25
	252	19	271

	Year ended 30 June 1998		
	Fees £000	*Benefits £000*	*Total £000*
Sir David Lees	200	22	222
Sir John Parker	25	—	25
Roy Brown	25	—	25
	250	22	272

(a) The fees in respect of Mr Brown were paid to his former employer, Unilever plc.

7. Interest (payable)/receivable

	Six months ended 31 December 2000 £m	*Year ended 30 June 2000 £m*	*Year ended 30 June 1999 £m*	*Year ended 30 June 1998 £m*
Short-term investments, loans and deposits	2	4	2	1
Short-term borrowings	(13)	(19)	(29)	(20)
Loans repayable within five years	(18)	(24)	(9)	(8)
Loans repayable after five years	(1)	(2)	(1)	(1)
Adjustment to present value of provisions	(1)	(2)	(2)	(1)
	(31)	(43)	(39)	(29)

8. Taxation on profit on ordinary activities

	Six months ended 31 December 2000 £m	*Year ended 30 June 2000 £m*	*Year ended 30 June 1999 £m*	*Year ended 30 June 1998 £m*
United Kingdom				
Corporation tax at 30.0% (June 2000 – 30.0%, June 1999 – 30.75%, June 1998 – 31.0%)	13	26	24	23
Deferred tax	1	2	1	—
	14	28	25	23
Overseas				
Corporation taxes	14	26	24	20
Deferred tax	4	10	1	—
Adjustment in respect of prior years	1	—	—	—
	19	36	25	20
Share of associates	1	1	1	—
	34	65	51	43

The effective rate of taxation in each period has benefited from accelerated capital allowances on the expansion of the pallet pool, on which no deferred tax has been provided.

9. Earnings per Ordinary Share

The calculation of earnings per Ordinary Share has been based on the earnings of the financial periods, and on 722.5 million shares, being the approximate number of Brambles (UK) Ordinary Shares that it is anticipated will be in issue when Brambles (UK) is admitted to the Official List and to trading on the London Stock Exchange based on the number of shares of GKN currently in issue.

Earnings per share before goodwill amortisation and exceptional items, which the Directors and Proposed Directors consider gives an additional indication of underlying performance, is calculated on the earnings of the periods adjusted as follows:

	Six months ended 31 December 2000		*Year ended 30 June 2000*		*Year ended 30 June 1999*		*Year ended 30 June 1998*	
	Earnings £m	*Earnings per share p*	*Earnings £m*	*Earnings per share p*	*Earnings £m*	*Earnings per share p*	*Earnings £m*	*Earnings per share p*
Earnings	53	7.3	100	13.8	335	46.4	64	8.9
Goodwill amortisation	7	1.0	12	1.7	10	1.4	2	0.2
Exceptional items	—	—	(3)	(0.4)	(248)	(34.4)	—	—
Tax on exceptional items	—	—	—	—	—	—	—	—
Adjusted earnings	60	8.3	109	15.1	97	13.4	66	9.1

10. Intangible fixed assets: goodwill

	Six months ended 31 December 2000 £m	*Year ended 30 June 2000 £m*	*Year ended 30 June 1999 £m*	*Year ended 30 June 1998 £m*
Cost – At beginning of period	256	224	178	—
Additions	4	36	43	182
Currency variations	(1)	(4)	3	(4)
At end of period	259	256	224	178
Amortisation – At beginning of period	(24)	(12)	(2)	—
Charge for the period	(7)	(12)	(10)	(2)
At end of period	(31)	(24)	(12)	(2)
Net Book value	228	232	212	176

The goodwill arising on acquisitions is being amortised on a straight-line basis over 20 years.

11. Tangible fixed assets

	Land and buildings £m	*Other tangible fixed assets £m*	*Hire stocks £m*	*Total £m*
Cost or valuation				
At 1 July 1997	74	235	630	939
Additions	22	35	161	218
Acquisitions	52	62	—	114
Disposals	(1)	(11)	(32)	(44)
Currency variations	(2)	(4)	(18)	(24)
At 30 June 1998	145	317	741	1,203
Additions	16	54	253	323
Acquisitions	15	39	—	54
Disposals	(1)	(8)	(39)	(48)
Currency variations	1	3	20	24
At 30 June 1999	176	405	975	1,556
Additions	9	85	302	396
Acquisitions	22	11	—	33
Disposals	(3)	(20)	(38)	(61)
Currency variations	(3)	(1)	19	15
At 30 June 2000	201	480	1,258	1,939
Additions	4	63	205	272
Acquisitions	2	1	—	3
Disposals	(6)	(9)	(28)	(43)
Currency variations	—	—	4	4
At 31 December 2000	201	535	1,439	2,175
Depreciation				
At 1 July 1997	22	145	158	325
Charge for the year	4	31	59	94
Acquisitions	—	1	—	1
Disposals	—	(10)	(24)	(34)
Currency variations	—	(2)	(6)	(8)
At 30 June 1998	26	165	187	378
Charge for the year	6	51	80	137
Acquisitions	—	29	—	29
Disposals	—	(7)	(25)	(32)
Currency variations	—	1	5	6
At 30 June 1999	32	239	247	518
Charge for the year	7	47	102	156
Disposals	—	(17)	(34)	(51)
Currency variations	—	—	4	4
At 30 June 2000	39	269	319	627
Charge for the period	1	30	62	93
Disposals	(6)	(9)	(22)	(37)
Currency variations	—	—	1	1
At 31 December 2000	34	290	360	684

	Land and buildings £m	Other tangible fixed assets £m	Hire stocks £m	Total £m
Net book value				
At 30 June 1998	119	152	554	825
At 30 June 1999	144	166	728	1,038
At 30 June 2000	162	211	939	1,312
At 31 December 2000	167	245	1,079	1,491

The analysis of the Net book value of land and buildings is as follows:

	Freehold £m	Long leasehold £m	Short leasehold £m	Total £m
At 30 June 1998	103	4	12	119
At 30 June 1999	120	3	21	144
At 30 June 2000	138	2	22	162
At 31 December 2000	139	3	25	167

Assets held under finance leases, capitalised and included above were:

	Cost £m	Accumulated depreciation £m	Net book value £m
At 30 June 1998	12	9	3
At 30 June 1999	17	11	6
At 30 June 2000	11	6	5
At 31 December 2000	11	7	4

12. Investments

	As at 31 December 2000 £m	As at 30 June 2000 £m	As at 30 June 1999 £m	As at 30 June 1998 £m
Associates	20	24	20	19
Loans to associates	3	3	3	2
Other investments	1	1	1	—
	24	28	24	21
The movement in the book value of investments is as follows:				
At beginning of period	28	24	21	2
Profit retained by associates	1	2	2	1
Currency variations	—	(1)	1	—
Additions	—	4	1	2
Disposals	(5)	(2)	(2)	(1)
Acquisitions	—	1	1	17
At end of period	24	28	24	21

13. Stocks

	As at 31 December 2000 £m	As at 30 June 2000 £m	As at 30 June 1999 £m	As at 30 June 1998 £m
Raw materials and consumables	20	18	7	8
Work in progress	2	3	2	—
Finished goods and goods for resale	4	4	3	—
	26	25	12	8

14. Debtors

	As at 31 December 2000 £m	As at 30 June 2000 £m	As at 30 June 1999 £m	As at 30 June 1998 £m
Amounts falling due within one year:				
Trade debtors	305	282	234	175
Amounts owed by associates	8	5	4	4
Other debtors	58	50	25	20
Taxation recoverable	4	14	9	5
Prepayments and accrued income	33	29	28	21
	408	380	300	225
Amounts falling due after one year:				
Other debtors	2	1	1	1
	410	381	301	226

Other debtors includes a deferred tax asset at 31 December 2000 of £13.5 million (30 June 2000: £13.6 million, 30 June 1999: £nil, 30 June 1998: £nil).

15. Creditors – amounts falling due within one year:

	As at 31 December 2000 £m	As at 30 June 2000 £m	As at 30 June 1999 £m	As at 30 June 1998 £m
Bank and other borrowings (note 16)	433	444	408	201
Trade creditors	89	88	82	59
Amounts owed to GKN and Brambles	3	2	4	10
Amounts owed to associates	—	—	1	1
Obligations under finance leases	—	—	1	2
Company taxation	52	54	56	38
Other taxes and social security costs	21	21	21	18
Other creditors	120	123	79	75
Accruals and deferred income	104	95	90	93
Dividends payable	1	—	3	10
	823	827	745	507

16. Bank and other borrowings due within one year

	As at 31 December 2000 £m	As at 30 June 2000 £m	As at 30 June 1999 £m	As at 30 June 1998 £m
Bank loans and overdrafts due within one year or on demand:				
Unsecured	161	59	226	201
Current portion of term loan (note 18)	272	385	182	—
	433	444	408	201

Bank loans and other borrowings are denominated in a number of currencies and bear interest based on LIBOR or foreign equivalents appropriate to the country in which the borrowing is incurred.

Brambles (UK) and Brambles have refinanced existing borrowings with effect from completion of the DLC Combination. The impact of this refinancing is not reflected in the bank loans presented in this Accountants' Report.

17. Creditors – amounts falling due beyond one year:

	As at 31 December 2000 £m	*As at 30 June 2000 £m*	*As at 30 June 1999 £m*	*As at 30 June 1998 £m*
Term loans (note 18)	661	536	406	529
Obligations under finance leases	6	6	6	1
	667	542	412	530

18. Financial instruments

GSS's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources, and other items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to provide finance for GSS's operations.

GSS also enters into derivatives transactions, principally interest rate swaps and forward foreign currency contracts. The purpose of such transactions is to manage the interest rate and currency risks arising from GSS's operations and its sources of finance.

It is, and has been throughout the period under review, GSS's policy that no trading in financial instruments shall be undertaken.

The main risks arising from GSS's financial instruments are interest rate risk, liquidity risk and foreign currency risk. GSS's policies for managing each of these risks are summarised below:

Interest rate risk

GSS borrows in the respective local currencies at local company level at both fixed and floating rates of interest. GSS has sought to minimise its exposure to fluctuations in interest rates by using interest rate swaps to convert borrowings from floating to fixed rates to generate the desired fixed/variable interest profile.

Liquidity risk

GSS funds its operations through a mixture of retained earnings, bank borrowings and shareholder loans.

It is GSS's policy to ensure the continuity of funding by way of committed facilities. Maturing committed facilities are generally extended for similar amounts and terms. Short-term flexibility is achieved through the use of overdrafts and uncommitted facilities.

Foreign currency risk

GSS uses forward foreign exchange contracts to manage its transactional exposure to foreign exchange risks. Such exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency. GSS does not hedge translational currency exposures as such exposure does not arise due to the specific nature of GSS's company structure.

Disclosures dealt with in this note exclude short-term debtors and creditors where permitted by FRS 13 and loans with other GSS companies.

A) Currency and interest rate risk profile of financial assets and liabilities

The currency and interest rate risk profile of GSS's financial assets and liabilities was:

	As at 31 December 2000 Bank and cash balances £m	*As at 30 June 2000 Bank and cash balances £m*	*As at 30 June 1999 Bank and cash balances £m*
Financial assets			
Sterling	2	4	5
US dollar	2	4	2
Euro zone currencies	18	25	16
Other	4	4	2
	26	37	25

The bank and cash balances were non-interest earning in all periods.

Financial liabilities

After taking into account the various interest rate and forward foreign exchange contracts entered into by GSS, the effective currency and interest rate exposure of GSS's borrowings were as follows:

Financial liabilities as at 31 December 2000

	Total £m	*Floating rate borrowings £m*	*Fixed rate borrowings £m*	*Weighted average fixed interest rate %*	*Weighted average period for which rate is fixed Years*
Sterling	232	127	105	6.7	2.9
US dollar	441	277	164	6.0	1.5
Euro zone currencies	420	343	77	4.2	2.4
Other	7	7	—	—	—
	1,100	754	346	5.8	2.1

Financial liabilities as at 30 June 2000

	Total £m	*Floating rate borrowings £m*	*Fixed rate borrowings £m*	*Weighted average fixed interest rate %*	*Weighted average period for which rate is fixed Years*
Sterling	209	114	95	7.0	2.5
US dollar	361	206	155	5.9	1.5
Euro zone currencies	412	321	91	4.2	2.4
Other	4	4	—	—	—
	986	645	341	5.8	2.0

Financial liabilities as at 30 June 1999

	Total £m	*Floating rate borrowings £m*	*Fixed rate borrowings £m*	*Weighted average fixed interest rate %*	*Weighted average period for which rate is fixed Years*
Sterling	178	78	100	7.3	1.2
US dollar	254	95	159	5.7	1.2
Euro zone currencies	385	268	117	4.5	3.1
Other	4	4	—	—	—
	821	445	376	5.8	1.8

The interest rates on floating rate borrowings are determined by reference to applicable LIBORs and national equivalents.

B) Fair values of financial assets and liabilities

The comparison of book and fair values of GSS's financial assets and liabilities at each period end are set out in the table below:

	As at 31 December 2000		*As at 30 June 2000*		*As at 30 June 1999*	
	Book value £m	*Fair value £m*	*Book value £m*	*Fair value £m*	*Book value £m*	*Fair value £m*
Financial instruments held or issued to finance GSS's operations:						
Bank and cash balances	26	26	37	37	25	25
Financial assets	26	26	37	37	25	25
Short-term borrowings and current portion of long-term borrowings	(433)	(433)	(444)	(444)	(408)	(408)
Long term borrowings	(661)	(661)	(536)	(536)	(406)	(406)
Finance leases	(6)	(5)	(6)	(5)	(7)	(7)
Financial liabilities	(1,100)	(1,099)	(986)	(985)	(821)	(821)
Financial instruments held to manage interest rate exposures:						
Interest rate swaps and similar instruments	—	(2)	—	4	—	(2)
Financial instruments held to hedge currency exposures on expected future trading transactions:						
Forward foreign exchange contracts	—	—	—	—	—	1
	(1,074)	(1,075)	(949)	(944)	(796)	(797)

The following methods and assumptions were used in estimating fair values of financial instruments:

- Short-term borrowings, cash and deposits approximate to book value due to their short maturities.
- Interest rate instruments – discounted cash flow analysis based on interest rates derived from market yield curves.
- Forward foreign exchange contracts and currency swaps – marked-to-market.

