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13 August 2020

Manager, Company Announcements,
Australian Securities Exchange Limited,
20 Bridge Street,
Sydney NSW 2000

Year Ended 30 June 2020
Appendix 4E

Attached is a copy of the Breville Group Limited Appendix 4E including Independent Auditor's Review Report and Auditor's Independence Declaration for the Year Ended 30 June 2020.

The release of this announcement was authorised by the Board.

Yours faithfully

Craig Robinson	Sasha Kitto
Company secretary	Company secretary

Breville Group Limited

Telephone: (02) 9384 8100

Breville Group Limited
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Alexandria NSW 2015 Australia
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Breville Group Limited

ABN 90 086 933 431

Appendix 4E – Preliminary final report

Note: The numbering marked with [ ] within this preliminary final report is consistent with the numbering used in the guidelines issued by the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3 A.

Current reporting period [1]: **year ended 30 June 2020**

Previous corresponding period [1]: **year ended 30 June 2019**

Results for announcement to the market

	Percentage change Up or Down	%		Amount A$'000
Total sales revenue [2.1]	Up	25.3%	to	**952,244**
Earnings before interest, tax, depreciation & amortisation (EBITDA)	Up	11.0%	to	**126,521**
Earnings before interest and tax (EBIT)	Up	3.7%	to	**100,939**
Net profit after income tax for the year attributable to members [2.2] [2.3]	Down	1.8%	to	**66,201**
Earnings per share EPS (cents)	Down	2.5%	to	**50.5**

Dividends [2.4]	**Date paid / payable** [7]	**Amount per security** [2.4]	**Franked amount per security at 30% tax** [2.4]	**Amount per security of foreign source dividend** [7]
Interim dividend				
Current reporting period	18 MAR 2020	20.5¢	12.3¢	0.0¢
Previous corresponding period	19 MAR 2019	18.5¢	11.1¢	0.0¢
Final dividend				
Current reporting period	8 OCT 2020	20.5¢	12.3¢	0.0¢
Previous corresponding period	27 SEP 2019	18.5¢	11.1¢	0.0¢

Ex-dividend date for the final dividend: 14 September 2020
Record date for determining entitlements to the final dividend [2.5]: 15 September 2020

Dividend reinvestment plan [8]

The Group has established a new Dividend Reinvestment Plan ("DRP") for its shareholders, replacing its previous inactive DRP. The DRP will apply to the final dividend for the year ending 30 June 2020 and will remain in place until further notice.

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Dividend reinvestment plan [8] **continued**

Participation in the DRP is optional and available to eligible shareholders of fully paid ordinary shares in BRG with a registered address in Australia or New Zealand as at the record date of 15 September 2020. Shareholders who successfully participate in the DRP for the final FY20 dividend will be issued shares at a share price determined in accordance with the DRP Rules based on the average daily volume weighted average price ("VWAP") during the period of ten trading days, commencing on 17 September 2020. The last date for shareholders to elect to participate in the DRP is 5:00pm (AEST) on 16 September 2020. The DRP for the final FY20 dividend will be fully underwritten.

Brief explanation of results [2.6]

Please refer to the commentary in the operating and financial review section of the directors' report.

For further explanation please refer to the ASX report announcement accompanying this preliminary final report.

Total dividends paid/payable [7]

	Current period A$'000	Previous corresponding period A$'000
Interim dividend paid	**26,728**	**24,068**
Final dividend payable	**27,992**	**24,121**

Net tangible assets [9]

	Current period cents per security	Previous corresponding period cents per security
Net tangible assets per security	**195.0¢**	**143.7¢**

Control gained or lost over entities [10]

The Group has not gained or lost control of any entities during the year ended 30 June 2020.

Associates and joint venture entities [11]

The Group held no interests in associates or joint ventures during the year ended 30 June 2020.

Compliance statement

The results for announcement to the market should be read in conjunction with the attached preliminary final report for the year ended 30 June 2020.

No audit dispute or qualification is contained in the attached independent audit report for the year ended 30 June 2020.

Sign here:

Craig Robinson
Company secretary

Sasha Kitto
Company secretary

Date: 13 August 2020

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Breville Group Limited

ABN 90 086 933 431

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Financial report

FOR THE YEAR ENDED

30 June 2020

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Company information

This financial report covers the consolidated entity comprising Breville Group Limited and its subsidiaries (company or Group).

A description of the Group's operations and of its principal activities is included in the operating and financial review in the directors' report on pages 7 to 17. The directors' report is unaudited (except for the remuneration report) and does not form part of the financial report.

Directors

Steven Fisher
Non-executive Chairperson

Timothy Antonie
Non-executive director

Peter Cowan
Non-executive director

Sally Herman
Non-executive director

Dean Howell
Non-executive director

Lawrence Myers
Non-executive director
Lead independent director

Kate Wright
Non-executive director

Company secretaries

Sasha Kitto
Craig Robinson

Registered office and principal place of business

Ground Floor, Suite 2
170-180 Bourke Road
Alexandria NSW 2015
Telephone (+61 2) 9384 8100

Company websites

brevillegroup.com
breville.com
kambrook.com.au
sageappliances.com

ABN

Breville Group Limited ABN 90 086 933 431

Share register

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Enquiries within Australia: (02) 8280 7111
Enquiries outside Australia: (+61 2) 8280 7111
Website: linkmarketservices.com.au

Auditors

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000
Australia

Bankers

Australia and New Zealand Banking Group Limited
242 Pitt Street
Sydney NSW 2000

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Directors' report

The Board of Directors of Breville Group Limited (company) has pleasure in submitting its report in respect of the Group for the year ended 30 June 2020.

Board of Directors

The names and details of the company's directors in office during the year and until the date of this report are as below. Unless indicated otherwise, directors were in office for this entire period.

Steven Fisher

Non-executive chairperson

B.ACC, CA(SA)

Mr Fisher has more than 30 years' experience in general management positions in the wholesale consumer goods industry and was the former chief executive of the Voyager Group. Prior to entering into the consumer goods industry Mr Fisher was a practising chartered accountant having qualified in South Africa with a Bachelor of Accounting degree.

During the last three years he has served as a director of the following other listed company:
- Reject Shop Limited #

# denotes current directorship

Timothy Antonie

Non-executive director

BEcon

Mr Antonie has more than 20 years' experience in investment banking and formerly held positions of Managing Director from 2004 to 2008 and Senior Advisor in 2009 at UBS Investment Banking, with particular focus on large scale mergers and acquisitions and capital raisings in the Australian retail, consumer, media and entertainment sectors. Mr Antonie is currently a principal of Stratford Advisory Group. He holds a Bachelor of Economics degree from Monash University and qualified as a Chartered Accountant with Price Waterhouse.

During the last three years he has served as a non-executive director of the following other listed companies:
- Premier Investments Limited #
- Village Roadshow Limited
- Netwealth Group Limited #

# denotes current directorship

Peter Cowan

Non-executive director

Mr Cowan has more than 30 years' experience in leading and building globally respected organisations and brands in the FMCG sector. He served as both Chairperson of the Board and CEO in key developing markets for Unilever and has held Managing Director roles at Lion Nathan and New Zealand Dairy Board (Fonterra). Mr Cowan also held Regional Vice President positions at Alberto Culver and Johnson & Johnson.

During the last three years he has not served as a director of any other listed company.

Sally Herman

Non-executive director

BA, GAICD

Ms Herman is an experienced non-executive director sitting on both public and private company Boards in financial services, retailing, property and consumer goods. She had a long career in financial services in both Australia and the United States, including 16 years with the Westpac Group, running business units in most operating divisions of the Group. Ms Herman is based in Sydney and is actively involved in the community, with a particular interest in education, the arts and social justice. She is a member of Chief Executive Women.

During the last three years she has served as a non-executive director of the following other listed companies:
- Suncorp Group Limited #
- Premier Investments Limited #
- Evans Dixon Limited #
- Investec Property Limited (the responsible entity of listed trust Investec Australia Property Fund) #

# denotes current directorship

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Directors' report continued

Board of directors continued

Dean Howell

Non-executive director

FCA, CTA

Mr Howell has had an extensive career in accounting, spanning over 40 years, and accordingly has a wealth of commercial and advisory experience. He was the former senior partner of a Melbourne firm of chartered accountants and also served on that firm's national and international Boards. He is also a director of Peter MacCallum Cancer Foundation Ltd.

During the last three years he has not served as a director of any other listed company.

Lawrence Myers

Non-executive director

B.Acct, CA, CTA

Mr Myers has over 20 years' experience as a practising Chartered Accountant. He is the Managing Director and founder of MBP Advisory Pty Limited, a high end Sydney firm of Chartered Accountants. Mr Myers sits on numerous private company and not-for-profit Boards, including the Foundation Board of the Art Gallery of New South Wales and acts as a trusted advisor and mentor on business and financial matters. He is a registered auditor and his specialist areas of practice include business and corporate advisory as well as mergers and acquisitions. Mr Myers is Chairperson of the audit and risk committee (A&RC) and is the company's lead independent director.

