

BRAMBLES FINANCE PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
30 JUNE 2005



BRAMBLES FINANCE PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS **For the year ended 30 June 2005**

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DIRECTORS' REPORT

The directors submit their report and the audited financial statements of the Company for the year ended 30 June 2005.

PRINCIPAL ACTIVITY

The principal activity of the Company is to provide finance to the Brambles Group.

The Company is a wholly owned subsidiary of Brambles Industries plc (BIP), part of the Brambles Group, being Brambles Industries plc and Brambles Industries Limited and all their respective subsidiary companies.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Throughout the year the Company has continued to borrow externally and make loans to businesses within the Brambles Group. The Company is expected to continue this activity for the foreseeable future.

RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 8.

The Company has not paid an interim dividend (2004: nil) and the directors do not recommend the payment of a final dividend (2004: nil).

DIRECTORS AND DIRECTORS' INTERESTS

The following served as directors during the year:

R J Harris
K A Porritt
S N Scholes

The interests in the ordinary shares, share options and performance share rights over the ordinary shares of Brambles Industries plc (BIP) and of Brambles Industries Limited (BIL) of the directors who held office at the year end are listed below:

Ordinary 5p shares in BIP	30 June 2005	1 July 2004
R J Harris	23,893	23,893
K A Porritt	-	-
S N Scholes	1,500	1,500

Ordinary shares in BIL

None of the remaining directors held any interest in the ordinary shares of BIL at the year end (2004: nil).

Share options and Performance Share rights over BIP and BIL shares

Performance based incentive arrangements are currently provided to senior executives of Brambles by way of both short term incentive and long term incentive plans.

These plans were approved by Brambles' shareholders at the 2004 annual general meetings and replaced the previous long term incentive plans approved by shareholders in 2001.

DIRECTORS' REPORT (continued)**DIRECTORS AND DIRECTORS' INTERESTS (continued)**

Awards are normally granted within 42 days after the announcement by Brambles of its financial results for any period. Awards are to Share Units, which are a combination of shares in BIL and BIP. In 2004, most Share Units awarded consisted of one BIL share and one BIP share.

Three types of award can normally be made under the 2004 Plans:

- STI Share Awards – equity awards, the size of which is determined by prior year performance against specified targets and which vest subject to continued employment;
- Enhanced STI Awards – which are awarded at the same time as, and represent up to half of the number of, Share Units subject to the corresponding STI Share Award, the vesting of which is subject to a performance condition; and
- LTI Awards – which are subject to long term incentives, vesting of which is subject to a performance condition.

In 2004 only, a special type of award was made (a Transitional STI Award) to ensure that certain employees were treated fairly in the transition from the old arrangements to the new.

The size of STI Share Awards for the 2005 year under the above arrangements was driven by performance against Brambles' Value Added (BVA) targets and personal objectives.

BVA is the value generated by a business over and above the cost of capital it uses to generate that value. Brambles' BVA for the year is denominated in sterling and defined under UK GAAP at June 2004 fixed exchange rates. It is calculated as comparable operating profit (profit before interest, tax, goodwill amortisation and exceptional items) less Average Capital Invested (calculated as a 13 month average of net assets before tax balances, dividend provisions, cash, borrowings and accrued interest but after adding back accumulated goodwill amortisation) multiplied by the Brambles' weighted average pre-tax cost of capital (currently 12%).

For the 2006 year, they will be driven primarily by performance against the year's BVA targets and, to a lesser extent, against profit after tax before exceptional items and cash flow from operations targets, all set at fixed exchange rates, and the relevant individual's personal objectives.

The highest and lowest market price during the 2005 year, and the market price as at 30 June 2005, for BIL and BIP shares is set out below.

	Highest price in year ended 30 June 2005	Lowest price in year ended 30 June 2005	30 June 2005
BIL	A\$8.48 (10 March 2005)	A\$5.80 (12 August 2005)	A\$8.17
BIP	318.5p (13 April 2005)	206.25p (10 August 2005)	306p

In prior years, senior executives were granted annual awards of options under the Brambles 2001 Executive Share Option Plan to acquire shares in BIP and BIL at a future date at an exercise price fixed at the time of grant. The exercise of options is subject to certain performance conditions being met.