C) Maturity of financial liabilities

The maturity profiles of GSS's financial liabilities at each period end were as follows:

	As at 31 December 2000 £m	*As at 30 June 2000 £m*	*As at 30 June 1999 £m*	*As at 30 June 1998 £m*
Bank loans, overdrafts and other borrowings repayable as follows:				
within one year	433	444	408	201
one to two years	192	139	264	243
two to five years	433	360	107	282
after five years	36	37	35	4
	1,094	980	814	730
Finance leases repayable as follows:				
within one year	—	—	1	2
one to two years	1	1	1	1
two to five years	1	1	1	—
after five years	4	4	4	—
	6	6	7	3
Total borrowings	1,100	986	821	733

At each period end, GSS had the following undrawn committed borrowing facilities:

	As at 31 December 2000 £m	*As at 30 June 2000 £m*	*As at 30 June 1999 £m*
Expiring within one year	43	108	44
Expiring in more than one year but not more than two years	61	15	41
Expiring in more than two years	52	32	36
	156	155	121

D) Currency exposures

After taking into account the effects of forward foreign exchange contracts in each period there were no material currency exposures that give rise to gains or losses recognised in the profit and loss accounts.

E) Hedges

The GSS policy is to hedge the exposures summarised below.

- Interest rate risk – using interest rate swaps and forward rate agreements
- Transactional currency exposures – using forward foreign exchange contracts and currency swaps

Gains or losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains or losses on instruments used for hedging transactional currency exposures and the movements therein, are as follows:

	Gains *£m*	*Losses* *£m*	*Total net gains/ (losses)* *£m*
12 months to 30 June 1999			
Unrecognised gains and losses on hedges at 30 June 1998	—	(3)	(3)
Gains and losses from previous years recognised in 12 months ended 30 June 1999	—	3	3
Gains and losses arising before I July 1999 that were not recognised in the 12 months ended 30 June 1999	—	—	—
Gains and losses arising in the 12 months ended 30 June 1999 that were not recognised in that year	3	(4)	(1)
Unrecognised gains and losses on hedges at 30 June 1999	3	(4)	(1)
Expected to be recognised in the 12 months ended 30 June 2000	1	(3)	(2)
Expected to be recognised after 30 June 2000	2	(1)	1
	3	(4)	(1)
12 months to 30 June 2000			
Unrecognised gains and losses on hedges at 30 June 1999	3	(4)	(1)
Gains and losses from previous years recognised in 12 months ended 30 June 2000	—	3	3
Gains and losses arising before I July 2000 that were not recognised in the 12 months ended 30 June 2000	3	(1)	2
Gains and losses arising in the 12 months ended 30 June 2000 that were not recognised in that year	2	—	2
Unrecognised gains and losses on hedges at 30 June 2000	5	(1)	4
Expected to be recognised in the 12 months ended 30 June 2001	2	—	2
Expected to be recognised after 30 June 2001	3	(1)	2
	5	(1)	4
Six months to 31 December 2000			
Unrecognised gains and losses on hedges at 30 June 2000	5	(1)	4
Gains and losses from previous years recognised in six months ended 31 December 2000	(1)	—	(1)
Gains and losses arising before 30 June 2000 that were not recognised in the six months ended 31 December 2000	4	(1)	3
Gains and losses arising in the six months ended 31 December 2000 that were not recognised in the six months	(2)	(3)	(5)
Unrecognised gains and losses on hedges at 31 December 2000	2	(4)	(2)
Expected to be recognised in the year ending 31 December 2001	1	(2)	(1)
Expected to be recognised after 31 December 2001	1	(2)	(1)
	2	(4)	(2)

19. Provisions for liabilities and charges

	Deferred taxation £m	*Post-retirement £m*	*Other £m*	*Total £m*
At 1 July 2000	19	2	34	55
Charge for the period	7	—	1	8
Paid or accrued during the period	—	(1)	(1)	(2)
At 31 December 2000	26	1	34	61

	Deferred taxation £m	*Post-retirement £m*	*Other £m*	*Total £m*
At 1 July 1999	7	2	33	42
Charge for the year	12	—	3	15
Subsidiaries acquired	—	1	—	1
Paid or accrued during the year	—	(1)	(2)	(3)
At 30 June 2000	19	2	34	55

	Meineke litigation £m	*Deferred taxation £m*	*Post-retirement £m*	*Other £m*	*Total £m*
At 1 July 1998	239	5	1	30	275
Charge for the year	—	2	—	4	6
Release in the year (note 4)	(248)	—	—	—	(248)
Currency variations	3	—	—	—	3
Subsidiaries acquired	—	—	1	—	1
Paid or accrued during the year	6	—	—	(1)	5
At 30 June 1999	—	7	2	33	42

	Meineke litigation £m	*Deferred taxation £m*	*Post-retirement £m*	*Other £m*	*Total £m*
At 1 July 1997	239	5	—	29	273
Charge for the year	—	1	—	3	4
Currency variations	—	(1)	—	—	(1)
Subsidiaries acquired	—	—	1	—	1
Paid or accrued during the year	—	—	—	(2)	(2)
At 30 June 1998	239	5	1	30	275

Other provisions comprise mainly landfill restoration and rehabilitation provisions, the timing of which is inherently uncertain. They are established based on historical information and professional assessment and are discounted to their net present value.

Deferred taxation

The full potential deferred taxation liability arising on fixed asset and other timing differences is set out below:

	As at 31 December 2000 £m	*As at 30 June 2000 £m*	*As at 30 June 1999 £m*	*As at 30 June 1998 £m*
Amounts provided				
Fixed asset timing differences	15	11	7	7
Tax effect of losses carried forward	—	(2)	(2)	—
Other timing differences	11	10	2	(2)
	26	19	7	5
Amounts not provided				
Fixed asset timing differences	97	85	71	56
	123	104	78	61

No provision is made for any additional taxation which might arise on remittance of retained profits of overseas subsidiaries except where distributions of such profits are planned.

20. Post-retirement benefits

GSS pension arrangements comprise various defined contribution and defined benefit schemes.

The major defined benefit schemes are in the UK operations of CHEP and CLEANAWAY. All schemes are set up under trusts and assets of the scheme are held separately from those of the group.

CHEP operates two defined benefit schemes and a number of defined contribution schemes. The total pension cost to the company in the period was £0.3 million (June 2000: £0.7 million, June 1999: £0.8 million, June 1998: £0.8 million). The pension costs relating to the defined benefit schemes are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial valuation of the main scheme was at 6 April 1999. The main assumptions are that the long term yield on investments would exceed the general rate of increases in pensionable salaries by 2.25% per annum and exceed the rate of increases in pensions by 3.5% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the main scheme was £20.4 million and the funding level on an on-going basis was 99%. The deficit will be eliminated by increasing the employer's contribution rate.

CLEANAWAY operates four defined benefit schemes. The total pension cost to the company in the period was £1.3 million (June 2000: £2.4 million, June 1999: £2.1 million, June 1998: £2.0 million). The pension costs are based on an independent actuarial valuation which was completed with an effective date of 6 April 1997 for two schemes and 6 April 1998 for the other two. The actuarial methods used were the attained age method for one of the schemes valued at 6 April 1997 and the projected unit method for the other three.

The main assumptions are that, over the long term, the yield earned on investments would exceed the rates of pay increase by 2.5% per year. The schemes are funded using the assumptions and actuarial methods as described above.

The total market value of the schemes' assets was approximately £69.7 million (1999: £67.2 million, 1998: £52.5 million) at the valuation dates and the actuarial value of those assets represented approximately 98% of the benefits accrued for service to that date. None of the schemes had a material deficiency on a current funding level.

Other businesses

CHEP USA operates a defined contribution scheme (401K plan) the costs of which were £1.5 million (June 2000: £1.4 million, June 1999: £1.0 million, June 1998: £0.7 million).

CHEP South Africa contributes to the GKN South Africa pension fund and the Metal Industries Group pension fund (an industry-wide plan), both of which are defined benefit funds. There is also a defined contribution fund which is designed to produce a lump sum on retirement and not a guaranteed pension. The aggregate of these is not material in the context of the combined GSS Group.

Interlake Material Handling operates four closed defined benefit plans which are not material to the combined GSS Group.

Interlake Material Handling and Meineke participate in the GKN Group retirement savings plan, a defined contribution scheme.

The total pension costs incurred by CHEP South Africa, Interlake Material Handling and Meineke in the period to December 2000 were £0.3 million (June 2000: £0.7 million, June 1999: £0.5 million, June 1998: £0.4 million).

In certain non-UK companies funds are retained within the business to provide for retirement obligations. The charge to provide for these obligations, which are determined in accordance with actuarial advice or local statutory requirements, amounted to £0.1 million in the six months to 31 December 2000 (June 2000: £0.3 millon, June 1999: £0.5 million, June 1998: £nil).

21. Reconciliation of operating profit to net cash flow from operating activities

	Six months ended 31 December 2000 £m	*Year ended 30 June 2000 £m*	*Year ended 30 June 1999 £m*	*Year ended 30 June 1998 £m*
Operating profit	154	269	481	179
Depreciation charge	93	156	137	94
Amortisation of goodwill	7	12	10	2
(Profit)/loss on disposal of fixed assets	—	(1)	4	10
Increase in stocks	(1)	(13)	—	(1)
Decrease/(increase) in debtors	4	(19)	(7)	2
Decrease in creditors	(35)	(1)	(30)	(31)
Exceptional provision release	—	—	(248)	—
Net cash inflow from operating activities	222	403	347	255

22. Analysis of movements in net debt

	Cash in bank and in hand £m	*Overdrafts £m*	*Bank loans £m*	*Term loans £m*	*Finance leases £m*	*Total £m*
At 1 July 1997	19	(43)	(96)	(268)	(4)	(392)
Cash flow	19	33	(85)	(215)	1	(247)
Acquisitions	—	—	(17)	(51)	—	(68)
Currency variations	(2)	1	6	5	—	10
At 30 June 1998	36	(9)	(192)	(529)	(3)	(697)
Cash flow	(11)	(3)	(107)	41	(4)	(84)
Transfers	—	—	(91)	91	—	—
Currency variations	—	—	(6)	(9)	—	(15)
At 30 June 1999	25	(12)	(396)	(406)	(7)	(796)
Cash flow	12	—	25	(189)	1	(151)
Transfers	—	—	(63)	63	—	—
Currency variations	—	—	2	(4)	—	(2)
At 30 June 2000	37	(12)	(432)	(536)	(6)	(949)
Cash flow	(11)	1	157	(270)	—	(123)
Transfers	—	—	(150)	150	—	—
Currency variations	—	—	3	(5)	—	(2)
At 31 December 2000	26	(11)	(422)	(661)	(6)	(1,074)

23. Analysis of net cash flows in respect of acquisitions

	Six months ended 31 December 2000 £m	*Year ended 30 June 2000 £m*	*Year ended 30 June 1999 £m*	*Year ended 30 June 1998 £m*
Cash consideration (including expenses) to purchase:				
Subsidiary undertakings	(6)	(74)	(69)	(219)
Associates	—	(3)	—	(1)
Cash at bank and in hand acquired	1	4	1	10
Net cash outflow	(5)	(73)	(68)	(210)

24. Reconciliation of net cash flow to movement in net debt

	Six months ended 31 December 2000 £m	*Year ended 30 June 2000 £m*	*Year ended 30 June 1999 £m*	*Year ended 30 June 1998 £m*
(Decrease)/increase in cash in the period	(10)	12	(14)	52
Borrowings net of short term deposits acquired with subsidiaries	—	—	—	(68)
Movement in borrowings	(113)	(163)	(70)	(299)
Currency variations	(2)	(2)	(15)	10
Movement in net debt	(125)	(153)	(99)	(305)
Net debt at beginning of period	(949)	(796)	(697)	(392)
Net debt at end of period	(1,074)	(949)	(796)	(697)

25. Acquisitions

Six months ended 31 December 2000

Acquisitions made by GSS during the six months were as follows:

	Date	*Additional direct shareholding %*	*Shareholding at 31 December 2000 %*
Subsidiaries			
Städtereinigung Hoyerswerda GmbH (Germany)	Aug 2000	44.9	74.9
G Walker & Son Waste Disposal (UK)	Nov 2000	100	100

The book and fair value of net assets acquired and total consideration payable for subsidiary acquisitions are analysed below:

	Book value prior to acquisition and fair value £m
Tangible fixed assets	3
Cash	1
	4
Less already owned as joint venture investment	(1)
Attributable to minorities	(1)
Net assets acquired	2
Goodwill	4
Consideration including costs	6

Year ended 30 June 2000

Acquisitions made by GSS during the year were as follows:

		Date	*Additional direct shareholding %*	*Shareholding at 30 June 2000 %*
Subsidiaries				
Kaiser Städtereinigung und Recycling GmbH (Germany)	July	1999	100	100
West Midlands Waste Management (UK)	November	1999	100	100
Waste Management Deutschland (Germany)	May	2000	100	100
Heron Environmental (UK)	May	2000	100	100
Control Solutions Inc (USA)	June	2000	100	100

The book and fair value of net assets acquired and total consideration payable for subsidiary and associate acquisitions are analysed below:

	Book value prior to acquisition and fair value £m
Fixed assets – Tangible	33
Investments	1
Working capital and provisions	4
Taxation Payable	(1)
Cash	4
Net assets acquired	41
Goodwill	36
Consideration including costs	77

The post-acquisition contribution of subsidiary acquisitions to GSS cash flow was a net cash inflow of £3 million from operating activities, payments of £1 million in respect of interest and taxation and payments of £1 million in respect of capital expenditure and financial investment.