During the last three years he has served as a director of the following other listed companies:

- VGI Partners Global Investments Limited #
- VGI Partners Asian Investments Limited #

# denotes current directorship

Kate Wright

Non-executive director

BA

Ms Wright has more than 30 years' experience in the consumer industry across Australia, the South Pacific and the USA. Her career has spanned manufacturing operations, sales, marketing, human resources and general management within the consumer sector. Ms Wright has held the positions of Managing Director, Australia and South Pacific region at Philip Morris from 2001 to 2004 and Head of Korn Ferry Australia's Consumer and Retail Practice from 2005 to 2016. Ms Wright holds a Bachelor of Arts degree from the University of New South Wales. Ms Wright is chair of the people, performance, remuneration and nominations committee (PPR&NC).

During the last three years she has not served as a director of any other listed company.

Company secretaries

The names and details of the company secretaries in office during the year and until the date of this report are as below. Unless indicated otherwise, the company secretaries were in office for this entire period.

Sasha Kitto

LLB, FCA

Ms Kitto is a chartered accountant and has over 20 years' experience as a practising chartered accountant and in senior finance roles.

Craig Robinson

BA, ACMA

Mr Robinson is a Chartered Management Accountant with over 20 years' commercial finance experience. He has worked in FMCG, Medical Diagnostics and Sales Service industries in the UK, Australia, Switzerland and the USA.

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Directors' report continued

Reporting currency and rounding

The financial report is presented in Australian dollars and all amounts have been rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191. The company is an entity to which the instrument applies.

Performance indicators

Management and the Board monitor the financial performance of the Group by measuring actual results against expectations as developed through an annual business planning and budgeting process.

Appropriate key performance indicators (KPI's) are used to monitor operating performance and management effectiveness.

Operating and financial review

The operating and financial review has been designed to enhance the periodic financial reporting and provide shareholders with additional information regarding the Group's operations, financial position, business strategies and prospects. This review complements the financial report and has been prepared in accordance with the guidance set out in ASIC Regulatory Guide 247.

Company overview and principal activities

The Group's principal activities, and underlying strategy, is the design and development of innovative world class, small electrical kitchen appliances and the effective marketing of these products across multiple geographies to drive growth in sales and profits.

In line with this strategy, the Group has:

- A strong, competitive and growing product portfolio with proven success across the globe;
- An innovative, committed, high-quality team;
- A R&D culture that focuses on consumer value and emerging food and beverage technologies when developing new products, enabling the Group to maintain its premium product and market positioning;
- A track record of successfully expanding into new geographies;
- A strong balance sheet which provides a platform to take advantage of future opportunities.

During the year, the Group has continued to refine its strategic direction, continued the execution of its acceleration program, and strengthened its balance sheet through a capital raise with net proceeds of $101m and the securing of increased, and longer tenure, bank debt facilities.

The Group operates a global centralised business structure with two business segments and geographic sales regions as described below:

- The Global Product segment sells premium products designed and developed by Breville, which are sold globally (currently 80 countries). Products included in this segment may be sold directly or through third parties, and may be branded Breville®, Sage®, or other Group owned brands.
- The Distribution segment sells products that are designed and developed by a third party. Products are distributed pursuant to a license or distribution agreement, or they are sourced directly from manufacturers. Products in this business unit may be sold under a brand owned by the Group (e.g. Breville®, Kambrook®), or they may be distributed under a third party brand (e.g. Nespresso®).

For both business segments, the geographic regions execute the sales and distribution functions, supported by centralised functions (including product development, marketing, operations, IT, Finance and HR). The centralised functions, specifically marketing and product development are part of the global, innovation driven product business and thus form part of the Global Product segment.

- In Australia and New Zealand, the Group principally trades under its company owned brands, Breville®, Kambrook® and also distributes products under a machine partnership with Nespresso® and Nestlé® Dolce Gusto®.

- In North America, the Group markets and distributes Breville® and Polyscience® branded products and distributes Nespresso® products, under a machine partnership.

- In Europe, the Group markets and distributes Breville® designed products under the company owned brand, Sage®. The region also supplies Sage® branded goods to certain distributors located in Europe.

The Group's Hong Kong office performs the functions of a group procurement and quality assurance centre and is also, a supplier of Breville® designed products to distributors outside of the Group's principal markets including the Asia Pacific region, the Middle East and South America.

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Directors' report continued

Operating and financial review continued

Group operating results

AUDm[1]	FY20	FY19	% growth
Revenue	**952.2**	760.0	**25.3%**
EBITDA	**126.5**	114.0	**11.0%**
EBIT	**100.9**	97.3	**3.7%**
NPAT	**66.2**	67.4	**(1.8)%**
***Normalised* EBIT[2]**	**113.1**	97.3	**16.2%**
Normalised EBIT[2] growth (excluding AASB16 impact)			**14.3%[3]**
***Normalised* NPAT[2]**	**75.0**	67.4	**11.3%**
***Normalised* EPS[2] (cents)**	**57.3**	51.8	**10.6%**
Dividend per share - ordinary (cents)	**41.0**	37.0	**10.8%**
Franked (%)	**60%**	60%	
Net cash ($m)	**128.5**	9.8	

Results Highlights

- A strong year of delivery, in line with initial expectations, but delivered against a turbulent backdrop of US tariffs, Brexit uncertainty and latterly COVID-19.
- Group revenue increased by +25.3% (FY19 +17.5%) with strong growth in both the Global Product and Distribution segments, partly boosted by the strength of the USD (contributed ~5% to reported growth).
- 1H20 and 2H20 saw similar revenue growth with the second half boosted by the relevance of our products to the "working from home" environment faced by many of our consumers.
- In constant currency, the Global Product segment delivered a +20.1% increase in revenue (FY19 +12.0%) driven by continued European expansion and strong ANZ sales, especially in the second half.
- In 2H20 the Group incurred two sizable abnormal expenses and equally, made some sizable cost savings. We have looked through both these pluses and minuses to normalise profit for the basis of dividend declaration for FY20 and setting budgets for FY21. Furthermore reported FY20 EBIT benefited from the adoption of AASB16 which has been stripped out when reporting like-for-like EBIT growth of +14.3%.
- Normalised Group EBIT[2] growth accelerated to +14.3% (FY19 +12.0%) whilst EBIT margin at 11.9% was lower than FY19 at 12.8%. This year-over-year margin decrease reflects the translation impact of the strengthening USD and impact of US tariffs on products from China. Statutory EBIT grew by +3.7%.
- Normalised NPAT[2] grew +11.3% year-on-year, whereas statutory NPAT declined by (1.8)%.
- Total dividends for the year increased by +10.8% to 41.0 cents per share, 60% franked. A fully underwritten DRP has been activated to preserve cash and balance sheet strength and flexibility.
- Net cash strengthened during the year to $128.5m due to the net proceeds of the capital raise ($100.7m) completed in June and a temporary reduction in working capital. The unwind of tactical inventory positions held in FY19 and the impact of COVID-19 on supply, and demand, temporarily reduced inventory and working capital below equilibrium.
- Good progress was made in the implementation of our Acceleration Strategy with a first full year of Benelux and Switzerland sales and entry into Spain and France.

[1] *Minor differences may arise due to rounding.*

[2] *EBIT, NPAT and EPS shown normalised for impact of abnormal expenses (doubtful debt provisioning and IoT platform write down) and abnormal cost reductions (compensation and marketing). Net impact on EBIT $12.2m; NPAT $8.8m; EPS 6.8c.*

[3] *Adoption of AASB16 in FY20 benefited EBIT by $2.0m over FY19. Growth is shown on a like-for-like basis, on a reported basis EBIT growth is 16.2%. Net benefit at NPAT level minimal at $254k.*

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Directors' report continued

Operating and financial review continued

- COVID-19: The pandemic temporarily slowed the normal ramp up of production from suppliers after Chinese New Year (CNY), but tactically high inventories held in the northern hemisphere provided some buffer. Our products proved relevant to consumers "working from home" and sell-out held up well. Sell-in across different geographies was impacted by different lock-down implementations and individual retailer reactions, but across the portfolio sell-in remained robust. Faced with the uncertainty of the trading outlook in April the Group pulled back hard on all expenses including employee compensation and marketing investment. The Group strengthened its balance sheet via a capital raise and the refinancing of its debt facilities.
- The combination of expense control, a resilient sales demand and balance sheet strengthening means the Group enters FY21 with momentum and in a good position to invest in sustained growth and to navigate future turbulence.