Senior executives were also granted annual awards under the Brambles 2001 Executive Performance Share Plan, consisting of a right to acquire shares in BIP and BIL at a future date, for no payment. The vesting of awards is subject to certain performance conditions being met.

DIRECTORS AND DIRECTORS' INTERESTS (continued)

Details of options over BIP and BIL shares are as follows:

Grant date	Balance at start of year	Exercise price	Granted during the year	Exercised during the year	Lapsed during the year	Balance at year end	Exercise period
R J Harris							
BIP Shares							
19/12/2001	59,043	£3.21	-	-	-	59,043	19/12/04 to 19/12/07
05/09/2002	78,467	£2.33	-	-	-	78,467	05/09/05 to 05/09/08
10/09/2003	139,169	£1.72	-	-	-	139,169	10/09/06 to 10/09/09
Total						276,679	
BIL Shares							
19/12/2001	59,043	A\$9.63	-	-	-	59,043	19/12/04 to 19/12/07
05/09/2002	78,467	A\$7.08	-	-	-	78,467	05/09/05 to 05/09/08
10/09/2003	139,169	A\$4.75	-	-	-	139,169	10/09/06 to 10/09/09
Total						276,679	
K A Porritt							
BIP Shares							
10/09/2003	27,907	£1.72	-	-	-	27,907	10/09/06 to 10/09/09
Total						27,907	
BIL Shares							
10/09/2003	27,907	A\$4.75	-	-	-	27,907	10/09/06 to 10/09/09
Total						27,907	
S N Scholes							
BIP Shares							
19/12/2001	17,686	£3.21	-	-	-	17,686	19/12/04 to 19/12/07
05/09/2002	23,505	£2.33	-	-	-	23,505	05/09/05 to 05/09/08
10/09/2003	41,556	£1.72	-	-	-	41,556	10/09/06 to 10/09/09
Total						82,747	
BIL Shares							
19/12/2001	17,686	A\$9.63	-	-	-	17,686	19/12/04 to 19/12/07
05/09/2002	23,505	A\$7.08	-	-	-	23,505	05/09/05 to 05/09/08
10/09/2003	41,556	A\$4.75	-	-	-	41,556	10/09/06 to 10/09/09
Total						82,747	

DIRECTORS AND DIRECTORS' INTERESTS (continued)

Details of performance share rights over BIP and BIL shares are as follows:

Grant date	Balance at start of year	Exercise price	Granted during the year	Exercised during the year	Lapsed during the year	Balance at year end	Exercise period
R J Harris							
BIP Shares							
19/12/2001	17,290	-	-	-	-	17,290	19/12/04 to 19/12/07
05/09/2002	24,773	-	-	-	-	24,773	05/09/05 to 05/09/08
10/09/2003	34,792	-	-	-	-	34,792	10/09/06 to 10/09/09
08/09/2004	-	-	41,569	-	-	41,569	08/09/07 to 09/09/10
					Total	118,424	
BIL Shares							
19/12/2001	17,290	-	-	-	-	17,290	19/12/04 to 19/12/07
05/09/2002	24,773	-	-	-	-	24,773	05/09/05 to 05/09/08
10/09/2003	34,792	-	-	-	-	34,792	10/09/06 to 10/09/09
08/09/2004	-	-	41,569	-	-	41,569	08/09/07 to 09/09/10
					Total	118,424	
K A Porritt							
BIP Shares							
10/09/2003	6,977	-	-	-	-	6,977	10/09/06 to 10/09/09
08/09/2004	-	-	8,895	-	-	8,895	08/09/07 to 09/09/10
					Total	15,872	
BIL Shares							
10/09/2003	6,977	-	-	-	-	6,977	10/09/06 to 10/09/09
08/09/2004	-	-	8,895	-	-	8,895	08/09/07 to 09/09/10
					Total	15,872	
S N Scholes							
BIP Shares							
19/12/2001	5,179	-	-	-	-	5,179	19/12/04 to 19/12/07
05/09/2002	7,421	-	-	-	-	7,421	05/09/05 to 05/09/08
10/09/2003	10,389	-	-	-	-	10,389	10/09/06 to 10/09/09
08/09/2004	-	-	15,618	-	-	15,618	08/09/07 to 09/09/10
					Total	38,607	
BIL Shares							
19/12/2001	5,179	-	-	-	-	5,179	19/12/04 to 19/12/07
05/09/2002	7,421	-	-	-	-	7,421	05/09/05 to 05/09/08
10/09/2003	10,389	-	-	-	-	10,389	10/09/06 to 10/09/09
08/09/2004	-	-	15,618	-	-	15,618	08/09/07 to 09/09/10
					Total	38,607	