Year ended 30 June 1999

Acquisitions made by GSS during the year were as follows:

	Date	*Additional direct shareholding %*	*Shareholding at 30 June 1999 %*
Subsidiaries			
Gotthard Seidel GmbH & Co Sekundrärrohstofferfassung (Germany)	Aug 1998	10	100
Feldhaus Recycling GmbH & Co KG (Germany)	Oct 1998	10	100
Ostthüringer Recycling- und Handels GmbH (Germany)	Nov 1998	100	100
Dassler GmbH (Germany)	Dec 1998	25	100
BAR Bauschutt- Aufbereitungsanlage und Recycling GmbH (Germany)	Feb 1999	33	100
Interlake Material Handling (USA)	Feb 1999	100	100

The book and fair value of net assets acquired and total consideration payable for subsidiary acquisitions are analysed below:

	Book value prior to acquisition £m	*Revaluations £m*	*Fair value £m*
Tangible fixed assets	15	10	25
Investments	1	—	1
Working capital and provisions	3	(4)	(1)
Taxation payable	(1)	—	(1)
Cash	1	—	1
	19	6	25
Minority interests acquired			1
Net assets acquired			26
Goodwill			43
Consideration including costs			69

The above table shows the adjustments made to the net assets to bring the accounts onto a GSS basis in accordance with the requirements of FRS 7. The principal adjustments related to revaluations of properties, pensions, monetary and other liabilities.

The post-acquisition contribution of subsidiary acquisitions to GSS cash flow was a net cash inflow of £2 million from operating activities, payments of £6 million in respect of interest and taxation and payments of £4 million in respect of capital expenditure and financial investment.

Year ended 30 June 1998

A) SKP SANNE, KRUSE & PAPE UNTERNEHMENSVERWALTUNG AG & CO

On 1 April 1998 GSS acquired the whole of the issued share capital of SKP Sanne, Kruse & Pape Unternehmensverwaltung AG & Co (SKP) for a cash consideration of £197 million (DM 582 million). The calculation of goodwill arising on the acquisition is shown below:

	Book value prior to acquisition £m	*Revaluations £m*	*Accounting Policy Alignment £m*	*Fair value £m*
Tangible fixed assets	70	30	(4)	96
Investments	17	—	—	17
Working capital and provisions	(13)	—	(4)	(17)
Taxation payable	(10)	—	—	(10)
Cash	19	—	—	19
Loans and finance leases	(68)	—	—	(68)
Net assets	15	30	(8)	37
Attributable to minorities				(2)
Net assets acquired				35
Goodwill				172
Consideration including costs				207

The above table shows the adjustments made to the net assets to bring the accounts onto a GSS basis in accordance with the requirements of FRS 7. The principal adjustments related to revaluations of properties, monetary and other liabilities.

The results of SKP prior to acquisition, prepared on the basis of pre-acquisition accounting policies and under German generally accepted accounting principles, are summarised below.

	3 months to 31 March 1998 £m	*Year to 31 December 1997 £m*
Consolidated Profit and Loss Account		
Sales	44	183
Operating profit	7	22
Interest payable	(1)	(3)
Profit before taxation	6	19
Taxation	(1)	(6)
Minority Interest	—	(1)
Profit for the period	5	12

There were no other recognised gains or losses other than the profit for the period.

SKP's sales and operating profit for the 3 months to 30 June 1998 amounted to £45 million and £4 million respectively. SKP's contribution to GSS's cash flow for the same period was: £7 million to net cash inflow from operating activities, interest payments of £1 million, tax payments of £1 million and payments of £1 million in respect of capital investment and financial investment.

B) OTHER ACQUISITIONS

Other acquisitions made by GSS during the year were as follows:

	Date	*Additional direct shareholding %*	*Shareholding at 30 June 1998 %*
Subsidiaries			
Gespalets SA (Spain)	Sep 1997	100	100

The book and fair value of net assets acquired and total consideration payable for subsidiary and associate acquisitions are analysed below:

	Book value prior to acquisition and fair value £m
Tangible fixed assets	17
Working capital and provisions	(5)
Cash	(9)
Net assets acquired	3
Goodwill	10
Consideration including costs	13

The post-acquisition contribution of subsidiary acquisitions to GSS's cash flow was a net cash inflow of £1 million from operating activities, payments of £1 million in respect of interest and taxation and payments of £2 million in respect of capital expenditure and financial investment.

26. Financial commitments

(a) Operating lease commitments

At each period end GSS had annual commitments under non-cancellable operating leases as follows:

	As at 31 December 2000		As at 30 June 2000	
	Land and buildings £m	*Other £m*	*Land and buildings £m*	*Other £m*
Leases which expire:				
within one year	1	—	—	—
two to five years	7	2	4	2
after five years	6	—	4	—
	14	2	8	2

	As at 30 June 1999		As at 30 June 1998	
	Land and buildings £m	*Other £m*	*Land and buildings £m*	*Other £m*
Leases which expire:				
within one year	1	1	2	2
two to five years	4	2	3	2
after five years	10	—	3	—
	15	3	8	4

(b) Capital and other commitments

Contracts placed against capital expenditure sanctioned at 31 December 2000 but not provided for in these accounts amounted to £17 million (June 2000: £8 million, June 1999: £4 million, June 1998: £8 million).

27. Related Party Transactions

In addition to dividends there are a number of transactions between GSS businesses and both GKN and Brambles, all of which are at 'arms length' values. These comprise normal commercial contracts for pallet hire and waste collection together with loans and interest thereon and fees for royalties and management services.

The value of commercial contracts for services is not material to any of the parties involved. Details of other transactions are:

	Due to:		
	GKN £m	*Brambles £m*	*Total £m*
Loans as at:			
31 December 2000	8	8	16
30 June 2000	15	15	30
30 June 1999	45	45	90
30 June 1998	50	50	100

	Payable to:		
	GKN £m	*Brambles £m*	*Total £m*
Interest			
Period ended:			
31 December 2000	2.4	1.5	3.9
30 June 2000	5.4	1.9	7.3
30 June 1999	5.8	1.2	7.0
30 June 1998	6.0	1.4	7.4
Management and service fees and royalties			
Period ended:			
31 December 2000	0.4	5.3	5.7
30 June 2000	0.7	8.4	9.1
30 June 1999	0.6	7.1	7.7
30 June 1998	0.5	8.3	8.8

Management and service fees comprise charges for internal audit, treasury support and other functions carried out by GKN and Brambles on behalf of the GBE Joint Ventures.

28. Post balance sheet events

On 8 January 2001 GSS acquired, through CLEANAWAY Holdings Limited, the entire share capital of ServiceTeam Holdings Limited for a total consideration of £55 million, of which £9.4 million was satisfied by the issue of loan notes carrying a variable interest of LIBOR plus 20 basis points. The loan notes have redemption periods which commence between October 2002 and April 2004. The book value of the assets acquired was £14.2 million, giving goodwill of £40.8 million, subject to the ongoing fair value review.

Yours faithfully

PricewaterhouseCoopers

Chartered Accountants

B. UNAUDITED SUMMARY OF DIFFERENCES BETWEEN UK GAAP AND AUSTRALIAN GAAP FOR THE THREE AND A HALF YEARS ENDED 31 DECEMBER 2000

The combined GSS financial statements have been prepared in accordance with UK GAAP, which differ in certain material respects from Australian GAAP.

The following is a summary of the material adjustments to attributable profit and shareholders' funds which would have been required to adjust for significant differences between UK and Australian GAAP as applied by Brambles and which are to be adopted by the Combined Brambles Group.

Reconciliation of combined GSS attributable profit

	Notes	*Six months ended 31 December 2000 £m*	*12 months ended 30 June 2000 £m*	*1999 £m*	*1998 £m*
Attributable profit as reported under UK GAAP		53	100	335	64
Australian GAAP adjustments:					
Business combinations	(i)	(1)	(1)	(1)	(1)
Application of full liability method to deferred taxation	(ii)	(7)	(9)	(6)	(17)
Restoration and rehabilitation provisions	(iii)	—	—	—	—
Other		(2)	(3)	(2)	(2)
Attributable profit under Australian GAAP		43	87	326	44

Reconciliation of combined GSS net assets

	Notes	*As at 31 December 2000 £m*	*As at 30 June 2000 £m*	*1999 £m*	*1998 £m*
Net assets as reported under UK GAAP		654	591	413	(20)
Australian GAAP adjustments:					
Business combinations	(i)	30	32	36	39
Application of full liability method to deferred taxation	(ii)	(104)	(92)	(76)	(68)
Restoration and rehabilitation provisions	(iii)	25	25	24	24
Accounting for interests in joint ventures	(iv)	(263)	(239)	(177)	(118)
Other		8	9	11	13
Net assets under Australian GAAP		350	326	231	(130)

Differences in accounting treatment as a result of differences between UK and Australian GAAP are noted below:

(i) Business combinations

Both UK and Australian GAAP require purchase consideration to be allocated to the net assets acquired at their fair value on the date of acquisition with the difference between the consideration paid and the fair value of the identifiable net assets acquired recognised as goodwill.

Under applicable UK and Australian GAAP, goodwill arising on acquisitions subsequent to July 1998 is capitalised and amortised against operating profit over its useful economic life. Under UK GAAP, goodwill arising on acquisitions prior to July 1998 was taken immediately to equity reserves. In the Australian GAAP accounts of Brambles, goodwill arising on acquisitions prior to 1 July 1987 was taken immediately to equity reserves. On subsequent disposal or termination of a previously acquired business, the profit or loss on disposal is calculated after charging or crediting the amount of any related goodwill previously taken directly to reserves or the unamortised balance of any goodwill capitalised.

(ii) Deferred taxation

Under UK GAAP, deferred taxation is calculated, using the liability method, in respect of timing differences arising from the difference between accounting and taxable profits. Provision is made for deferred taxation only to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Under Australian GAAP, deferred tax is provided for on a full liability basis. Under the full liability method, deferred tax assets or liabilities are recognised for timing differences arising from the difference between accounting and taxable profits, and for tax loss carry forwards at the applicable rate at each reporting date. Future income tax benefits in respect of tax losses are recognised to the extent that realisation is virtually certain.

(iii) Restoration and rehabilitation provisions

Under UK GAAP, full provision is made for the expected restoration costs and site aftercare costs at landfill sites at the start of the project. This includes maintaining and monitoring gas control and leachate treatment equipment, general maintenance of the site and occasionally more significant engineering works. These provisions are discounted to present value.

Under Australian GAAP, provision is made for the expected restoration and aftercare costs as the available airspace is utilised. The provisions are not discounted.

(iv) Accounting for interests in joint ventures

In the combined GSS UK GAAP financial information presented in Part 3A of this document the GBE Joint Ventures are accounted for as subsidiary undertakings, by virtue of the fact that they are to be managed on a unified basis with the companies which were subsidiaries of GKN. Australian GAAP does not have a similar concept of consolidating on the basis of management on a unified basis and therefore under Australian GAAP the GBE Joint Ventures are equity accounted.

Exchange rates

The historical financial information has been translated from Australian dollars into pounds sterling using the weighted average exchange rate applicable during the periods presented for the pro forma unaudited profit and loss accounts and period end exchange rates for the unaudited pro forma net assets statement.

		A$1.00 = £
30 June 1998	Average rate	0.4100
30 June 1999	Average rate	0.3806
30 June 2000	Average rate	0.3917
31 December 2000	Average rate	0.3758
	Period end rate	0.3735

C. REPORT ON RECONCILIATIONS TO AUSTRALIAN GAAP

The following is the text of a report on the reconciliations to Australian GAAP from PricewaterhouseCoopers:

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
1 Embankment Place
London WC2N 6RH

The Directors and Proposed Directors
Brambles Industries plc
200 Aldersgate Street
London
EC1A 4JJ

UBS Warburg Ltd.
1 Finsbury Avenue
London
EC2M 2PP

22 June 2001

Dear Sirs

GKN Support Services Activities

We report on the unaudited restatements to Australian Generally Accepted Accounting Principles ("Australian GAAP") ("the Australian GAAP restatements") of the following financial information of GKN Support Services prepared under United Kingdom Generally Accepted Accounting Principles ("UK GAAP"):

- Combined GSS attributable profit for each of the three years ended 30 June 1998, 1999 and 2000 and the six months ended 31 December 2000; and
- Combined GSS net assets as at 30 June 1998, 1999, 2000 and 31 December 2000.

The Australian GAAP restatements for each of the three and a half years ended and as at 30 June 1998, 1999 and 2000 and 31 December 2000 are set out in Part 3B of the Listing Particulars dated 22 June 2001.

Responsibilities

It is the responsibility solely of the Directors and Proposed Directors of Brambles Industries plc to prepare the Australian GAAP restatements in accordance with paragraph 12.11 of the Listing Rules of the UK Listing Authority (the "Listing Rules").

It is our responsibility to form an opinion, as required by the Listing Rules, on the Australian GAAP restatements and to report our opinion to you.

The Australian GAAP restatements incorporate significant adjustments to the historical consolidated financial information of GSS. The historical consolidated financial information of GSS for each of the three years ended 30 June 1998, 1999 and 2000 and for the six months ended 31 December 2000 are the responsibility of the Directors and Proposed Directors of Brambles Industries plc.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued in the UK by the Auditing Practices Board. Our work, which was substantially less in scope than an audit, consisted primarily of making enquiries of the management of GSS to establish the accounting policies which were applied in the preparation of the underlying historical information, considering the evidence supporting the Australian GAAP restatements and discussing the Australian GAAP restatements with the Directors and Proposed Directors of Brambles Industries plc.