Segment results

AUDm[1]	REVENUE FY20	REVENUE FY19	REVENUE % Change	EBIT Normalised FY20[2]	EBIT FY19	EBIT % Change	EBIT MARGIN (%) Normalised FY20[2]	EBIT MARGIN (%) FY19
Global Product	**764.4**	612.0	**24.9%**	**90.2**	78.8	**14.5%**	**11.8%**	12.9%
Distribution	**187.8**	148.0	**26.9%**	**22.9**	18.5	**23.8%**	**12.3%**	12.5%
TOTAL	**952.2**	760.0	**25.3%**	**113.1**	97.3	**16.2%**	**11.9%**	12.8%

Global Product segment revenue

AUDm[1]	GLOBAL PRODUCT SEGMENT REVENUE FY20	FY19	% Change AUD	% Change Constant Currency
North America	**420.4**	357.4	**17.6%**	**11.3%**
Australia and New Zealand (ANZ)	**157.4**	132.9	**18.4%**	**18.3%**
Europe	**143.3**	89.6	**60.1%**	**54.8%**
Rest of World (ROW)	**43.3**	32.1	**34.8%**	**25.6%**
TOTAL	**764.4**	612.0	**24.9%**	**20.1%**

[1] *Minor differences may arise due to rounding*

[2] *EBIT and EBIT Margin % shown normalised for impact of abnormal expenses (doubtful debt provisioning and IoT platform write down) and abnormal cost reductions (compensation and marketing). Net impact on EBIT $12.2m..*

Global Product Segment

The Global Product segment revenue grew by +24.9% to $764.4m (FY19: $612.0m). In constant currency, revenue grew +20.1% driven by European expansion and the relevance of our products to a working-from-home environment in 2H20. Our "sell-out" performance remained solid across all geographies whereas our reported "sell-in" patterns reflected local lock down patterns and retailer behaviours.

In **North America,** the Group achieved +11.3% constant currency revenue growth with 2H20 sell-in impacted by retailer lock downs and the delay of Amazon Prime Day, which shifted some orders to 1H21.

In **ANZ,** the Group saw strong growth in 2H20 with increasing online adoption and delivered +18.3% constant currency full year growth despite some stock shortages late in the year, again shifting some orders into early 1H21.

In **Europe,** the Group delivered +54.8% constant currency revenue growth with strong performance in existing markets and a further roll out to Spain and France. The fast-growing region finished the year at 91% of the size of the Global segment in ANZ.

The **ROW** segment is by nature lumpy, and this year revenue grew strongly against a weaker FY19 baseline.

The Global Product segment normalised EBIT[2] for the year was $90.2m (FY19: $78.8m), representing a +14.5% increase. The segment's normalised EBIT margin[2] of 11.8% compares to 12.9% in FY19 with a strong USD accounting for two thirds of the decline and the impact of US tariffs also moderating the % margin.

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Directors' report continued

Operating and financial review continued

Distribution Product Segment

The Distribution segment grew revenue strongly increasing sales by +26.9% (against a FY19 +18.8%) driven by strong Breville local sales in ANZ, including the successful launch of the Breville Air™ range. Importantly, the segment fulfilled its strategic role by delivering an incremental $4.4m in EBIT which was reinvested into Global segment marketing and R&D.

Normalised EBIT and NPAT

In 2H20 the Group incurred two sizable abnormal expenses and equally, made some sizable cost savings. As the Group decided its dividend payout for FY20, and set budgets for FY21, it looked through both these pluses and minuses to base its decisions off a normalised FY20 EBIT of $113.1m. In terms of specifics:

- Since COVID-19 impacted our markets, credit risk has heightened with some retailers at the same time as global insurers are reducing coverage limits. This combination led to the judgement to recognise a step change in the doubtful debt provision of $13.6m in 2H20.
- In 2H20 the Group made the strategic decision to consolidate onto a single, standards-based platform, triggering the write down of our proprietary IoT platform, developed over three years, at a cost of $9.6m.
- In the face of COVID-19 uncertainty, the Group aggressively cut back expenses in Q420 to create an expense buffer, and explicitly to protect jobs. The cuts included temporary base salary, and directors' fees, reductions (ranging from 40% to 10%) and the suspension of the FY20 short-term incentive program. Neither of these savings, together worth $7.7m, are planned to repeat in FY21.
- The Group cut back on marketing spend below normal levels in Q420 by $3.3m.

All four impacts are regarded as abnormal and are added back to calculate the Group's normalised profit performance.

AUD $m	FY19	FY20	% Growth	Normalisation				FY20	% Growth	
	Statutory	Statutory	Statutory	Doubtful debt provision [1]	IoT impairment [2]	Compensation reduction [3]	Reduced marketing spend [4]	Normalised	Normalised	
Revenue	760.0	**952.2**	25.3%					**952.2**	25.3%	
Gross Profit	271.2	**320.6**	18.2%					**320.6**	18.2%	
Mktg Expenses	(32.2)	**(35.1)**	8.9%				(3.3)	**(38.4)**	19.1%	
Other Expenses	(125.0)	**(159.0)**	27.2%	13.6	9.6	(7.7)		**(143.4)**	14.8%	
EBITDA	114.0	**126.5**	11.0%	13.6	9.6	(7.7)	(3.3)	**138.8**	21.7%	*Growth excluding AASB 16 impact [5]*
Depn/Amort	(16.6)	**(25.6)**	54.1%					**(25.6)**	54.1%	
EBIT	97.3	**100.9**	3.7%	13.6	9.6	(7.7)	(3.3)	**113.1**	16.2%	14.3%
Finance Costs	(3.0)	**(8.2)**	173.3%					**(8.2)**	173.3%	
Tax Expenses	(26.9)	**(26.6)**	(1.3%)	(3.9)	(2.8)	2.2	0.9	**(30.1)**	11.8%	
NPAT	67.4	**66.2**	(1.8%)	9.7	6.9	(5.5)	(2.4)	**75.0**	11.2%	
Basic EPS (cents)	51.8	**50.5**	(2.5%)					**57.3**	10.6%	

Minor differences may arise due to rounding

[1] *Step change in doubtful debt provision to reflect heightened credit risk with retailers weakened by changes in consumer patterns and physical lock downs.*

[2] *One off impairment charge arising as a result of strategic decision to move to a standards-based IoT platform and to write off development work on our proprietary IoT platform.*

[3] *Temporary compensation reductions. Base salary cut by an average of 20% in May and June 2020. Cuts ranged from 40% for directors' fees and 30% to 10% of base salary. The FY20 STI scheme was suspended. These savings are considered abnormal with salaries reverting to normal levels as of July 2020 and a STI scheme planned for FY21.*

[4] *In response to uncertainty in the COVID-19 environment, marketing spend was reduced across April-June. Spend would normally grow at least in line with gross profit. The $3.3m add back reflects specific abnormal cuts made in April-June. After adding this amount, growth in marketing spend is at a more normal level.*

[5] *FY20 benefited by $2m at EBIT level from adoption of AASB 16 but is stripped out for a like-for-like comparison to FY19. Net benefit to NPAT is minimal at $254k.*

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Directors' report continued

Operating and financial review continued

Financial Position

The Group's total working capital decreased in FY20 by $22.3m primarily driven by an unwind in previous tactical investments in inventory, with strong demand in 2H20 reducing stock balances, and the take up of the doubtful debt provision. With the business growing at +25% pa, this decrease was larger than planned with working capital below equilibrium.

In FY19, tactical inventory builds were made in the USA (timing of tariff price increases), the UK (a buffer against Brexit disruption), and in Europe where we ran an unconstrained stock position to support aggressive growth. In FY20, these were planned to unwind, and they did; however, a slower ramp up of supply post Chinese New Year, combined with unexpectedly strong sell-in in some markets, has driven inventory below equilibrium with replenishment expected throughout FY21.

Reported receivables were flat on prior year despite +25% sales growth partly because of the take up of the doubtful debt provision and partly due to the pattern of sales late in 2H20 with some orders being pushed into 1H21 given inventory supply constraints and the delay of Amazon Prime day from July to October.

Flat inventory and receivable balances combined with payables growing in line with the business resulted in reduction in working capital below an equilibrium level.

The growth in intangibles to $160.2m (or 17% of sales) an increase of $37m, reflects the recognition of goodwill associated with the ChefSteps acquisition ($28m) and the ongoing investment in new product development as well as the Group IT platform.

Net Cash

Net cash at 30 June 2020 was $128.5m compared to $9.8m at 30 June 2019 including the net proceeds of the capital raise completed in June 2020 of $100.7m.

Dividends

A final dividend of 20.5 cents per share (60% franked) has been declared (FY19: 18.5 cents, 60% franked) bringing the total dividends for the year to 41.0 cents per share.

The Group has established a new Dividend Reinvestment Plan ("DRP") for its shareholders, replacing its previous inactive DRP. The DRP will apply to the final dividend for the year ending 30 June 2020 and will remain in place until further notice. Participation in the DRP is optional and available to eligible shareholders of fully paid ordinary shares in BRG with a registered address in Australia or New Zealand as at the record date of 15 September 2020. Eligible shareholders may participate for all or part of their shareholding, however a holder must elect a minimum of 150 shares to participate. To participate in the DRP for the FY20 final dividend, shareholders will need to ensure their election is made by 5:00pm (AEST) on 16 September 2020.