DIRECTORS' REPORT (continued)

DIRECTORS AND DIRECTORS' INTERESTS (continued)

Other than as set out above, no director had any interest, beneficial or non-beneficial, in the share capital of BIP or BIL or of any subsidiary at the dates stated or had any material interest during the year in any significant contract with either BIP or BIL or any subsidiary.

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the Annual General Meeting.

Approved by the Board of directors

Signed on its behalf by:

A handwritten signature in dark ink, appearing to read 'K A Porritt', is written over a horizontal line.

K A Porritt
Director

17 January 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Brambles Finance plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 30 June 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place
London WC2N 6RH

17 January 2006

PROFIT AND LOSS ACCOUNT
For the year ended 30 June 2005

	Note	2005 £	2004 £
Administrative expenses		(93,725)	(92,257)
OPERATING LOSS		(93,725)	(92,257)
Interest payable and similar charges	4	(56,140,522)	(57,578,673)
Interest receivable and similar income	4	56,241,674	57,677,701
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,427	6,771
Tax on profit on ordinary activities	5	(2,228)	(2,031)
RETAINED PROFIT FOR THE YEAR		5,199	4,740

All amounts in 2005 and 2004 derive from continuing operations. There were no recognised gains or losses in the year other than the result shown above.

BALANCE SHEET
 As at 30 June 2005

	Note	2005 £	2004 £
CURRENT ASSETS			
Debtors (of which £795,764,709 (2004: £902,946,734) falls due after more than one year)	6	795,764,709	902,946,734
Prepayments		969,876	1,732,086
		<u>796,734,586</u>	<u>904,678,820</u>
CREDITORS: amounts falling due within one year			
Bank overdraft		(16,332,931)	(7,544,340)
Creditors	7	(163,514,041)	(128,042,030)
		<u>(179,846,972)</u>	<u>(135,586,370)</u>
NET CURRENT ASSETS		616,887,614	769,092,450
CREDITORS: amounts falling due after one year			
Borrowings	7,8	(616,825,651)	(769,035,686)
NET ASSETS		<u>61,963</u>	<u>56,764</u>
CAPITAL AND RESERVES			
Called up share capital	9	50,000	50,000
Profit and loss account	10	11,963	6,764
EQUITY SHAREHOLDERS' FUNDS	11	<u>61,963</u>	<u>56,764</u>

The financial statements were approved by the Board of directors on 17 January 2006.

Signed on behalf of the Board of directors

S N Scholes

S N Scholes
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards and the Companies Act 1985. The principal accounting policies which have been adopted are set out below.

a) Accounting convention

The financial statements have been prepared under the going concern basis and the historical cost convention.

b) Foreign currency translation

Profit and loss account transactions in foreign currencies are translated into sterling at the exchange rate in operation on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the closing rate. All revaluation differences and realised foreign exchange differences are taken to profit and loss.

c) Deferred taxation

In accordance with Financial Reporting Standard (FRS) 19, 'Deferred Taxation', deferred tax is fully provided in respect of timing differences that have originated but not reversed by the balance sheet date. These are based on average tax rates that are expected to apply at the time of the reversal, which will be the rates that have either been enacted, or substantially enacted, by the balance sheet date. No deferred tax is provided on permanent timing differences. Deferred tax assets are recognised to the extent that they are regarded as more likely than not, to be recoverable. Deferred tax on un-remitted earnings of foreign subsidiaries is only provided if dividends have been accrued as receivable or there is a binding agreement to distribute past earnings in the future. Deferred tax balances are not discounted.

d) Cash flow statement

The Company has taken advantage of the exemption permitted by FRS 1 (revised) 'Cash Flow Statements' not to produce a cash flow statement on the basis that the ultimate parent company, having a 100% controlling influence, produces consolidated financial statements which are available to the public.