Opinion

In our opinion the adjustments made are appropriate for the purpose of presenting

- the combined GSS attributable profit for each for the three years ended 30 June 1998, 1999 and 2000 and for the six months ended 31 December 2000; and

- the combined GSS net assets as at 30 June 1998, 1999, 2000 and 31 December 2000

on a basis consistent in all material respects with the accounting policies to be adopted by the Combined Brambles Group under Australian GAAP and the Australian GAAP restatements have been properly compiled on the basis stated.

Yours faithfully

PricewaterhouseCoopers

Chartered Accountants

FINANCIAL INFORMATION RELATING TO BRAMBLES (UK)

The following is the full text of a report on Brambles Industries plc from PricewaterhouseCoopers, the reporting accountants, to the Directors and Proposed Directors and to UBS Warburg Ltd.:

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
1 Embankment Place
London WC2N 6RH

The Directors and Proposed Directors
Brambles Industries plc
200 Aldersgate Street
London
EC1A 4JJ

UBS Warburg Ltd.
1 Finsbury Avenue
London
EC2M 2PP

22 June 2001

Dear Sirs

Brambles Industries plc

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the listing particulars dated 22 June 2001 ("the Listing Particulars") of Brambles Industries plc ("Brambles (UK)").

Basis of preparation

The financial information set out below is based on the financial records of Brambles (UK) to which no adjustment was considered necessary.

Responsibility

The financial records are the responsibility of the Directors of Brambles (UK).

The Directors and Proposed Directors of Brambles (UK) are responsible for the contents of the Listing Particulars in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial records, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial records underlying the financial information and whether the accounting polices are appropriate to the circumstances of the Company and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Listing Particulars, a true and fair view of the state of affairs of Brambles (UK) as at the date stated.

Financial information

The balance sheet of Brambles (UK) at 31 May 2001 is as follows:

	Notes	£
Current assets		
Cash		2
Net assets		2
Represented by:		
Share capital	3	2

Notes to the financial information

1. Accounting policies

The balance sheet has been prepared under the historical cost convention and in accordance with applicable accounting standards.

2. Trading activity

Brambles (UK) did not trade during the period from incorporation on 3 January 2001 to 31 May 2001 nor did it receive any income, incur any expense or pay any dividends. Consequently, no profit and loss account has been prepared.

3. Share capital

Brambles (UK) was incorporated as Wavevale plc on 3 January 2001 with an authorised share capital of £50,000, comprising 50,000 Ordinary shares of £1 each, of which two ordinary shares were issued fully paid to the subscribers to the Memorandum of Association. Wavevale plc changed its name to Brambles Industries plc with effect from 31 May 2001.

4. Subsequent events

On 13 June 2001 Brambles (UK) increased its authorised share capital from £50,000 to £99,998 by the creation of 49,998 redeemable preference shares of £1 each (the "Redeemable Preference Shares"). These shares were allotted and issued to UBS AG at par for cash. The Company then applied for a trading certificate under Section 117 of the Companies Act.

On 13 June 2001 Brambles (UK) received a capital gift of £49,998 from GKN plc.

On 14 June 2001, Brambles (UK) exercised its right to redeem the Redeemable Preference Shares at par. An amount equivalent to the par value of the Redeemable Preference Shares was credited to a capital redemption reserve. These shares have subsequently been cancelled and the authorised share capital in respect of these Redeemable Preference Shares has been converted to 49,998 £1 ordinary shares.

On 19 June 2001, the entire issued share capital of Brambles (UK) was subdivided into 40 ordinary shares of 5 pence each. The entire authorised but unissued share capital of Brambles (UK) was also subdivided into 1,999,920 Ordinary Shares of 5 pence each.

On 19 June 2001, Brambles (UK) increased its authorised share capital by the creation of 898,000,039 ordinary shares and one special share of 5 pence.

In addition, the following events will have an impact on Brambles (UK) assuming they are implemented:

- the demerger of the GKN Support Services Activities to Brambles (UK) by way of a Court approved reduction of capital of New GKN plc; and
- the implementation of the dual listed company arrangements with Brambles Industries Limited.

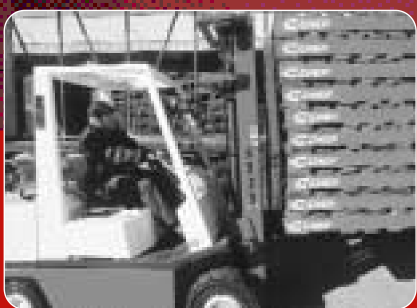
Yours faithfully

PricewaterhouseCoopers
Chartered Accountants

BRAMBLES

Annexure B

Investigating Accountants' Report



Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060
Grosvenor Place
225 George Street
Sydney NSW 2000
GPO Box N250
Grosvenor Place
Sydney NSW 1217 Australia

DX 10307SSE
Telephone (02) 9322 7000
Facsimile (02) 9322 7001
www.deloitte.com.au

Deloitte Touche Tohmatsu

25 June 2001

The Directors
Brambles Industries Limited
Level 40, Gateway
1 Macquarie Place
SYDNEY NSW 2000

Dear Sirs/Madam

INVESTIGATING ACCOUNTANTS' REPORT

This report has been prepared at the request of the directors of Brambles Industries Limited ("Brambles") for inclusion in a shareholder Information Memorandum dated 25 June 2001 relating to the proposed merger with the support services activities of GKN plc ("GKN Support Services Activities"). We have been requested to report on the pro forma financial information set out in Section 2 of the Information Memorandum, which has been prepared, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented. The nature of this financial information, associated responsibilities and our conclusion are set out below.

Responsibilities

It is the responsibility solely of the Directors of Brambles to prepare the pro forma financial information.

It is our responsibility to report to you on the pro forma financial information.

Historical Financial Information

The historical financial information presented in Section 2 of the Information Memorandum contains the pro forma financial information of the Combined Group as at and for the 6 months ended 31 December 2000 and for the year ended 30 June 2000 ("the historical financial information"). The historical financial information has been prepared on a basis consistent with the accounting principles and assumptions outlined in Section 2, which amongst other things, assumes the Combined Group has been in existence since 1 July 1999.

The historical financial information of Brambles has been extracted without material adjustments from the audited financial statements of Brambles. We have audited the financial statements of Brambles for the year ended 30 June 2000 and for the 6 months ended 31 December 2000.

The historical financial information of GKN Support Services Activities has been derived from the financial statements of GKN Support Services Activities after making certain adjustments. The adjustments, which are set out in Notes to the pro forma financial information contained within Section 2 of the Information Memorandum, relate to conversion from UK GAAP to Australian GAAP. The financial statements of the GKN Support Services Activities have been audited or reviewed by other auditors.

Deloitte
Touche
Tohmatsu

The pro forma financial information of the Combined Group presented in Section 2 of the Information Memorandum has been prepared in accordance with Australian GAAP and comprises:

1. Unaudited pro forma profit and loss information for the year ended 30 June 2000 and 6 months ended 31 December 2000;

2. Unaudited pro forma net asset information as at 31 December 2000;

3. Unaudited pro forma cash flow information for the year ended 30 June 2000 and 6 months ended 31 December 2000; and

4. Notes to the above pro forma financial information including a summary of differences between Australian GAAP and UK GAAP.

We have not performed an audit of the pro forma financial information listed above and, accordingly, we do not express an audit opinion on the pro forma financial information of the Combined Group as at and for the 6 months ended 31 December 2000 and for the year ended 30 June 2000 included in Section 2 of the Information Memorandum.

Opinion

The pro forma financial information has been properly compiled on the basis stated in Section 2 of the Information Memorandum and the pro forma adjustments disclosed in Section 2 are appropriate for the purposes of the pro forma financial information.

Yours faithfully,

Deloitte Touche Tohmatsu

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BRAMBLES

Annexure C

Fairness Opinion

Macquarie Bank Limited
ABN [illegible]
[illegible]

[illegible]

[illegible] Place | Telephone [illegible]
Sydney NSW [illegible] | Facsimile [illegible]
GPO Box [illegible] | Internet [illegible]
Sydney NSW [illegible] | Telex [illegible]
| DX [illegible]

25 June 2001

MACQUARIE BANK

The Directors
Brambles Industries Limited
Level 40, Gateway
1 Macquarie Place
SYDNEY NSW 2000
Australia

Dear Directors,

Proposed combination of Brambles Industries Limited and Brambles Industries plc by implementation of a dual listed companies structure

Macquarie Bank Limited has been retained by Brambles Industries Limited (Brambles) to advise on the proposed combination of Brambles and the support services activities of GKN plc through the implementation of a dual listed companies ("DLC") structure. We are writing to confirm to you our opinion regarding the DLC Proposal.

Unless otherwise stated, definitions appearing in the Brambles Information Memorandum dated 25 June 2001 ("the Information Memorandum") apply in this letter.

The DLC Proposal

Brambles has entered into a Merger Agreement, completion of which is subject to certain conditions, and is proposing to enter into various other agreements (together “the DLC Agreements”) with GKN to implement the DLC Proposal.

Under the DLC Agreements, GKN will implement a scheme of arrangement, one result of which will be to impose a new holding company above GKN ("New GKN"). GKN ordinary shareholders will receive one New GKN ordinary share for every GKN ordinary share they hold and their GKN ordinary shares will be cancelled. Once the scheme has been effected, New GKN will undertake a demerger of its support services businesses to a new UK company to be called Brambles Industries plc ("Brambles (UK)"). New GKN ordinary shareholders will receive one Brambles (UK) ordinary share in respect of every New GKN ordinary share they hold.

Once the demerger is completed, it is proposed that Brambles and Brambles (UK) will combine their businesses in a DLC structure (the "Combined Group"). This combination will be effected by Brambles and Brambles (UK) creating, through contractual arrangements, the equivalent of a single economic enterprise while remaining separate legal entities with separate stock exchange listings. No Brambles shareholder will need to exchange or tender their shares to participate as a shareholder in the Combined Group.

The combination will be structured so that on Completion the economic and voting interest in the Combined Group represented by each Brambles and Brambles (UK) share will be equal. On Completion, Brambles shareholders will collectively hold 57% of the economic and voting interests in the Combined Group. GKN Shareholders, through the Brambles (UK) Shares they will have received under the GKN Demerger, will collectively hold 43% of the economic and voting interests in the Combined Group. To achieve this outcome, immediately prior to implementation of the DLC, Brambles will issue additional Brambles shares to its shareholders so that the voting, dividend and capital rights of each Brambles share relative to each Brambles (UK) share will be exactly one to one. The exact number of shares to be issued will depend on the number of Brambles ordinary shares and Brambles (UK) ordinary shares on issue at the time of implementing the DLC Proposal.

Macquarie's opinion on the proposal

Subject to the matters referred to below it is our opinion that, at the date of this letter:

(a) the financial terms of the DLC Proposal are fair to the shareholders of Brambles taken as a whole; and

(b) the transactions contemplated in the DLC Agreements are in the interests of the shareholders of Brambles, taken as a whole.

Benefit of Macquarie's Opinion

This letter is solely for the benefit of the Directors of Brambles in their consideration of the DLC Proposal and serves only to confirm to them Macquarie's conclusion as to the fairness of the financial terms of the DLC Proposal. It is not to provide a detailed explanation of the reasoning that has led to the formation of Macquarie's opinion.

It is not prepared for, and shall not confer rights or remedies upon, any shareholders of Brambles. Shareholders should not rely on this letter and should consider all the matters raised in the Information Memorandum and seek whatever advice they think is appropriate from their own advisers.

Scope of Macquarie's opinion

We have not been asked to provide an independent expert's report in relation to the DLC Proposal and we have not been asked to conduct, nor have we conducted, an independent valuation of the assets and liabilities of Brambles or Brambles (UK).

In forming our opinion about the DLC Proposal, we have (amongst other things):

- Reviewed the relevant transaction documents, including the Information Memorandum and the Listing Particulars for Brambles (UK) dated 22 June 2001, the GKN Scheme Circular, the press release dated 19 April 2001, and certain presentations to analysts and investors prepared by Brambles;
- Received from Brambles and GKN management information on the historical and year to date financial performance of certain key assets of Brambles and proposed assets of Brambles (UK);
- Reviewed the Brambles five year strategic plan adopted by the Directors in August 2000 together with the information on the financial performance and prospects of Brambles and its constituent businesses;
- Discussed with Brambles and GKN management their views on the financial performance and prospects of the assets of Brambles (UK) and of the expected benefits of creating the Combined Group, including bringing the CHEP and CLEANAWAY joint ventures under a single management team;
- Reviewed audited financial statements, the Brambles Profit Forecast and certain internal financial projections prepared by Brambles with respect to Brambles and by GKN in relation to the GKN Support Services Activities (as defined in the Information Memorandum);
- Reviewed pro forma financial statements for the Combined Group as set out in the Information Memorandum and a press release dated 19 April 2001;
- Reviewed the pro forma financial effects of the DLC Proposal on earnings, dividends, operating cashflow and net-asset value per Brambles share, including conducting a sensitivity analysis to analyse the impact of changing key assumptions on the earnings of Brambles and the Combined Group;
- Discussed with management and Directors the strategic and commercial rationale for the DLC Proposal in the context of Brambles' future prospects and strategic plan;

- Reviewed certain publicly available information on Brambles and GKN including certain reports (including forecasts) produced by research analysts which we have assumed to be reasonably prepared, based on assumptions reflecting currently available information and estimates;
- Reviewed the reported market prices and the trading history of the ordinary shares of Brambles and GKN;
- Reviewed publicly available information on certain companies in similar industries or in similar indices comparable to Brambles' business, including market prices and other financial information for such companies' shares;
- Participated in discussions with other professional advisers to Brambles and GKN including financial, legal and accounting advisers; and
- Participated in discussions considering other such matters as we have deemed necessary for the purposes of forming our opinion, including the possibility of alternative structures to give effect to a merging of the interests of Brambles and Brambles (UK).