Shareholders who successfully elect to participate in the DRP will be able to reinvest all or part of their dividends to obtain additional fully paid ordinary shares in BRG, without having to pay brokerage, commission or other transaction costs in respect of the shares acquired.

Once a shareholder elects to participate, either in part or in full, that election will continue to apply to subsequent dividends where the DRP is active, unless a shareholder advises otherwise. Elections under the previous inactive DRP will be disregarded. Shareholders who successfully participate in the DRP for the final FY20 dividend will be issued shares at a share price determined in accordance with the DRP Rules based on the average daily volume weighted average price ("VWAP") during the period of ten trading days, commencing on 17 September 2020. Shares issued under the DRP will rank equally with existing fully paid ordinary BRG shares.

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Directors' report continued

Operating and financial review continued

Material business risks

The material business risks that may impact the achievement of the Group's strategy and its future financial prospects are summarised below, together with key actions intended to mitigate these risks:

Risk	Nature of risk	Key actions to mitigate risk
Product development and innovation	Insufficient investment in product development and innovation may result in loss of competitive advantage.	Strategic reallocation of funds to increase investment in product development and marketing functions and their associated resources and technology. Securing of world class leadership for product development and go to market functions. Annual investment has doubled over 4 years from FY15 to FY19 with spend increasing from 8% of revenue to 11%. Marketing spend was temporarily held back in 2H20 but the Group retains the target of investing at least 12% of Group revenue in marketing and new product development.
Margin risk	The competitive nature of the small domestic appliance market together with changes in manufacturing costs, including commodity prices, will have an impact on the Group's financial results.	Active protection and management of the Group's intellectual property arising from Product development protects uniqueness of range. Focused brand building initiatives enhancing strength of brand awareness and desirability. On going variabilisation of key elements of cost structure and strengthening of long term supplier relationships helps to buffer cost increases.
Adverse global economic and geopolitical conditions	Adverse changes to the general global economic and geopolitical conditions and the retail landscape as well as consumer sentiment in the principal markets in which the Group operates will impact its financial results. Geopolitical tension such as Sino-American tariff esclation and threat of Brexit may specifically impact consumer demand as well as our ability to supply markets. The impact of COVID-19 pandemic may continue to impact supply ex-China, demand from key retailers, and in key consumer markets, and heighten credit risk	Focus on communication with consumers to gain ever greater insight into the changing world of food and beverage trends. As well as monitoring global economic and consumer data and key industry trends. Increasingly broad regional footprint mitigates impact of any specific market on Group results. With regard to specific Brexit risk extra inventory holdings have been built in the UK to mitigate against disruption to borders and supply. With regard to tariff tensions, specific negotiations with suppliers are in play alongside communications and strategies with retailers to protect consumer demand. With regard to COVID-19 supply risks, inventory buffers in key markets are being rebuilt to provide resilience in the face of supply interruptions. With regard to COVID-19 retailer demand risk, digital marketing to consumers is used to stimulate pull through or sell-out from retailers. Furthermore, by supplying to a wide range of premium retailers, as well as a growing direct to consumer channel, the consumer has freedom to find our products in alternative channels when stock runs low in a particular retailer. With regard to COVID-19 end consumer demand, during the pandemic our products have proved relevant to the working-from-home experience of many of our consumers. Digital marketing, direct to the consumer, is used to sustain this demand. Sell out trends and weekly data are monitored to predict future consumer demand. With regard to COVID-19 credit risk the Group works with insurers to sustain receivable insurance. Where this is not possible the Group has lessened credit risk by shortening trading terms with certain customers and taking up an appropriate doubtful debt provision as at 30 June 2020.

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Directors' report continued

Operating and financial review continued

Material business risks continued

Foreign exchange exposures	Transactional exposure as product purchases are primarily paid for in US dollars. Translational exposure as international earnings contains a large portion denominated in US dollars and Euros, which are translated into Australian dollars for reporting purposes.	The transactional and translational USD exposures are considered to result in a partial natural hedge from a Group perspective. A weak Australian dollar is likely to have an adverse impact on ANZ earnings (as a result of higher landed costs) but a positive impact on the translation of non-Australian dollar denominated results. Treasury policy requires hedging of a portion of expected purchases up to 12 months in advance giving forward visibility of the effective exchange rate for 12 months allowing the business to manage costs and pricing.

Group strategic acceleration program update

During FY20, the Group has continued to progress its acceleration program, the impacts of which have helped drive the FY20 operational and financial performance.

Through FY17-19 the Group moved from specific new product development innovation to the commercialisation of a range within a category. During FY20 the Group has moved up the curve to Solution Thinking, providing not only a product, but a product, connected via a standards-based IoT platform to specific content designed to make the product deliver excellent results for the consumer – recipes, instructional videos and machine instructions. The user will be able to execute a recipe through an app on their phone or via smart home devices to deliver outstanding results.

The Joule Sous Vide, acquired as part of the ChefSteps acquisition, is the Group's first integrated solution offering. Leveraging the outstanding content, also acquired with ChefSteps, combined with Breville content, the Joule Oven Air Fryer Pro will be the next solution offering – to be launched in FY21. Because the products are connected the customers will continue to be served added content and features throughout the lifetime of the product. A real solution.

In terms of geographic expansion we launched the Sage® brand into Spain in September 2019 and in May 2020 expanded into France. As the Group continues to make progress on its strategy of unifying Europe under the Sage® brand existing European Sage® Distributors have been buying product directly from our European warehouse instead of Hong Kong since FY19. Continuing this strategy the Middle East will now transition from the Breville® brand to the Sage® brand allowing the distributor to draw from the UK warehouse rather than Hong Kong.

The Group has made significant progress, and investment, during FY20 in delivering a centralised scalable global IT platform to allow accelerated growth. The platform is live in Europe and will next be rolled out to the USA. The platform includes a third party logistics model; a product information management (PIM) system to centralise all product related data; a middle-ware platform improving flexibility and scalability; an ERP and a point of sale module giving access to sell-out data for better decision making.

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Directors' report continued

Operating and financial review continued

Our commitment to sustainability and social responsibility

The Group is committed to ethical, responsible and sustainable conduct across the entire business and acknowledges the importance of respecting all our stakeholders, including employees, shareholders, customers and suppliers. In order to ensure this commitment is being met, the Group has a sustainability committee and a sustainability co-ordinator to drive important initiatives. The Group's overall goal is to embed an Environmental, Social and Governance (ESG) framework into the business agenda incorporating key ESG risks and opportunities.

People	Community	Environment	Business
> Talent attraction and retention > Diversity and inclusion > Reward and recognition > Workplace health and safety > Training and development	> Community engagement > Healthy nutrition	> Energy and emissions > Packaging stewardship > Waste and recycling > Life cycle analysis	> Ethical sourcing > Modern slavery > Vendor audits > Product responsibility > Anti-bribery and corruption

People

Talent attraction and retention

Breville remains one of the largest employers of industrial designers in Australia. To ensure that we continue to attract these and other key professionals, we offer career development opportunities within a nurturing yet challenging work environment.

The Group enjoys the benefits of a highly experienced and talented team across all departments and geographies. Underpinning Breville's food thinking culture, the passion, creativity and insight of employees is critical to consistently delivering world-class, innovative products to consumers. The Breville team continues to be acknowledged, both domestically and internationally, with multiple design awards and recognition through mainstream media.

During FY20, Breville introduced an online employee survey tool which allows for real-time tracking of our employees' level of engagement across several engagement metrics. The tool also allows for comparisons against industry benchmarks and during FY20 Breville exceeded the industry benchmark in each of the engagement metrics. Tracking employee engagement allows the company and individual managers to target the specific areas of focus for future initiatives which will improve the engagement and ultimately the performance of our employees and our company.

Diversity

Our diversity is represented in many ways including gender, age, origin, race, cultural heritage, language and location. Some examples include;

- Gender: Breville complies with the (Australian) Workplace Gender Equality Act which requires the submission of an annual report on gender diversity practices and metrics. In FY20 our Board remained at 29% female representation and the percentage of women across the organisation remained at 45%. The percentage of women in managerial roles increased from 30% in FY19 to 32% in FY20 and within senior and executive roles, the percentage of women increased from 25% in FY19 to 30% in FY20.
- Global Diversity: Our 610 employees are spread across 9 countries and speak a variety of languages. Over half of our employees and half of our executive leadership team are located outside of Australia.
- Global Policies and Practices: Noting the changing demographics above, Breville consistently reviews its policies to ensure that they are applicable in every country where we operate.

Recognising the many business benefits that a diverse workforce can deliver, Breville continues to seek out ways to further increase our diversity and to this end;

- Our Diversity Committee has undertaken various activities recognising our employee diversity and ensuring that our business represents our diverse customer base and the communities in which we operate and encourages all our people irrespective of race, language, ethnic origin or ability to contribute to our success.
- Policies were reviewed with a focus on identifying more flexible employment practices sympathetic to work-life balance. To this point, during the impact of COVID-19, our businesses in each geography successfully adopted working-from-home arrangements in order to meet Breville's needs and the personal safety of our employees and their families.
- Anti-discrimination and anti-bullying training is conducted every 2 years to ensure that our values are consistently translated into appropriate working behaviours.