2 AUDITORS' REMUNERATION

The audit fees for the Company have been borne by the parent company in the current and preceding year.

3 EMPLOYEES AND DIRECTORS EMOLUMENTS

The Company has no employees (2004: nil). No fees were paid to directors for the current year (2004: nil). Directors received no emoluments in respect of services to the Company (2004: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

4 NET INTEREST RECEIVABLE AND SIMILAR INCOME

	2005 £	2004 £
Interest paid or payable on:		
- Bank loans	(47,721,123)	(50,142,670)
- Loans from other group undertakings	(7,887,940)	(7,221,488)
- Loan from Brambles Industries Limited group	(531,459)	(214,515)
	<u>(56,140,522)</u>	<u>(57,578,673)</u>
Interest income on loans to other group undertakings	56,213,427	57,650,802
- Foreign exchange gain/(loss)	28,247	26,899
	<u>101,152</u>	<u>99,028</u>

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £	2004 £
UK Corporation Tax	<u>2,228</u>	<u>2,031</u>

The standard rate of taxation for the period, based on the UK standard rate of corporation tax, is 30%. The actual taxation charge for the current period equates to the standard rate.

6 DEBTORS

	2005 £	2004 £
Amounts owed by other group undertakings	466,736,379	483,458,033
Amounts owed by Brambles Industries Limited group	<u>329,028,330</u>	<u>419,488,701</u>
	<u>795,764,709</u>	<u>902,946,734</u>

All loans to group companies fall due between 1 and 2 years.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

7 CREDITORS

	2005 £	2004 £
Amounts falling due within one year		
Amounts owed to parent undertaking	157,204,520	119,866,212
Amounts owed to other group undertakings	2,655,064	2,412,986
Amounts owed to Brambles Industries Limited group	355,044	54,266
Corporation tax	5,127	2,899
Accruals	3,294,286	5,705,667
	163,514,041	128,042,030
Amounts falling due after one year		
Bank loans	616,825,651	769,035,686

8 MATURITY OF FINANCIAL LIABILITIES

	2005 £	2004 £
The maturity profile of the financial liabilities is:		
- between two and five years	616,825,651	769,035,686
- after five years	-	-
	616,825,651	769,035,686

The financial liabilities comprise non-instalment debt. Debt comprises bank debt on an unsecured basis. Floating rate bank loans bear interest at commercial margins above the relevant inter-bank rate. The weighted average interest rate on floating rate bank loans during the period was 4.6% (2004: 4.6%).

9 CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised:		
10,000,000 (2004: 10,000,000) ordinary shares of £1 each	10,000,000	10,000,000
Allotted, called up and fully paid:		
50,000 (2004: 50,000) ordinary shares of £1 each	50,000	50,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

10 STATEMENT OF MOVEMENTS ON RESERVES

	Profit and loss account £
At 1 July 2004	6,674
Profit retained for the year	5,199
At 30 June 2005	<u>11,873</u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 £
Profit for financial year	5,199	4,740
Opening shareholders' funds	<u>56,764</u>	<u>52,024</u>
Closing shareholders' funds	<u>61,963</u>	<u>56,764</u>

12 RELATED PARTY TRANSACTIONS

In accordance with FRS 8 'Related Party Disclosures', transactions with other group undertakings within and investee related parties of Brambles Industries plc have not been disclosed in these financial statements as the Company is a wholly owned subsidiary of a parent publishing consolidated financial statements.

The Company entered into transactions with Brambles Industries Limited Group (BIL Group) entities during the year of £17,050,000 (2004: £18,876,000), credited in the profit and loss account. Balances outstanding at the year end are disclosed in the balance sheet and in note 8. The transactions principally relate to management recharges, loans and interest.

13 ULTIMATE PARENT COMPANY

The parent undertaking of the largest group for which group financial statements are prepared and the ultimate controlling party is Brambles Industries plc, which is incorporated in England and Wales.

The Company's immediate parent undertaking is Brambles Industries plc. Copies of all group financial statements are available from Cassini House, 57-59 St James's Street, London, SW1A 1LD.