In determining our opinion we have reviewed the impact of the proposed transaction on Brambles and we have considered valuation methodologies we have thought necessary or appropriate for the purposes of forming our opinion.

Our approach to the valuation methodology primarily involved the capitalisation of earnings of individual businesses. Capitalisation of earnings or cashflows is the most commonly used method for valuation of industrial businesses and requires an estimation of the earnings or cashflow level of the businesses being valued having regard to operating results. It also requires consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the quality of earnings, growth prospects and relative business risks.

We have also considered the comparison of the expected fair value of a Brambles share, assuming the status quo, to the expected fair value of the interest a share would confer in the Combined Group taking into account, amongst other things, the advantages and disadvantages of the DLC Structure and alternative structures, the value of the assets and liabilities of the Combined Group and the views of the management of Brambles and GKN about the growth profile of the businesses within the Combined Group.

Reliance on others

We have assumed and relied upon the accuracy and completeness of the information provided to us by the management of Brambles and GKN and their other professional advisers or obtained by us from other sources, including the information described under the heading "Scope of Macquarie's opinion" above.

We have relied upon the management and Directors of Brambles as to the reasonableness and achievability of the internal financial and operating projections (including underlying assumptions) provided to us by Brambles in relation to Brambles, GKN and Brambles (UK). With the Company's consent, we have assumed that these forecasts reflect the best currently available estimates and judgments of management and that they will be realised.

We have not independently verified any of the information referred to in the previous two paragraphs, and we have not assumed and do not assume any responsibility or liability for this information.

Our opinion is based on the economic, regulatory, market and other conditions, and on the information made available to us and in effect on or as of the date of this letter. Developments after the date of this letter may affect the opinions it contains, but we are under no obligation to update, revise or reaffirm this letter or the opinions it contains.

Our opinion also reflects and relies upon forward-looking statements. Such statements have a range of risks attached to them, identified in more detail in the Information Memorandum. We believe the expectations reflected in this opinion are reasonable, but they could be affected by these and other risks which could cause actual results or trends to differ materially from our expectations.

We have assumed, with Brambles' consent, that the final executed form of the DLC Agreements will not differ in any material respect from the drafts that we have examined, and that Brambles and Brambles (UK) will comply with all the material terms of the DLC Agreements.

Declaration of interest

Macquarie has received and will receive fees for the services it has provided in relation to the DLC Proposal, including a fee contingent upon the successful implementation of the DLC Structure. From time to time, Macquarie and related entities may have maintained banking relationships with, provided financial products and services to, and received fees from Brambles. In the ordinary course, Macquarie and related entities may trade securities of Brambles or GKN for their own account or for the account of customers and may at any time hold a long or short position in these securities.

We consent to the inclusion of this letter, and references to it, in the form and context in which they appear in the Information Memorandum.

Yours faithfully,

Macquarie Bank Limited

Mark Johnson
Deputy Chairman

Geoff Joyce
Division Director
Investment Banking Group

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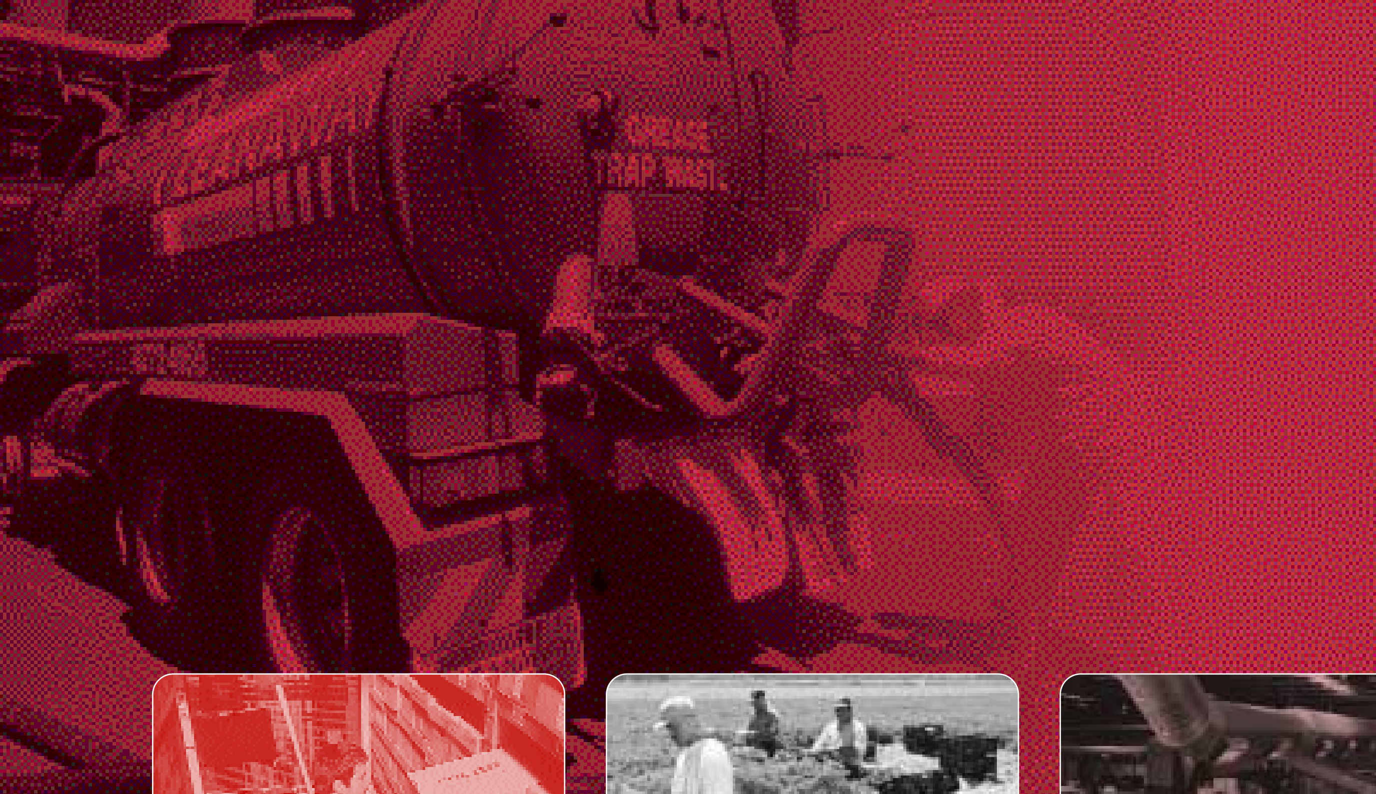
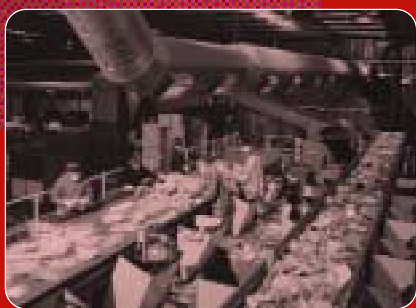
BRAMBLES

Annexure D

Report on the Brambles Profit Forecast





"D. BRAMBLES PROFIT FORECAST

(i) Profit Forecast for Brambles

In a press release dated 6 June 2001, the full text of which is set out in Section (v) of this Part 4, Brambles stated that:

"Based on trading to date, however, results for the full year before the write-down of equipment rental assets and transaction costs are expected to be down by approximately 6 per cent. from last year's A$364.8 million."

This statement forms the Brambles Profit Forecast and was made in relation to the results of Brambles for the year ending 30 June 2001, in the absence of unforeseen circumstances and on the basis of preparation and assumptions set out below.

Additional statement

In addition, Brambles stated in the same press release that "the ongoing businesses in total continue to generate double digit profit growth." This statement (the "Additional Statement") does not form part of the Brambles Profit Forecast but was made by Brambles to give to the market as a whole as an indication of the underlying performance of its ongoing businesses described below.

Basis of preparation

The Brambles Profit Forecast was based upon management projections, taking into account the audited accounts for the six months ended 31 December 2000 and the unaudited management accounts for the four months ended 30 April 2001.

The Brambles Profit Forecast refers to profits after interest and taxation, but before the write-down of equipment rental assets and costs of the DLC Combination and includes an assumed after-tax contribution of approximately A$46.3 million from the divestment and rationalisation programme as well as a further A$1.8 million from non-trading items. The total assumed contribution is A$2 million less than the corresponding contributions in the year to 30 June 2000, where the respective contributions were A$33 million from divestments and A$17 million from non-trading items.

The Additional Statement was made in respect of the "ongoing businesses" of Brambles which are those businesses it has not indicated are held for disposal or are under review and comprise Brambles' interests in CHEP, CLEANAWAY, Recall, the contract based industrial services division, Eurotainer, Brambles Marine Group, United Transport, Federal Container Corporation and Trailer Construction & Repairing.

The Additional Statement refers to forecast profit before interest, taxation, abnormal items and non-recurring items for the year ending 30 June 2001 of the ongoing businesses compared to profit before interest, taxation, abnormal items and non-recurring items for the same businesses for the year ended 30 June 2000.

Assumptions

The Brambles Profit Forecast was prepared under Australian GAAP using the accounting policies of Brambles as disclosed in note 1 to the financial information on Brambles, set out in Part 4A of this document.

The assumptions on which the Brambles Profit Forecast was made and which the directors of Brambles in office at the date of this document consider to be reasonable in all the circumstances, are set out below:

1. Assumptions relating to factors outside the influence or control of Brambles:
   - (a) there will be no material change in the bases or rates of taxation or in interest rates in Australia or other countries in which Brambles has operations;
   - (b) there will be no material change in Australian or overseas regulation affecting Brambles;
   - (c) there will be no material change in economic conditions or exchange rates;
   - (d) there will be no significant change in competitive conditions in the industries in which Brambles operates;
   - (e) there will be no materially adverse legal rulings;
   - (f) there will be no significant industrial disputes or other interruptions to business adversely affecting Brambles, its suppliers or customers;
   - (g) the divestment of ENSCO, which is currently under negotiation, will proceed to a binding sale contract and give rise to a profit which is recognised in the year ending 30 June 2001.

2. Key assumptions relating to factors over which Brambles has some degree of control for the remaining two months of the forecast period:

   (a) there will be no agreements or contracts entered into which are outside the normal course of business;

   (b) there will be no changes in accounting policies;

   (c) there will be no exceptional payments made by the Brambles Group.

Given the subjective judgements and inherent uncertainties of forecasts and because events and circumstances frequently do not occur as expected, there can be no assurance that the projections contained in the Brambles Profit Forecast will be realised, and actual results may differ materially from those forecast. Under no circumstances should the inclusion of the Brambles Profit Forecast in this document be regarded as a representation, warranty or prediction that any particular result will be achieved.

Unaudited summary of differences between Australian GAAP and UK GAAP for the Brambles Profit Forecast

The Brambles Profit Forecast was prepared in accordance with Australian GAAP which differ in certain material respects to UK GAAP. Under UK GAAP the results for the full year after interest and taxation, but before the write-down of equipment rental assets and costs of the DLC Combination, would be expected to be down by approximately 15 per cent from last year's A$412.0 million. The forecast decrease is greater under UK GAAP due primarily to a higher tax charge during the period under UK GAAP as a result of the reversal of timing differences. Differences in UK GAAP and Australian GAAP mean that Brambles' profit growth has historically been markedly different under the two GAAPs.

As mentioned above, the Additional Statement was based on forecast profit before interest, taxation, abnormal items and non-recurring items which is not an Australian GAAP measure of profit and for which there is no comparable UK GAAP equivalent. It is therefore not meaningful to prepare a UK GAAP statement.

The differences in accounting treatment as a result of differences between UK and Australian GAAP are noted below:

(i) Business combinations

Both UK and Australian GAAP require purchase consideration to be allocated to the net assets acquired at their fair value on the date of acquisition with the difference between the consideration paid and the fair value of the identifiable assets acquired recognised as goodwill.

Under applicable UK GAAP, goodwill arising on acquisitions subsequent to July 1998 is capitalised against operating profit over its useful economic life. However, goodwill arising on acquisitions prior to July 1998 was taken immediately to equity reserves. On subsequent disposal or termination of a previously acquired business, the profit or loss on disposal is calculated after changing or crediting the amount of any related goodwill previously taken directly to reserves or the unamortised balance of any goodwill capitalised. Under Australian GAAP all goodwill is capitalised and amortised over its useful life.

(ii) Deferred taxation

Under UK GAAP, deferred taxation is calculated using the liability method, in respect of timing differences arising from the difference between accounting and taxable profits. Provision is made for deferred taxation only to the extent that it is probable that a liability or asset will crystallise in the forseeable future.

Under Australian GAAP, deferred taxation is provided for on a full liability basis. Under the full liability method, deferred tax assets or liabilities are recognised for timing differences arising from the difference between accounting and taxable profits, and for tax loss carry forwards at the applicable rate at each reporting date. Future income tax benefits in respect of tax losses are recognised to the extent that realisation is virtually certain.

(iii) Restoration and rehabilitation provisions

Under UK GAAP, full provision is made for the expected restoration costs and aftercare costs at landfill sites at the start of the project. These include maintaining and monitoring gas control and leachate treatment equipment, general maintenance of the site and occasionally more significant engineering works. These provisions are discounted to present value.

Under Australian GAAP, provision is made for the expected restoration costs and aftercare as the available airspace is utilised. Provisions for site aftercare costs are not required. The provisions are not discounted.

(ii) Letter from Deloitte & Touche on the profit forecast

The following is the text of a letter from Deloitte & Touche on the Brambles Profit Forecast.