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Directors' report continued

Operating and financial review continued

Our commitment to sustainability and social responsibility continued

Reward and recognition

Breville's reward philosophy aims to attract, motivate and retain staff through monetary and non-monetary means. This includes establishing competitive salary and benefit levels and the design of variable pay plans for relevant employee groups. During FY20, the Group reviewed key performance management practices and introduced changes with the intention to strengthen the alignment between performance and reward across the Group.

Currently over 50% of all Breville employees participate in some form of incentive program and our intention is to ensure that all our people are recognised through the appropriate monetary and/or non-monetary means. Recognition is encouraged across the Group throughout the year both informally and formally acknowledging individuals' and team' behaviours and contributions.

Workplace health and safety

Ensuring a safe workplace is a key area of focus and the Group strives for continuous improvement and consistency in safety practices across all geographies. As an indication of Breville's commitment to ensuring the safety of all employees, in FY20 a Group Health, Safety and Environment (HSE) Manager was appointed to assist in further embedding our global HSE systems, procedures and compliance activities. All safety policies are now available on a common SharePoint site accessible to all Breville employees.

The Workplace Health & Safety Committee (WHSC) worked closely with the Sustainability Committee to ensure environmental initiatives were aligned within Breville. The WHSC is focussed on ensuring employees' health and safety at work and does this by developing standards, rules and procedures. In FY21 the Committee will continue to raise awareness on health and safety via targeted campaigns and staff communication initiatives.

During FY20, Breville took pre-emptive steps to manage the potential risks associated with the COVID-19 epidemic. These were co-ordinated globally and included temporary office closures, regular employee communication, the establishment of a company COVID-19 SharePoint page, work-from-home guidelines, temperature-testing and deep-cleaning of offices. In addition, the company ran several global activities focussed on employees mental and physical health including online yoga, mental-health sessions, team trivia events and music evenings.

Training and development

The Group invests in the training and education of its people, building strong, collaborative links with world experts in food thinking and technology.

Strongly committed to our core values of *creativity, simplicity, insight and excellence* across our business, the Group recruits, trains, assesses and rewards employees on this basis. With a team anchored around these common values, the business strives to foster a learning culture that stimulates idea generation, a passion for learning, and the continuous search for new and better solutions.

To further support Breville's training and development initiatives, a new online learning channel was introduced in FY19 and continued through FY20.

Environment

Energy, packaging and waste are our key environmental impact areas. The Group is striving to incorporate sustainable decisions into operational facilities and has a number of energy efficient features to reduce energy usage including movement and light sensors to minimise use of lighting, limitations/timers on plant use (air conditioning, heating) and measurement of power usage.

The Group has been a committed signatory to the Australian Packaging Covenant Organisation for over 9 years, a voluntary agreement between government and industry which provides a framework for the reduction of the potential impact of products, packaging and warehouse operations on the environment. The Group integrates actions and goals into existing business systems so that sustainable packaging considerations become 'just how we do business'. Success is being achieved via cross functional teams working together to implement the Group's Sustainability Policy.

The Group has implemented improved waste reduction and recycling practices including enhanced recycling of cardboard, paper, plastics, electronics, appliances, expanded polystyrene (EPS) and organic waste. Employing the use of streamlined bins, each waste stream now has its own disposal outlet, ensuring minimal contamination of recyclable waste and increasing the recovery yield.

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Directors' report continued

Operating and financial review continued

Our commitment to sustainability and social responsibility continued

Business

Ethical sourcing

The Group is committed to conducting business in a socially responsible manner and managing its business to reflect high ethical and moral values. The Group expects its supply partners to uphold and respect the same core values and commitment in the operation and management of their businesses.

The Group expects that its supply partners will not be a party to any violation of basic Human Rights including:

- freedom from discrimination
- freedom from slavery or servitude
- freedom of movement
- freedom of expression
- freedom of thought.

The Group will not do business with vendors that do not share and demonstrate commitment to compliance with local and internationally accepted labour and employment laws.

The Group has an ethical sourcing policy which includes an ethical sourcing requirements code ('code') which sets out the minimum requirements and expectations that all vendors, including sub-contractors engaged by vendors, must comply with. The code specifies compliance in areas such as:

- wages, benefit policies (including transparent record keeping)
- child labour
- working hours
- forced and bonded labour
- discrimination
- harassment and abuse
- freedom of association
- health and safety
- environmental practices
- business integrity.

The company has zero tolerance for the use of child labour, prison labour or forced labour in the manufacture of its products. Suppliers are required to contractually recognise the code and acknowledge their acceptance of its requirements. New key suppliers are required to undergo an independent audit to verify that they are in compliance with local laws and safety conditions.

The Group recognises the difficulties in dealing with a large and complex supply chain and therefore is dedicated to integrating ethics into its core business practices and continuously investing in its ethical sourcing program.

Modern slavery and human trafficking

We respect universal principles regarding human rights and labour practices worldwide, including the Universal Declaration of Human Rights, through sound business activities. We are taking steps during the financial year to ensure that modern slavery and human trafficking is not taking place in any of our supply chains or in any part of our business. We are updating our corporate policies, including our ethical sourcing policy, employee handbooks and codes of conduct. We require our suppliers to be bound by our ethical sourcing policy and we are working with our main suppliers to mitigate supply chain risks and ensure their compliance with applicable laws and our policy.

Vendor audits

The Group conducts factory visits to vendors by senior management on a regular basis, as well as using internationally recognised independent audit firms to verify compliance with local laws and safety conditions as well as the Breville Group ethical sourcing policy. When an independent audit firm is engaged, an ethical trade audit report is issued, which is to an industry recognised standard. This year the Group has engaged the services of a collaborative platform designed for the sharing of responsible ethical sourcing data, on supply chains. The Group in still in the process of completing the onboarding of all our current vendors into the platform. Once this is complete, we will have access to a larger number of vendor audits as well as being able to assess the inherent risk of each of our vendors to ensure vendors are selected for audit in accordance with the Group's internal risk assessment framework.

The audits which are performed by independent audit firms are 4-pillar audits and assess the following areas;

- Labour Standards
- Health and Safety
- Environment
- Business Ethics

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Directors' report continued

Operating and financial review continued

Our commitment to sustainability and social responsibility continued

Vendor audits continued

The scope of the vendor audits provides coverage (using a sample-based method) of all workers at each site, including direct employees, agency workers and workers employed by service providers or provided by other contractors, in order to determine compliance by the vendor.

Vendor compliance is assessed and determined according to the following compliance metrics:

- the Ethical Trading Initiative (ETI) Base Code
- the Group's ethical sourcing policy
- assessment of management systems
- assessment of entitlement to work and immigration
- assessment of sub-contracting
- assessment of environment and
- assessment of business ethics.

	30 June 2020	30 June 2019	Target for June 2023
Annual vendor audits completed	8	6	10

The Group has a target to increase vendor audits from 5 to 10 per annum over a 5-year period to June 2023 starting in June 2018. This financial year, the Group conducted and received audits on 8 individual vendors. Each year, the vendors selected for audit will be based on the Group's internal risk assessment framework which takes into consideration the size of the vendor, levels of purchases made and results from previous audits conducted. Vendors are audited on a rotational basis over a multi-year period taking these factors into consideration.

For those vendors which have been audited, a rating system has been applied and based on the results of the audit, each vendor is given a vendor audit rating. Based on the vendor compliance metrics above, the Group has defined an internal 'baseline' standard which defines the minimum level of compliance expected from any vendor. This baseline is subsequently used to benchmark the results of vendor audits to determine the outcome of the rating awarded. Vendors who meet, exceed or greatly exceed the Group's internal 'baseline' standard can be rated bronze, silver or gold (gold being the highest rating). Higher ratings are awarded as a direct result of lower occurrences and severity of non-compliances found in the audit.

The severity of each non-compliance, and hence the rating of the vendor, is decided by the Group's sustainability committee. Vendors who do not meet the Group's internal 'baseline' standard are categorised into a 'below standard' category and are actively monitored to ensure all remedial action is taken against identified non-compliance in the most effective and efficient method possible. Evidence of corrective action to remediate non-compliance is collated through inquiry, inspection and follow-up observation. Where the Group requires zero tolerance or where the vendor or factory does not demonstrate a willingness to comply, the Group will discontinue doing business with the vendor/factory.

Product responsibility

The Group takes pride in the quality of its products. The Group has extensive compliance processes in place to ensure that its products are safe and compliant with labelling and safety requirements in relevant markets.

Anti-bribery and corruption

The Group is committed to operating in a manner consistent with the laws of the jurisdictions in which its businesses operate, including those relating to anti-bribery and corruption. Honesty, integrity and trust are considered integral to the ethos of the Group, its products and its brands. Conduct associated with bribery and corruption is inconsistent with these values. Accordingly, the Group adopts a "zero tolerance" approach in relation to these matters.