Deloitte & Touche Corporate Finance
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Deloitte & Touche

The Directors and Proposed Directors
Brambles Industries plc
200 Aldersgate Street
London
EC1A 4JJ

UBS Warburg Ltd.
1 Finsbury Avenue
London
EC2M 2PP

22 June 2001

Dear Sirs

Brambles Industries Limited ("Brambles")

We have reviewed the accounting policies and calculations used in preparing the profit forecast for Brambles Industries Limited ("Brambles") and its subsidiary undertakings for the year ending 30 June 2001 (the "Brambles Profit Forecast") set out in Part 4D(i) of the Listing Particulars of Brambles (UK) dated 22 June 2001 (the "Listing Particulars"). The Directors of Brambles are solely responsible for the Brambles Profit Forecast. The Directors and Proposed Directors of Brambles (UK) are responsible for the Listing Particulars in which the Brambles Profit Forecast and this report appear. The Brambles Profit Forecast takes account of the results shown by the audited accounts of Brambles for the six months ended 31 December 2000, set out in Part 4A of the Listing Particulars, and the results shown by the unaudited management accounts of Brambles for the four months ended 30 April 2001.

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

In our opinion the Brambles Profit Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis and assumptions made by the Directors of Brambles set out in Part 4D(i) of the Listing Particulars and the basis of accounting is consistent with the accounting policies of Brambles as disclosed in note 1 to the financial information on Brambles, set out in Part 4A of the Listing Particulars.

Yours faithfully

Deloitte & Touche
Chartered Accountants

(iii) Letter from UBS Warburg Ltd. on the Brambles Profit Forecast

The following is the text of a letter from UBS Warburg Ltd. on the profit forecast.

UBS Warburg

1 Finsbury Avenue
London
EC2M 2PP

22 June 2001

The Directors and Proposed Directors
Brambles Industries plc
200 Aldersgate Street
London EC1A 4JJ

Dear Sirs,

Brambles Industries Limited ("Brambles")
Profit Forecast and UK GAAP restatement

We have discussed with you and Deloitte & Touche the profit forecast of Brambles for the year ending 30 June 2001 (the "Brambles Profit Forecast") and the reconciliation of that forecast to UK GAAP (the "UK GAAP restatement") (each as set out in Part 4 of the Listing Particulars of Brambles Industries plc dated 22 June 2001).

We have also considered the letter dated 22 June 2001 addressed to yourselves and ourselves from Deloitte & Touche regarding the accounting policies adopted and the calculations made in preparing the Brambles Profit Forecast and the UK GAAP restatement.

As a result of these discussions and having regard to that letter, we consider that the Brambles Profit Forecast (for which the directors of Brambles are solely responsible) has been made after due and careful enquiry by Brambles.

Yours faithfully,

Chris Brodie
Managing Director
for and on behalf of UBS Warburg Ltd.

Greg Collinge
Director
for and on behalf of UBS Warburg Ltd.

(iv) Letter from Deloitte & Touche on the reconciliation of the profit forecast to UK GAAP

The following is the text of a letter from Deloitte & Touche on the reconciliation of the Brambles Profit Forecast from Australian GAAP to UK GAAP.

Deloitte & Touche Corporate Finance
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Deloitte & Touche

The Directors and Proposed Directors
Brambles Industries plc
200 Aldersgate Street
London
EC1A 4JJ

UBS Warburg Ltd.
1 Finsbury Avenue
London
EC2M 2PP

22 June 2001

Dear Sirs

Brambles Industries plc ("Brambles (UK)")

We report on the restatement to UK GAAP ("the UK GAAP restatement") of the profit forecast for the year ending 30 June 2001 (the "Brambles Profit Forecast") of Brambles Industries Ltd ("Brambles") set out in Part 4D(i) of the Listing Particulars dated 22 June 2001 of Brambles (UK). The UK GAAP restatement reconciles the Brambles Profit Forecast from Australian GAAP to UK GAAP.

Responsibilities

The Directors and Proposed Directors of Brambles (UK) are responsible for the Listing Particulars of Brambles (UK) within which the UK GAAP restatement is contained.

It is our responsibility to form an opinion on the UK GAAP restatement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on the consolidated financial information of Brambles used in the compilation of the UK GAAP restatement beyond that owed to those to whom those reports were addressed by us as the dates of their issue.

The UK GAAP restatement incorporates significant adjustments to the Brambles Profit Forecast. The Brambles Profit Forecast is the sole responsibility of the Directors of Brambles.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued in the UK by the Auditing Practices Board. Our work, which was substantially less in scope than an audit, involved no independent examination of any underlying financial information. It consisted primarily of making enquiries of the management of Brambles to establish the accounting policies which were applied in the preparation of the underlying financial information, considering the evidence supporting the UK GAAP restatement. We have also discussed the UK GAAP restatement with the Directors of Brambles and the Directors and Proposed Directors of Brambles (UK).

Opinion

In our opinion the adjustments made are appropriate for the purpose of presenting the Brambles Profit Forecast on a basis consistent in all material respects with the accounting policies to be adopted by the Combined Brambles Group under UK GAAP and the UK GAAP restatement has been properly compiled on the basis stated.

Yours faithfully

Deloitte & Touche
Chartered Accountants

(v) Press release

The following is the full text of a release by Brambles to the Australian Stock Exchange on 6 June 2001.

"BRAMBLES

Brambles Industries Limited
LEVEL 40, GATEWAY, 1 MACQUARIE PLACE, SYDNEY NSW, 2000
GPO BOX 4173, SYDNEY NSW, 2001, AUSTRALIA

6 June 2001

The Manager-Listings
Australian Stock Exchange Ltd
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Via electronic lodgement

Dear Madam

In line with obligations under Listing Rule 3.1 on continuous disclosure, Directors advise that the proposed combining of Brambles Industries Limited with the support services of GKN plc is advancing satisfactorily, with an Information Memorandum expected to be mailed to shareholders towards the end of this month and an EGM scheduled for late July.

In reviewing progress, the Board has also taken a realistic view that if, as expected, the proposed transaction proceeds, then Brambles' share of the associated costs would be taken as a one-off item in the 2000/01 financial year results. On current estimate, this amounts to around A$45 million.

As already foreshadowed, Equipment Rental has suffered a deterioration globally. The carrying value of this global business was written down at the half-year by $195 million, pre-tax. Trading conditions in rental markets have remained quite difficult in the four months to April 2001.

Results from the activities either sold or in the process of being divested are in total significantly down on last year. Actions are being taken to accelerate the transition of Brambles into fewer but larger globally managed activities.

Brambles' key global businesses, CHEP, CLEANAWAY and Recall, continue to achieve solid annual growth overall.

Revenue growth in CHEP continues to be strong, particularly in North America, However, near-term profits are being affected by the costs associated with the implementation of CHEP's global information technology project, the depot consolidation program in the United States and the start-up costs of the plastic crates initiative.

Despite the impact of these factors, the ongoing businesses in total continue to generate double-digit profit growth.

Based on trading to date, however, results for the full year before the write-down of equipment rental assets and transaction costs are expected to be down by approximately 6 per cent. from last year's $364.8 million.

Directors expect that underlying profits generated in Brambles core businesses will remain strong, and are confident that the objectives of the divestment program will be met. The sale of the European car transport business has been completed and a sale agreement signed for the disposal of the forklift rental business in France. Developments with the divestment of Gardemann (Germany) and ENSCO (USA) are encouraging.

The Board is considering options concerning Groups CAIB following the receipt of bids from potential buyers. Investment banks have been appointed to advise on the sale of Equipment Rental in the USA and Australia.

Brambles Chief Executive Officer, Mr John Fletcher, has agreed to a Board request to postpone his departure from Brambles until 1 August, 2001.

As previously advised, on completion of the proposed DLC transaction, Brambles Industries Limited and Brambles Industries plc will have identical Boards. Each Board will have ten directors. The Brambles Industries Limited nominees for these two Boards will be:

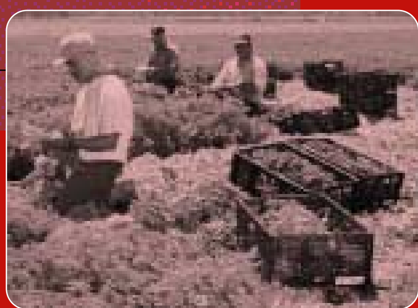
Mr D R Argus AO (chairman)
Mr M D I Burrows (joint deputy chairman)
Mr G J Kraehe
Mr F A McDonald
Mr R C Milne

Yours faithfully
BRAMBLES INDUSTRIES LIMITED

D.R. Corben
Company Secretary" "

BRAMBLES

Glossary



Glossary

The meanings of the following terms used in this document are as described below (unless the context requires otherwise).

Additional Brambles Shares	the Brambles Shares to be issued under the Brambles Additional Share Issue.
Admission	the admission of the Brambles (UK) Shares to trading on the LSE's market for listed securities.
Annual Report	a Brambles annual report for a financial year.
ASIC	Australian Securities and Investments Commission.
ASX or Australian Stock Exchange	Australian Stock Exchange Limited (ACN 008 624 691).
Australian GAAP	generally accepted accounting principles in Australia.
Boards	the Brambles Board and the Brambles (UK) Board.
Brambles	Brambles Industries Limited (ACN 000 129 868).
Brambles Additional Share Issue	the proposed issue to Brambles Shareholders of approximately 3.128 Additional Brambles Shares for every Brambles Share held at the Brambles Additional Share Issue Record Date, which is described in Section 4.4.
Brambles Additional Share Issue Record Date	the record date for the issue of Additional Brambles Shares under the Brambles Additional Share Issue, which is expected to be Tuesday 14 August 2000 (close of business).
Brambles Board or Board of Brambles	the board of directors of Brambles.
Brambles Constitution	the constitution of Brambles.
Brambles Deed Poll Guarantee	the deed poll guarantee to be executed by Brambles pursuant to the terms of the Merger Agreement, and which is described in Section 6.9.
Brambles Director	a director of Brambles.
Brambles Group	Brambles and its subsidiaries, and joint venture and partnership interests from time to time.
Brambles Profit Forecast	the statement contained in the press release issued by Brambles on 6 June 2001 (which is reproduced in Annexure D) which is regarded as a profit forecast under the listing rules of the UK Listing Authority in connection with the Brambles (UK) Listing Particulars, documents relating to which are contained in Annexure D.
Brambles Share	a fully paid ordinary share in Brambles (this does not include the Brambles Special Voting Share).
Brambles Shareholder	a holder of Brambles Shares (this does not include the holder of the Brambles Special Voting Share).
Brambles Special Voting Company or Brambles SVC	Brambles SVC Pty Limited (ACN 097 171 134).

Brambles Special Voting Share or Brambles SVS	the special voting share in Brambles, to be issued to Brambles SVC.
Brambles (UK)	Brambles Industries plc (a company incorporated in England and Wales with registered no. 4134697).
Brambles (UK) Articles	the articles of association of Brambles (UK), which will be in force from Completion.
Brambles (UK) Board or Board of Brambles (UK)	the board of directors of Brambles (UK).
Brambles (UK) Deed Poll Guarantee	the deed poll guarantee to be executed by Brambles (UK) pursuant to the terms of the Merger Agreement, and which is described in Section 6.9 of this document.
Brambles (UK) Director	a director of Brambles (UK).
Brambles (UK) Group	(i) in relation to the period prior to the date on which the GKN Demerger becomes effective, Brambles (UK) and each entity, asset or liability which, immediately following the Demerger, will be owned or owed, directly or indirectly by Brambles (UK) or any of its Subsidiaries in their capacity as the owners of or the persons owing the relevant businesses, assets and liabilities; and (ii) in relation to the period after the date on which the GKN Demerger becomes effective, Brambles (UK) and each of its joint ventures, Subsidiaries and partnership interests.
Brambles (UK) Listing Particulars	the listing particulars relating to Brambles (UK) dated 22 June 2001 and sent to GKN Shareholders.
Brambles (UK) Share	a fully paid ordinary share of 5 pence in the capital of Brambles (UK) (this does not include the Brambles (UK) Special Voting Share).
Brambles (UK) Shareholder	a holder of Brambles (UK) Shares (this does not include the holder of the Brambles (UK) Special Voting Share).
Brambles (UK) Special Voting Company or Brambles (UK) SVC	Brambles (UK) SVC Limited (a company incorporated in England and Wales with registered no. 4165742).
Brambles (UK) Special Voting Share or Brambles (UK) SVS	the special voting share in Brambles (UK), to be issued to Brambles (UK) SVC.
CGT	capital gains tax.
CHEP	Commonwealth Handling Equipment Pool, the original pallet business from which the modern CHEP grew, now comprising a number of companies either jointly owned by the GKN Group and the Brambles Group or wholly owned by either of them which carry on a business of pallet and container pooling services.
CHEP Malaysia	CHEP Malaysia Sdn Bhd.
CHEP South Africa	the following wholly-owned subsidiaries of GKN: CHEP South Africa (Proprietary) Ltd, CHEP Swaziland (Pty) Ltd, CHEP Namibia (Proprietary) Ltd, CHEP Botswana (Pty) Ltd, CHEP Drop'n Drive Distribution Systems (Pty) Ltd, GKN South Africa (Proprietary) Ltd.
Class Rights Actions	actions of the kind listed in Table 2 in Section 6.6.