The Group has an anti-bribery policy which, in conjunction with the code of conduct and whistleblowing policy, sets out the responsibilities of all the Group's employees (including contractors) and directors with regard to dealing with outside parties and prohibits all Group personnel in all jurisdictions in which the company operates or conducts commercial activities, from engaging in any activity that constitutes bribery or corruption and other improper inducements and/or payments.

In order to ensure that these values and the policy are properly adhered to, the Group has appointed an Anti-Bribery Compliance Officer who is responsible for monitoring the application of this policy.

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Directors' report continued

Risk management

The company's risk management is discussed in the corporate governance statement on page 41.

Dividends

The following dividends have been paid, declared or recommended since the end of the preceding year.

	Cents per ordinary share	$'000
Final FY20 dividend recommended:	20.5	27,992
Dividends paid in the year:		
Interim FY20 dividend paid	20.5	26,728
Final FY19 dividend paid	18.5	24,121

The Group has established a new Dividend Reinvestment Plan ("DRP") for its shareholders, replacing its previous inactive DRP. The DRP will apply to the final dividend for the year ending 30 June 2020 and will remain in place until further notice. Participation in the DRP is optional and available to eligible shareholders of fully paid ordinary shares in BRG with a registered address in Australia or New Zealand as at the record date of 15 September 2020. Eligible shareholders may participate for all or part of their shareholding, however a holder must elect a minimum of 150 shares to participate. To participate in the DRP for the FY20 final dividend, shareholders will need to ensure their election is made by 5:00pm (AEST) on 16 September 2020.

Shareholders who successfully elect to participate in the DRP will be able to reinvest all or part of their dividends to obtain additional fully paid ordinary shares in BRG, without having to pay brokerage, commission or other transaction costs in respect of the shares acquired.

Once a shareholder elects to participate, either in part or in full, that election will continue to apply to subsequent dividends where the DRP is active, unless a shareholder advises otherwise. Elections under the previous inactive DRP will be disregarded. Shareholders who successfully participate in the DRP for the final FY20 dividend will be issued shares at a share price determined in accordance with the DRP Rules based on the average daily volume weighted average price ("VWAP") during the period of ten trading days, commencing on 17 September 2020. Shares issued under the DRP will rank equally with existing fully paid ordinary BRG shares.

The DRP for the final FY20 dividend will be fully underwritten.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity that occurred during the year that have not otherwise been disclosed in this report or the consolidated financial statements.

Annual General Meeting (AGM) and Director Nominations

The Group will hold its Annual General Meeting (AGM) virtually on 12th November 2020.

In accordance with our constitution and ASX requirements, the closing date for the receipt of Director Nominations from persons wishing to be considered for election is 16th September 2020 (40 business days prior to AGM). Should the nomination of a person for election be made by a Director, the closing date for the receipt of nomination is 21st October 2020 (15 business days prior to AGM).

Directors' interests

As at the date of this report, the interests of the directors in the shares or other instruments of Breville Group Limited were:

	Ordinary shares
S. Fisher	127,764
T. Antonie	43,791
P. Cowan	10,968
S. Herman	42,484
D. Howell	139,264
L. Myers	100,000
K. Wright	21,764

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Directors' report continued

Remuneration report (audited)

Section 1 Introduction

Section 2 Overview of Remuneration Approach and FY20 Outcomes

Section 3 Key Management Personnel
- Table 1 KMP details

Section 4 Remuneration Framework
- Table 2 Target Remuneration mix

Section 5 Linking Remuneration to Performance
- Table 3 Five Year Group Performance

Section 6 Executive Remuneration – detailed elements
- Table 4 Fixed Deferred Remuneration Included in Remuneration tables 6 & 7
- Table 5 LTI plans Included in the Remuneration tables 6 & 7.

Section 7 Non-Executive Director Remuneration

Section 8 Statutory Remuneration Tables
- Table 6 & 7 KMP Remuneration FY20 and FY19
- Table 8 KMP STI Cash Bonuses and LTI Performance Rights Vesting
- Table 9 KMP Shareholdings
- Table 10 KMP Performance Rights Granted and Fair Value
- Table 11 KMP Fixed Deferred Remuneration Rights Granted and Fair value
- Table 12 KMP Performance Rights Held

1. Introduction

The Directors are pleased to present the Group's remuneration report for the financial year ended 30 June 2020 which has been prepared in accordance with section 300A of the Corporation Act 2001 and has been audited by PricewaterhouseCoopers as required by section 308(3c) of the Corporations Act 2001.

The report sets out the Group's remuneration strategy, framework and compensation arrangements in place for the Key Management Personnel (KMP), defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group. The report also sets out the link between performance and remuneration outcomes for FY20.

This report is made in the context of a strong FY20 performance delivered against a turbulent backdrop of Brexit uncertainty, US-Sino tariffs and latterly COVID-19.

FY20 Performance Highlights

- Sales increased to $952.2m + 25.3% growth
- Statutory EBIT increased to $100.9m + 3.7% growth
- Normalised EBIT increased to $113.1m + 14.3% growth
- Normalised NPAT increased to $75.0m + 11.3% growth
- DPS increased to 41.0 cents + 10.8% growth
- Share price[1] increased to $22.76 + 39.3% growth
- One-year TSR[1] was + 41.5%

The Board is pleased with how management has executed against a difficult backdrop, but, recognising that significant future uncertainty remains, the Board chose to take a prudent approach to remuneration for the year and specifically:

- Suspended the FY20 STI scheme
- Implemented an all employees compensation, and directors' fees, reduction in May and June 2020 between 10% - 40%
- Issued deferred share rights to the CEO as part of Deferred Base Remuneration
- Maintained the LTI incentive scheme to reward sustained shareholder value creation

During FY21 the Board will review and decide if a discretionary short-term bonus recognising delivery over an 18-month period should be awarded. This will be gauged against a longer period of trading under COVID-19 conditions than the current 4 months currently available to judge performance. The parameters of the FY21 scheme will also be reviewed to ensure that they continue to incentivise executives to deliver superior shareholder outcomes in the current unusual and volatile market conditions.

[1] 30th June 2020 compared to 30th June 2019

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Directors' report continued

Remuneration report (audited) continued

2. Overview Remuneration Approach and FY20 Outcomes

FY20 special circumstances

When the potential economic impact of COVID-19 started to emerge in March and April 2020, with a resulting uncertainty over future trading, the business introduced broad based cost cutting measures designed to protect performance and employment. These cost cuts impacted employee remuneration.

- Base cash salaries and directors' fees were reduced by between 10% and 40% on a progressive basis with the highest cuts for the Board of Directors. These reductions were implemented for May and June 2020. The salary reductions were then suspended in July 2020 due to stronger trading. Future reductions remain under review.

- The FY20 STI was suspended. Sales and gross profit performed strongly both before, and after the pandemic arose, however two large abnormal expenses (doubtful debt provision and the impairment of a proprietary IoT platform) reduced statutory EBIT. With increased trading uncertainty the Board prudently decided to suspend the STI scheme for FY20.

- The Board considers that management has performed strongly during the COVID crisis, but only 4 months have passed under these unusual trading conditions. In FY21 the Board may review management performance over a longer period and may issue a discretionary bonus to reward performance since COVID impacted the business.

- The LTI scheme for FY21 has been reviewed, and revised, to increase the chance that it continues to effectively reward and incentivise superior performance, aligned to shareholder interests. Given the current turbulence in the majority of consumer and industrial ASX 200 share prices, the scheme will adopt an absolute, rather than a relative, TSR target, calculated over a three year performance period from 30th June 2020 to June 30th 2023. 50% of the performance rights will vest on achieving a minimum three year TSR target, and 100% will vest on achieving a stretch TSR target. No lock up period will apply after vesting. TSR targets are set in light of current market conditions and will be disclosed in the remuneration report for FY23. The Board is aware that it may need to exercise its discretion to equitably reward management's performance given the expected turbulence in the upcoming 3-year performance period.

CEO: The CEO's remuneration package is designed to reward, motivate and retain a high performing international CEO, whilst maximising alignment with shareholder interest. Jim Clayton has been with the Group for 5 years as CEO and has delivered sustained strong business growth and shareholder returns.

The CEO's package has steadily moved towards more variable, share based and longer-term remuneration rather than fixed short-term cash-based rewards. This trend continued in FY20.

In FY20 the CEO's short term cash remuneration was reduced by the temporary salary reduction in May and June (30% reduction for the CEO) and the suspension of the FY20 STI scheme. The LTI scheme and award level was left unchanged at FY19 levels. The CEO's overall package was enhanced by an expansion of the fixed deferred remuneration scheme. This remuneration rewards share price appreciation and tenure. Deferred remuneration grants for the FY20 service period (equivalent to $275,000 of Fixed Cash Salary for FY20) were made. Grants relating to future service periods, FY21-24, were also made. These grants will only vest when the specified period of employment has been delivered. The CEO's reported total remuneration for FY20 increased by 13% or $267k over FY19 to $2.31m.

The Board considers this appropriate to reward and retain a high performing international CEO for the globally expanding Group. The Board is also conscious that over the last few years the weakness of the USD has continued to diminish the value of AUD based remuneration packages in an international context. The Board has moved to ensure that Jim Clayton's package is comparable to those offered by both similar, and larger, international groups.

The CEO reports to the Board and is not a Director of the Group. This delineation of responsibilities and reporting lines has been chosen deliberately and works well with a clear split between executive and non-executive roles. In line with this choice, the Board continues to choose not to take the CEO's package to the AGM for separate shareholder approval. The CEO's remuneration package is put up for shareholder scrutiny, alongside other key executives' remuneration details, as part of the Group's remuneration report.

KMPs: KMP executives also experienced a fixed salary cut in May and June (30%) and a zero STI award for FY20. LTI performance right grants were made to KMP's for FY20 based on 65% of base salary, an increase from 50% in FY19. This increases the weighting of share based, longer term incentives in KMP packages in line with the desired alignment of KMP and shareholder interests.

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Directors' report continued

Remuneration report (audited) continued

2. Overview Remuneration Approach and FY20 Outcomes continued

Against this backdrop the following remuneration arrangements were approved and implemented for the year.

Remuneration Component	Purpose & Execution	FY20 Outcomes
Fixed Cash Remuneration	Aims to provide competitive salary, including superannuation and non-monetary benefits, to attract and retain a high performing team. Fixed cash remuneration is reviewed annually, with outside assistance where needed, and set with reference to: - • Size and complexity of role • Market benchmarks (relevant international and domestic peers) • Experience, skills and competencies	. • No base cash salary increases were awarded to the CEO in FY20 • Temporary reductions in base salaries were implemented in May and June on a progressive basis ranging from 40% to 10% with an average reduction of ~20%. Total salary saving across all staff was $1.5m per month across May and June • Based on positive trading, 1H21 salaries have been restored to normal levels as of July 2020
Fixed Deferred Remuneration	Delivers fixed deferred remuneration to the executive in the form of SBP that aligns the executive's interests with shareholders' by increasing individual potential future shareholdings in the Group. Supports the retention of high performing international executives. As part of their fixed remuneration the executive may receive grants of deferred share rights vesting, and exercisable, when employment services for a specific period have been provided. • One share right entitles the executive to one fully paid ordinary share on vesting and exercise • No consideration is payable by the executive on granting or exercise of the share rights as the rights satisfy part of the executive's base remuneration • All unvested rights lapse if the specific service period is not commenced by the executive • No disposal restrictions apply to the shares received when the rights have vested The number of rights granted is calculated as a base salary amount divided by the relevant share price at the time that the grant is agreed. This aligns the executive's and shareholders' interest in sustained share price appreciation. The Board believes that this instrument may prove particularly attractive as an incentive and retention tool in times of uncertainty and increased share price volatility.	The following grants have been made to the CEO for FY20, and beyond, in lieu of a base salary: • FY20 Grant: 16,467 share rights which will vest and be exercisable when, and if, the service period 26 Aug 2019 – 25 Aug 2020 is completed. • FY21 Grant: 29,940 share rights which will vest and be exercisable when, and if, the service period 26 Aug 2020 – 25 Aug 2021 is completed. • FY22 Grant: 29,940 share rights which will vest and be exercisable when, and if, the service period 26 Aug 2021 – 25 Aug 2022 is completed. • FY23 Grant: 29,940 share rights which will vest and be exercisable when, and if, the service period 26 Aug 2022 – 25 Aug 2023 is completed. • FY24 Grant: 29,940 share rights which will vest and be exercisable when, and if, the service period 26 Aug 2023 – 25 Aug 2024 is completed The number of rights issued was calculated to give an equivalent base salary increase of $275,000 for the FY20 grant based on a fair value of $16.70 per share which was was in line with the YTD VWAP when the grants were agreed in January 2020. The grants for subsequent years were increased to account for existing rights that vest, and expire, in August 2020 and if not replaced would constitute a base remuneration reduction for the CEO. These grants form part of the CEO's short-term employment benefits shown in table 6 with the value shown calculated according to AASB 2 which attribute some of the value of future service periods to the current year even though the grant lapses if the future employment period is not completed.

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Directors' report continued

Remuneration report (audited) continued

2. Overview Remuneration Approach and FY20 Outcomes continued

Remuneration Component	Purpose & Execution	FY20 Outcomes
Short term incentives (STI)	Aims to reward and incentivise executives for over achieving stretch company targets and is paid in cash each year. A maximum Group bonus pool is calculated as the sum of maximum STI % opportunities of fixed cash remuneration for each participant. The CEO has a maximum STI opportunity of 50%, other KMPs 35% and other staff in a range of 5-35%. A stretch EBIT target is set by the Board in advance of the financial year. No bonus pool is awarded until this pre-bonus EBIT is exceeded. As pre-bonus EBIT exceeds the pre-bonus target the STI bonus pool is funded until the maximum is reached. The pool is distributed based on each individual's maximum opportunity % and the achievement of targets which include Group EBIT, divisional performance, and, in some cases, personal targets.	• The FY20 base pre-bonus EBIT target was $110.2m (on a pre AASB16 basis or $112.2m on a post AASB16 basis) representing a +13.2% EBIT growth over FY19. • In FY20 the STI scheme was suspended as part of cost cutting measures introduced to protect the business during a period of increased uncertainty. In FY21 the Board may review management performance over a longer period and may issue a discretionary bonus to reward performance since COVID-19 impacted the trading environment.

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Directors' report continued

Remuneration report (audited) continued

2. Overview Remuneration Approach and FY20 Outcomes continued

Remuneration Component	Purpose & Execution	FY20 Outcomes
Long term incentives (LTI)	Aims to reward and incentivise executives to deliver sustained shareholder value. Annual performance right grants are made to the CEO, KMPs and other managers based on a % of their fixed remuneration. The number of rights issued is based on the value of shares in the company using a 20 trading day trailing volume weighted average price (VWAP) up to date of financial year end. The percent of fixed cash remuneration ranges from 20% up to 125% for the CEO. Vesting • A gate of absolute positive TSR must be met for rights to vest. • If this gate is met then the % vesting is determined on *relative TSR* achieved against a peer Group of approximately 60 companies within the ASX200 Consumer Staples, Consumer Discretionary and Industrials indices (the peer group appendix is shown in Table 13) • Grants vest on the following scale - 0% vests below 50% TSR relative percentile - 50% vests at 50% TSR relative percentile - Rising in a straight line to 100% at 75% relative TSR percentile. The performance period for the LTI is an average of 3 years with the grants are split into 3 equal tranches with 2, 3 and 4-years performance periods to give a three-year average, three tranches are used to to smooth volatility and maintain incentive whilst still yielding a three year average. After vesting shares are subject to a two-year trading lock which may be waived at Board discretion in exceptional circumstances. • The features of the LTI scheme for FY21 have been reviewed and revised to ensure that they continue to provide a proper reward and incentive framework during the expected upcoming period of potential trading and stock market volatility. The process for granting performance rights will remain unchanged, but performance will be judged against an absolute, rather than a relative, TSR target with a minimum and stretch hurdle. The Board is aware that it may need to exercise its discretion to equitably reward management's performance given the expected turbulence in the upcoming 3-year performance period.	In Year grants • In FY20 the CEO received an LTI performance rights grant of 125% of fixed remuneration in line with FY19. • Other KMP's received a grant of 65% of fixed remuneration (an increase from 50% in FY19) with other managers in a range from 20-50% In Year LTI Vesting • During FY20 72,800 rights vested in the CEO's favour under the below schemes and 102,910 rights vested in favour of the other KMPs. 2016 Performance Rights • 10,000 shares vested to the CEO and 17,760 to other KMPs as part of third tranche of the 2016 performance-based grant. 100% of the potential rights in the tranche vested based on 4-year positive TSR of 194% which was above the 75th percentile of the peer Group 2016 Performance Rights (time bound) • 44,350 shares vested to other KMPs based on continuing employment as part of a 2016-time bound grant 2017 Performance Rights • 31,100 shares vested to the CEO and 24,000 to other KMPs as part of the second tranche of the 2017 performance-based grant. 100% of the potential rights in the tranche vested based on 3-year positive TSR of 143% which was above the 75th percentile of the peer Group. 2018 Performance Rights • 31,700 shares vested to the CEO and 16,800 to other KMPs as part of the second tranche of the 2017 performance-based grant.100% of the potential rights in the tranche vested based on 2-year positive TSR of 65% which was above the 75th percentile of the peer Group.