CLEANAWAY	a number of companies either jointly owned by the GKN Group and the Brambles Group or wholly-owned by either of them which carry on a business of waste management and recycling services.
Combination Ratio	the ratio on Completion of the collective economic interests and voting interests (in respect of Joint Electorate Actions) in the Combined Group of Brambles Shareholders to the collective economic interests and voting interests (in respect of Joint Electorate Actions) in the Combined Group of Brambles (UK) Shareholders, which is 57% to 43%.
Combined Group	the Brambles Group and the Brambles (UK) Group after the DLC Structure has been implemented.
Companies	Brambles and Brambles (UK).
Companies Act	Companies Act 1985 (UK).
Company	Brambles or Brambles (UK) (as the context may require).
Completion	completion of the Merger Agreement, which, following satisfaction of the Conditions, will occur if and when either Brambles or GKN gives an Election Notice to the other.
Conditions	the conditions precedent to the Merger Agreement.
Corporations Law	the Corporations Law of New South Wales.
Court	the High Court of Justice in England.
Court Hearing	(i) the hearing of the petition to sanction the GKN Scheme; or (ii) the hearing of the petition to confirm the GKN Reduction of Capital; or (iii) the hearing of the petition to confirm the New GKN Reduction of Capital, (as the context may require).
Deed Poll Guarantee	the Brambles Deed Poll Guarantee or the Brambles (UK) Deed Poll Guarantee (as the context may require).
Demerger or GKN Demerger	the proposed demerger of the GKN Support Services Activities into Brambles (UK), which is described in Section 5.
Demerger Agreement	the agreement (in agreed form) proposed to be entered between GKN, New GKN and Brambles (UK) after implementation of the GKN Scheme relating to the GKN Demerger, which is described in Section 5.
Demerger Record Date	the record date for the issue of Brambles (UK) shares to New GKN Shareholders under the GKN Demerger, which is expected to be Friday 3 August 2001 (5.30 pm London Time).
Director	a director of Brambles or Brambles (UK), or a director of both Companies (as the context may require), including, when indicated, proposed directors of Brambles or Brambles (UK).
DLC	dual listed companies (that is, two companies listed on different stock exchanges, but operating as if they were a single economic entity).
DLC Agreements	the Sharing Agreement, the Voting Agreement, the Brambles Deed Poll Guarantee and the Brambles (UK) Deed Poll Guarantee.

DLC Proposal	the proposal to operate the businesses of Brambles and Brambles (UK) under the DLC Structure, as described in this document.
DLC Structure	the arrangements under the DLC Agreements by which, amongst other things, Brambles and Brambles (UK) will operate as DLC.
DLC Resolutions	the resolutions set out in the Notice of Meeting at the back of this document to, among other things, approve the DLC Proposal.
EBIT	operating profit before interest and tax.
EBITA	operating profit before interest, tax and goodwill amortisation.
EBITDA	operating profit before interest, tax, depreciation and goodwill amortisation.
Election Notice	a notice given by either Brambles or GKN to the other under the Merger Agreement requiring that Completion occur, which is referred to in Section 5.9.
Entrenched Provisions	certain significant provisions of the new Brambles Constitution which give effect to the DLC Structure.
EPS	earnings per share.
Equalisation Ratio	the ratio for the time being (which will initially be one to one) of (a) the dividend, capital and (in respect of Joint Electorate Actions) voting rights in the Combined Group conferred by one Brambles Share relative to (b) the dividend, capital and (in respect of Joint Electorate Actions) voting rights in the Combined Group conferred by one Brambles (UK) Share.
EOP	Brambles Employees Option Plan.
EOP Shares	Brambles Shares issued under the EOP.
FTSE	Financial Times Stock Exchange.
GKN	GKN plc (a company incorporated in England and Wales with registered no. 66549), to be renamed "GKN Holdings plc" upon the Scheme becoming effective.
GKN Circular	the shareholder circular dated 22 June 2001 which, together with the Brambles (UK) Listing Particulars and the New GKN Listing Particulars, has been sent to GKN Shareholders, and which explains the GKN Scheme, the GKN Demerger and the DLC Proposal and provides information material to GKN Shareholders' consideration of them.
GKN Directors	the directors of GKN as at the date of this document.
GKN Group	in relation to the period prior to the GKN Scheme only, GKN and its subsidiaries, and joint venture and partnership interests from time to time.
GKN LTIPs	the various GKN long term incentive plans.
GKN Reduction of Capital	the proposed reduction of capital of GKN required as part of the GKN Scheme.
GKN Scheme Shares	all GKN Shares in issue on the GKN Scheme Record Date.
GKN Scheme Shareholder	a holder of GKN Scheme Shares on the GKN Scheme Record Date.
GKN Share	an ordinary share of 50 pence in the capital of GKN.
GKN Shareholder	a holder of GKN Shares.

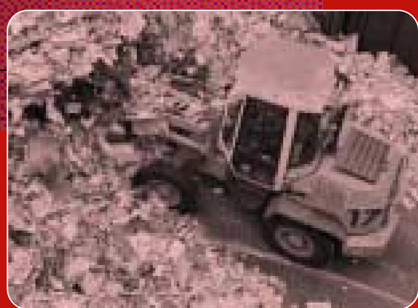
GKN Support Services Activities	GKN's 50% interest in the CHEP and CLEANAWAY joint ventures and GKN's wholly-owned subsidiaries: CHEP South Africa, Interlake and Meineke.
Indemnified Directors	those Brambles Directors who have been nominated by Brambles to become Brambles (UK) Directors on Completion, and who are named as beneficiaries under the Indemnity.
Indemnity	the Deed Poll of Indemnity dated 19 June 2001 under which proposed indemnities are to be granted by Brambles in favour of the Indemnified Directors.
Information Memorandum	this document, including the letter from your Chairman and the Notice of Meeting.
Interlake	Interlake Material Handling Inc. and, where the context requires, its subsidiaries.
Joint Electorate Actions	actions of the kind listed in Table 1 in Section 6.6.
Law Debenture	Law Debenture Trust Corporation plc.
Listing Rules	the official listing rules of the ASX.
London Time	British Summer Time.
LSE or London Stock Exchange	London Stock Exchange plc.
Matching Action	an offer or action which, having regard to the then existing Equalisation Ratio, the timing of the offer or action and any other relevant circumstances, is (in the reasonable opinion of the Boards) financially equivalent in respect of the Brambles Shareholders and the Brambles (UK) Shareholders, and does not materially disadvantage either group of Shareholders.
Meeting	the general meeting of Brambles Shareholders convened to consider, and if thought fit pass, the DLC Resolutions.
Meineke	Meineke Discount Muffler Shops Inc. and, where the context requires, its subsidiaries.
Merger Agreement	the agreement between Brambles and GKN dated 19 April 2001 relating to the DLC Proposal.
New GKN	New GKN plc (a company incorporated in England and Wales with registered no. 4191106), to be renamed "GKN plc" upon the GKN Scheme becoming effective.
New GKN Group	New GKN and its subsidiaries from time to time.
New GKN Listing Particulars	the listing particulars relating to New GKN dated 22 June 2001 and sent to GKN Shareholders.
New GKN Reduction of Capital	the proposed reduction of capital of New GKN required as part of the GKN Demerger.
New GKN Share	an ordinary share (of 490 pence before, and 50 pence following, the New GKN Reduction of Capital) in the share capital of New GKN.
OSDP	Brambles' Overseas Shareholders Dividend Plan, which is described in Section 8.8.
PAT	profit after tax.
Recall	Brambles' information management business.

Record Date	the record date for the 41 cent second interim dividend in lieu of Brambles' final dividend for the financial year ended 30 June 2001 or one of the following record dates (which are separately defined): (i) the Brambles Additional Share Issue Record Date; (ii) the Demerger Record Date; or (iii) the Scheme Record Date, (as the context may require).
Scheme or GKN Scheme	the proposed scheme of arrangement of GKN, which is described in Section 5.
Scheme Meeting	the meeting of GKN Shareholders convened by order of the Court for 16 July 2001 to approve the GKN Scheme.
Scheme Record Date	the record date for the issue of New GKN Shares to GKN Shareholders under the GKN Scheme, which is expected to be 31 July 2001 (5.30 pm London Time).
Share	a Brambles Share or a Brambles (UK) Share (as the context may require) (this does not include a Special Voting Share unless specifically referred to as such).
Shareholder	a holder of Brambles Shares or a holder of Brambles (UK) Shares (as the context may require) (this does not include the holder of a Special Voting Share).
Sharing Agreement	the DLC Structure Sharing Agreement to be entered into between Brambles and Brambles (UK) pursuant to the Merger Agreement.
Special Voting Company	Brambles Special Voting Company or Brambles (UK) Special Voting Company (as the context may require).
Special Voting Share	the Brambles Special Voting Share or the Brambles (UK) Special Voting Share (as the context may require).
Subsidiary	in the case of Brambles (UK), a subsidiary undertaking as such term is defined in Section 258 of the Companies Act and, in the case of Brambles, a subsidiary as such term is defined in Section 9 of the Corporations Law.
Sydney Time	Australian Eastern Standard Time.
UK	the United Kingdom of Great Britain and Northern Ireland.
UK City Code	the UK City Code on Takeovers and Mergers.
UK GAAP	generally accepted accounting principles in the United Kingdom.
UK Listing Authority	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part IV of the Financial Services Act 1986 (UK).
US	the United States of America.
Voting Agreement	the SVC Special Voting Shares Deed to be entered into between Brambles, Brambles (UK), Brambles Special Voting Company, Brambles (UK) Special Voting Company and Law Debenture pursuant to the Merger Agreement.
your Company	Brambles Industries Limited (ACN 000 129 868).
your Directors	the Brambles Directors as at the date of this document.

£ or GB£ or pounds sterling or pence	is a reference to the currency of the United Kingdom.
$ or A$ or cents	is a reference to the currency of Australia (unless the context requires otherwise).
US$	is a reference to the currency of the United States of America.

BRAMBLES

Notice of Meeting



BRAMBLES

NOTICE is given that a general meeting of shareholders of Brambles Industries Limited (in this Notice, the **Company**) will be held at The Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales, Australia on 26 July 2001 at 2.30 pm (Sydney Time).

Important:

1 The resolutions contained in this Notice of Meeting should be read in conjunction with the entire Information Memorandum which sets out a detailed explanation of the background to and reasons for the proposed resolutions.

2 Except as otherwise defined in this Notice of Meeting, defined terms have their meaning as set out in the Glossary.

The purpose of the Meeting is to consider and, if thought fit, pass the following resolutions, of which Resolutions 1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16 will be proposed as ordinary resolutions and Resolution 2 will be proposed as a special resolution.

1. Subject to the conditions to the giving of an Election Notice being fulfilled or, where permitted, waived, the DLC Proposal be approved, including:

   (a) the giving of an Election Notice to GKN;

   (b) the issue of the Special Voting Share to Brambles Special Voting Company;

   (c) the execution of, and compliance by the Company with, the following agreements:

      (i) the Sharing Agreement;

      (ii) the Voting Agreement; and

      (iii) the Brambles Deed Poll Guarantee,

      in each case substantially in the form submitted to the Meeting and signed by the Chairman for the purpose of identification, provided that the directors of the Company are authorised to make such non-material modifications, variations, waivers, amendments and revisions as they in their absolute discretion think fit; and

   (d) the Brambles Additional Share Issue.

2. Subject to Completion (save for the completion event in Clause 7.2(b) of the Merger Agreement), the constitution contained in the document submitted to the Meeting and signed by the Chairman for the purpose of identification (provided that the directors of the Company are authorised to make such non-material modifications, variations, waivers, amendments and revisions as they in their absolute discretion think fit) be adopted as the constitution of the Company in substitution for and to the exclusion of the existing constitution.

3. Subject to Completion, Donald Robert Argus be appointed a director of the Company.

4. Subject to Completion, Mark Douglas Irving Burrows be appointed a director of the Company.

5. Subject to Completion, Sir David Bryan Lees be appointed a director of the Company.

6. Subject to Completion, Roy Drysdale Brown be appointed a director of the Company.

7. Subject to Completion, Sir Chung Kong Chow be appointed a director of the Company.

8. Subject to Completion, Graham John Kraehe be appointed a director of the Company.

9. Subject to Completion, Fergus Allan McDonald be appointed a director of the Company.

10. Subject to Completion, Ronald Charles Milne be appointed a director of the Company.

11. Subject to Completion, Sir Thomas John Parker be appointed a director of the Company.

12. Subject to Completion, David John Turner be appointed a director of the Company.

13. The granting by the Company of indemnities under, and compliance by the Company with, the Deed Poll of Indemnity dated 19 June 2001 (in the form submitted to the Meeting and signed by the Chairman for the purpose of identification (provided that the directors of the Company are authorised to make such non-material modifications, variations, waivers, amendments and revisions as they in their absolute discretion think fit)) be approved for all purposes, including for the purposes of Part 2E.1 of the Corporations Law.

14. Subject to Completion, the granting by the Company to Sir C.K. Chow of rights over 107, 300 Brambles Shares (increased pro rata to the Brambles Additional Shares issued under the Brambles Additional Share Issue) on the terms and in the manner set out in Section 8.5 of the Information Memorandum be approved for all purposes, including for the purpose of ASX Listing Rule 10.11.

15. Subject to Completion, the granting by the Company to David Turner of rights over 54, 700 Brambles Shares (increased pro rata to the Brambles Additional Shares issued under the Brambles Additional Share Issue) on the terms and in the manner set out in Section 8.5 of the Information Memorandum be approved for all purposes, including for the purpose of ASX Listing Rule 10.11.

16. Subject to Completion, the increase of A$1 million in the total maximum annual amount of Directors' fees payable by the Company from A$1 million to A$2 million be approved for all purposes, including for the purpose of ASX Listing Rule 10.17.

DATED 25 June 2001

By order of the Board

Douglas Roy Corben

Secretary

NOTES

Voting Entitlement

Pursuant to section 1109N of the Corporations Law, persons who are recorded in the Brambles Share Register as the holder of Shares in the Company at 9.30 am (Sydney Time) on Wednesday 25 July 2001 (the **Entitlement Time**) will be treated as Brambles Shareholders for the purposes of the Meeting. This means that if you are not the registered holder of a relevant Brambles Share at that time you will not be entitled to vote in respect of that share.

Voting Exclusions

1. Brambles will disregard any votes cast on Resolution 1 by:
   (a) Brambles Special Voting Company; and
   (b) an associate of Brambles Special Voting Company.
2. Brambles will disregard any votes cast on Resolution 13 by:
   (a) a person named as a beneficiary under the Indemnities; and
   (b) an associate of a person named as a beneficiary under the Indemnities.
3. Brambles will disregard any votes cast on Resolution 14 by:
   (a) Sir C.K. Chow; and
   (b) an associate of Sir C.K. Chow.
4. Brambles will disregard any votes cast on Resolution 15 by:
   (a) David Turner; and
   (b) an associate of David Turner.
5. Brambles will disregard any votes cast on Resolution 16 by:
   (a) a Brambles Director;
   (b) an associate of a Brambles Director.
6. However, Brambles need not disregard a vote if:
   (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
   (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Subject to the foregoing, all Brambles Shareholders at the Entitlement Time are entitled to vote at this Meeting.

Voting

Brambles Shareholders can vote in either of two ways:

- by attending the Meeting and voting in person or by attorney or, in the case of corporate shareholders, by corporate representative; or
- by appointing a proxy to attend and vote on their behalf, using the proxy form enclosed with this Information Memorandum.

Voting in person (or by attorney)

Brambles Shareholders or their attorneys who plan to attend the Meeting are asked to arrive at the venue at least 30 minutes prior to the time designated for the Meeting, if possible, so that their shareholding may be checked against the Brambles Share Register and attendances noted. It would also be appreciated if Brambles Shareholders could bring with them their proxy form or its attachment, both of which contain a bar code which will facilitate entry to the meeting hall. Attorneys should also bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the Meeting.

In order to vote in person at the Meeting, a corporation which is a Brambles Shareholder may appoint an individual to act as its representative. The appointment must comply with the requirements of Section 250D of the Corporations Law. The representative should bring to the meeting evidence of their appointment, including any authority under which it is signed.

Voting by proxy

- A Brambles Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll to the extent allowed by the appointment and also to speak at the meeting.
- The appointment of a proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed, and if the appointment does not specify the proportion or number of the Brambles Shareholder's votes each proxy may exercise, each proxy may exercise half the votes. Where more than one proxy is appointed, neither proxy is entitled to vote on a show of hands.
- A proxy need not be a Brambles Shareholder.
- If a proxy is not directed how to vote on an item of business, the proxy may vote, or abstain from voting, as that person thinks fit.
- Brambles Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the chairman of the Meeting as their proxy to vote on their behalf in accordance with their instructions. If a proxy form is returned but the nominated proxy does not attend the Meeting, the chairman of the Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the chairman of the Meeting, the secretary or any director which do not contain a direction, and proxy forms which do not nominate their proxy and which do not contain a direction how to vote, will be used by the nominated officer or the chairman to vote in favour of the DLC Resolutions (except that no vote will be cast on the resolution to approve the Indemnity (Resolution 13) in respect of such proxies).
- Completed proxy forms should be sent to the Brambles Share Registrar using the pre-addressed envelope provided with this document.
- To be effective, proxy forms must be received at either:

  Brambles Share Registrar
  c/o BT Registries Pty Ltd
  Level 6, The Chifley Tower
  2 Chifley Square
  Sydney NSW 2000
  Australia

  Brambles Share Registrar
  c/o BT Registries Pty Ltd
  GPO Box 4063
  Sydney NSW 2001
  Australia

  by 2.30 pm (Sydney Time) on Tuesday 24 July 2001. Proxy forms received after this time will be invalid.
- Alternatively, and if received by the same time, proxy forms may be lodged by facsimile on +612 9256 5299.
- The proxy form must be signed by the Brambles Shareholder or the Brambles Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Law. Where the appointment of a proxy is signed by the appointor's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Brambles Share Department at either of the above addresses or by facsimile by 2.30 pm (Sydney Time) on Tuesday 24 July 2001. If facsimile transmission is used, the power of attorney must be certified.

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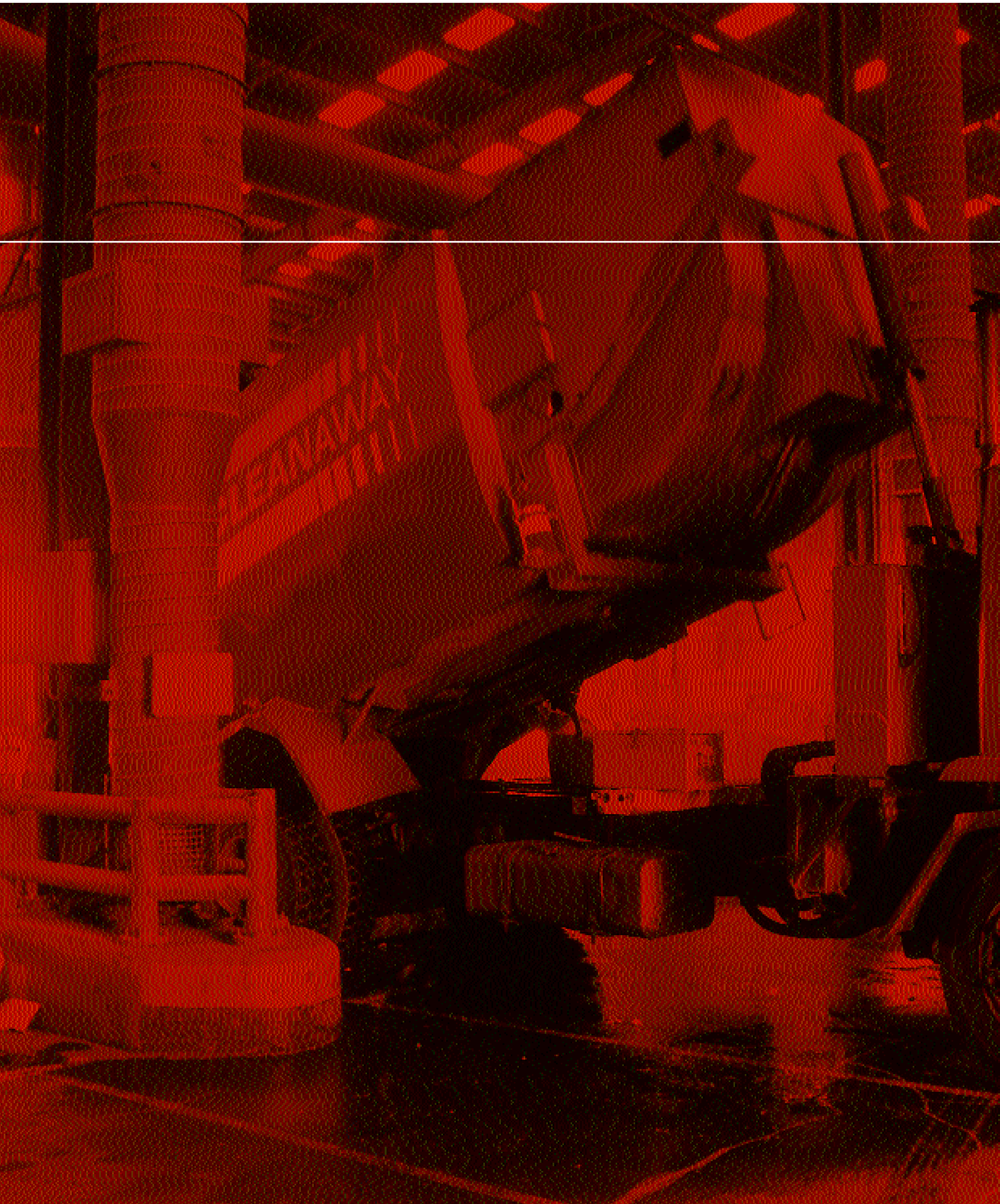

FORM OF PROXY 2001

BRAMBLES INDUSTRIES LIMITED A.B.N. 22 000 129 868

GPO Box 4173
Sydney NSW 2001
Australia
Telephone: +61 2 9256 5222
Fax: +61 2 9256 5299

being a member(s) of Brambles Industries Limited, hereby appoints → NAME (PLEASE PRINT)

or failing the person so named, or if no person is named, the Chairman of the meeting, as my/our Proxy to vote in accordance with the following directions, or, if no directions are given, as set out in Note 4 (overleaf), at the General Meeting of the Company to be held on Thursday, 26 July 2001 and at any adjournment thereof.

BUSINESS:
If you wish to direct how your votes are to be cast, insert a tick (✓) in the appropriate box appearing against each resolution hereunder. Unless instructed to the contrary and except as set out in Note 4 (overleaf), proxies in favour of the Chairman will be used in support of the specific matters set out in the Notice of Meeting.

		For	Against	Abstain
1.	Approval of the DLC Proposal			
2.	Adoption of the new Constitution			
3.	Appointment of Mr Don Argus			
4.	Appointment of Mr Mark Burrows			
5.	Appointment of Sir David Lees			
6.	Appointment of Mr Roy Brown			
7.	Appointment of Sir C.K. Chow			
8.	Appointment of Mr Graham Kraehe			
9.	Appointment of Mr Allan McDonald			
10.	Appointment of Mr Ron Milne			
11.	Appointment of Sir John Parker			
12.	Appointment of Mr David Turner			
13.	Approval of Indemnity			
14.	Approval of granting of rights over Brambles Shares to Sir C.K. Chow			
15.	Approval of granting of rights over Brambles Shares to David Turner			
16.	Approval of an increase in maximum aggregate Directors' fees			

If you are appointing two proxies state here the number of shares, and the percentage of your holding applicable to this form, otherwise leave blank. If the proxy appointed under this form is your First Proxy (ie. the one who is to vote on a show of hands), please write the word "First" under the number of shares.

(INSERT NUMBER OF SHARES) %

Dated this ____________________ day of ____________________ 2001

SIGNATURE OF MEMBER(S)

For instructions on how to vote please refer overleaf. The Proxy must vote in accordance with those instructions and the directions indicated above. If there are no such directions, the Proxy may, subject to the instructions and notes (overleaf), vote as he/she thinks fit.

COMPANIES ONLY

The Common Seal of the Company was hereunto affixed in accordance with its Constitution

Director

Director/Secretary

PLEASE NOTE
1. If you wish to attend the Meeting, please DO NOT complete this Proxy Form. **If you are going to attend the meeting, please bring the Proxy Form with you. The barcode will assist us in speeding up your entry into the Theatre.**
2. The meeting will be held at the Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney, at 2.30 pm on 26 July 2001. You are encouraged to arrive early for registration, which will begin at 1 pm.
3. If you are unable to attend the Meeting you are encouraged to complete and return this Proxy Form to the Company as per instructions overleaf.

BRAMBLES INDUSTRIES LIMITED

A.B.N. 22 000 129 868

INSTRUCTIONS

1. If the Member desires a Proxy to cast all of the votes which may be cast by that Proxy in respect of an item of business in a particular manner on a poll, the Member shall place a tick in the relevant box applicable to that Proxy in the "For", "Against" or "Abstain" column in respect of that item of business.
2. If the Member desires a Proxy to cast some only of the Member's votes which may be cast by that Proxy in respect of an item of business in a particular manner, the Member shall place in the relevant box applicable to that Proxy in respect of that item of business either the number of votes to be cast in that manner on a poll OR the percentage of the total votes which may be cast by that Proxy on a poll.
3. If an appointment specifies the way the Proxy is to vote on a particular resolution and the vote is on a show of hands then:

   (a) if the Proxy decides to vote then they must vote the way they were instructed;

   (b) if the Proxy has 2 or more appointments that specify different ways to vote on the resolution then the Proxy must not vote;

   (c) if the Proxy has 2 or more appointments that specify they are to vote in the same way on a resolution, they may only vote once; and

   (d) if a Member has 2 or more shares and has appointed 2 Proxies, then only the First Proxy (as indicated on this instrument) may vote.
4. If an appointment specifies the way the Proxy is to vote on a resolution and the vote is on a poll then:

   (a) if the Proxy is the chair they must vote that way; and

   (b) if the Proxy is not the chair they need not vote on the poll but if they do, they must vote that way.

NOTES

1. For the appointment of the Proxy to be effective:

   (a) this Form of Proxy; and

   (b) if the appointment is signed by the Appointor's attorney, the authority under which the appointment was signed or a certified copy of the authority;

   must be received no later than 2.30pm on Tuesday, 24 July 2001:

   (i) at the registered office of the Company, Level 40, Gateway, 1 Macquarie Place, Sydney NSW 2000 (GPO Box 4173, Sydney NSW 2001);

   (ii) with the Company's Share Registrar, BT Registries Pty Limited, Level 6, The Chifley Tower, 2 Chifley Square, Sydney NSW 2000 (GPO Box 4063, Sydney NSW 2001); or

   (iii) by facsimile transmission to the facsimile number set out at the head of this instrument.

   A pre-addressed envelope is included for convenience.
2. Form of Proxy executed by a corporation must be under its common seal or under the hand of an officer or Attorney(s) duly authorised in writing. Where this Proxy is signed under Power of Attorney the attorney(s) declare(s) that he/she/they have not received any notice of revocation of such Power.
3. A member who is entitled to attend and cast a vote has a right to appoint a Proxy. The appointment may specify the proportion or number of votes that the Proxy may exercise. If the Member is entitled to cast 2 or more votes they may appoint 2 Proxies. If the appointment does not specify the proportion or number of the Members' votes each Proxy may exercise, each Proxy may exercise half of the votes. The Proxies need not be members of the Company.

   Should you wish to appoint two proxies, an additional Proxy form will be supplied on request to the Company Secretary (phone +61 2 9256-5222).
4. Proxies in favour of the Chairman, the Secretary or any Director of Brambles Industries Limited which do not contain a direction how to vote will be used in support of the specific matters set out in the Notice of Meeting, except that no vote will be cast on Resolution 13 (approval of Indemnity) in respect of such Proxies. Proxies in favour of other persons which do not contain a direction how to vote may vote as the Proxy sees fit.
5. For the purpose of the Meeting, the Company's shares are taken to be held by the person(s) who held them at 9.30am on Wednesday 25 July 2001.