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Directors' report continued

Remuneration report (audited) continued

2. Overview Remuneration Approach and FY20 Outcomes continued

Remuneration Component	Purpose & Execution	FY20 Outcomes
Non-Executive Director Fees	Aims to attract, reward and retain high calibre Directors suitable for a fast-growing international business. Each Director receives a fee or base remuneration as a Director of the Group with an additional fee for acting as Chairperson or Chairperson of a Board committee recognising the additional time commitment required. • Non-Executive Director remuneration is reviewed annually within the aggregate compensation pool of $1,400,000 per annum approved by the AGM held in November 2016.	• The fees received by Kate Wright and Lawrence Myers for chairing the People, Performance Remuneration and Nominations Committee (PPR&NC), and the Audit and Risk Committee (A&RC), respectively was increased from $15,000pa to $30,000pa in August 2019 to reflect the increased complexity and workload for the rapidly growing and internationalising Group. • All Directors took a 40% fee cut in the months of May and June 2020 as part of the company wide salary reduction programme. • The total fees paid of $1,015,730 represent 72.6% of the approved fee cap.

3. Key Management Personnel

KMPs are the persons with authority and responsibility for planning, directing and controlling the activities of the Group and comprises the Directors of the Group and the Executives listed below.

All KMPs served for a full year.

Table 1: Key Management Personnel (KMP)

Name	Position	Term as KMP
Non-Executive Directors		
Steven Fisher	Non-Executive Chairperson	Full Year
Tim Antonie	Non-Executive Director	Full Year
Peter Cowan	Non-Executive Director	Full Year
Sally Herman	Non-Executive Director	Full Year
Dean Howell	Non-Executive Director [(a),(b)]	Full Year
Lawrence Myers	Non-Executive Director [(c),(b)]	Full Year
Kate Wright	Non-Executive Director [(a),(d)]	Full Year
Executives		
Jim Clayton	Group Chief Executive Officer	Full Year
Scott Brady	Global Product Officer	Full Year
Martin Nicholas	Group Chief Financial Officer	Full Year
Mark Payne	Chief Operating Officer	Full Year
Cliff Torng	Global Go-to-Market Officer	Full Year

[a] *Member of Audit and Risk Committee*
[b] *Member of People, Performance Remuneration and Nominations Committee*
[c] *Chair of Audit and Risk Committee*
[d] *Chair of People, Performance Remuneration and Nominations Committee*

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Directors' report continued

Remuneration report (audited) continued

4. Remuneration Framework

The People, Performance, Remuneration and Nominations Committee (PPR&NC) of the Board reviews and recommends executive and employee remuneration arrangements within an annually reviewed framework that is designed to support the achievement of strategic goals, sustainable financial performance and sustained growth in shareholder value.

From time to time the committee may engage external remuneration consultants to assist with this review and in FY20 engaged Godfrey Remuneration Group Pty Limited to assist with the design of the Fixed Deferred Remuneration scheme.
Key principles that guide the remuneration framework include:

- **Fair and Competitive** Provide appropriate rewards to attract and retain high calibre employees for an international and growing business. Market benchmarks are used and may include domestic and international peers depending on the role being evaluated and location of the role
- **Simple** Clear, visible and calculable reward linked to sustained company performance and shareholder value creation. Wherever possible executives will be aware of the status of their incentive achievement mid-period
- **Aligned to Strategy** Reward linked to achievement of strategic goals and sustainable performance of the company
- **Shareholder aligned** Reward explicitly linked to short and long-term shareholder value creation
- **Sustained delivery** Reward balanced to optimise long, medium and short term, performance

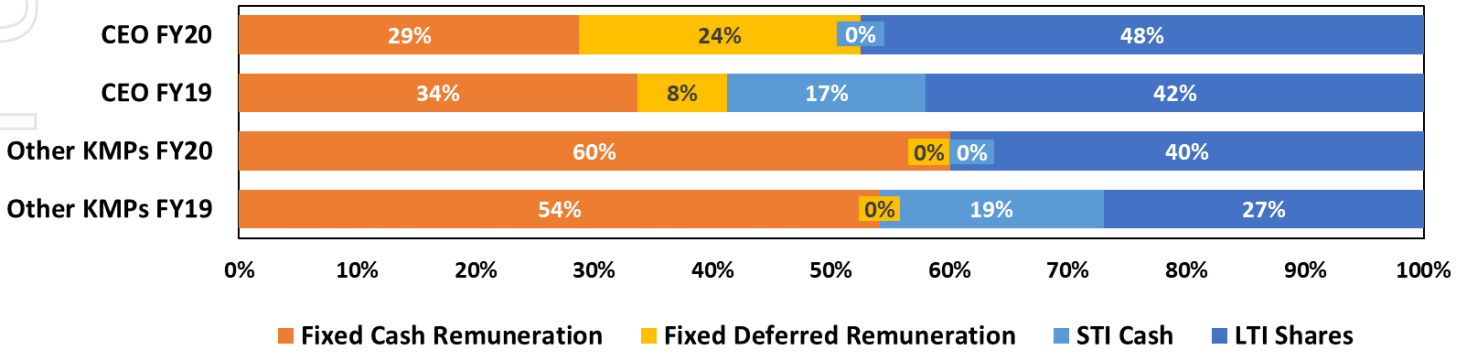
In implementing its remuneration framework and ensuring proper oversight the committee:

- Designs compensation to motivate and retain a high performing global CEO and executive team in line with shareholder interests
- Encourages increasing level of executive shareholdings
- Aligns interest of shareholders and executives via increasing payments in equity
- Grants equity rights based on value
- Retrospectively discloses performance hurdles and calculation of award and payments made to ensure transparency
- Encourages increased variabilisation of pay linked to short and long-term performance
- Limits executive termination packages to less than 12 months' pay plus accrued leave
- Rewards sustained long term performance, not just single year peak performance
- Utilises measurable, shareholder relevant targets
- Retains Board discretion over level of award

In establishing the remuneration arrangements each year, the Board specifically reviews the proportion of the fixed compensation and variable compensation (potential short term and long-term incentives). The Board aims to steadily increase the proportion of variable, and specifically share based and longer term performance related, remuneration.

The Target Remuneration Mix for FY20 is shown in table 2 below. The percentages are distorted by the suspension of FY20 STI scheme, but the year-on-year comparison clearly shows an increase in the weight of variable, share-based, LTI as well as the expansion of the Fixed Deferred Remuneration scheme for the CEO. The value of the LTI performance rights granted are shown as the full value as of the grant date.

Table 2: Target Remuneration Mix of CEO and other KMPs for FY20 compared to FY19



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Directors' report continued

Remuneration report (audited) continued

4. Remuneration Framework continued

- **Contracts** – Employment contracts are entered with executives designed to attract and retain the employees whilst safeguarding the Group's interests. None of the KMPs have fixed term contracts. Amounts payable on termination vary from a minimum statutory entitlement to a maximum of 12 months of fixed pay plus accrued leave balances. In accordance with the terms of the LTI performance rights plan any performance rights not vested at the date of termination will be forfeited and will lapse, unless otherwise determined by the Board. Rights under the fixed deferred remuneration scheme will lapse on resignation but will be pro-rated for time served in the case of termination without cause.

- **Hedging Prohibited** – The Group has a policy that prohibits KMPs and their closely related parties from entering into an arrangement that has the effect of limiting the exposure to risk relating to an element of that member's compensation. The policy complies with the requirements of s.206J of the *Corporations Act 2001*.

- **Measurement** – The PPR&NC is responsible for assessing performance against KPIs and determining the STI and LTI to be awarded. To assist in this assessment, the committee receives detailed reports on performance from management which are based on independently verifiable data. From time to time the committee may also engage external remuneration consultants to assist with this review. An external specialist is always used to calculate and report on TSR and relative TSR performance against a peer group for use in LTI evaluation. In the event of fraudulent or dishonest misconduct, the Board reserves the right to deem any unvested rights to have lapsed.

5. Linking Remuneration to Performance

The Group's remuneration principles and framework aim to align executive remuneration to the Group's strategic and business objectives, sustained business performance and the creation of sustainable shareholder value.

The key measures that are applied to Executive KMP incentive plans – EBIT and relative TSR – are both measurable, verifiable and well aligned to shareholder value creation.

- **EBIT** – Earnings before interest and tax (EBIT) is a well-recognised measure of the Group's performance and ability to generate cash to fund growth and distribute dividends. It is well defined and measurable.

    - The STI pool is only funded when a stretch EBIT target, set by the Board at the beginning of the year, is delivered
    - The FY20 target was $110.2m (before AASB16 (representing 13.2% growth over FY19))
    - EBIT is preferred to EBITDA given the strategic importance of investment in new product development and associated amortisation costs
    - *Normalised EBIT,* after removing significant abnormal costs and savings, will be used for declaring the FY20 dividend and to set budgets for FY21

- **Relative TSR** – Total Shareholder Return (TSR) is a measure of share price appreciation, and dividends paid, expressed as a % of the opening share price. The Group measures its relative TSR against an index of approximately 60 peers within the S&P/ASX200 Consumer Staples, Consumer Discretionary and Industrials indices and rewards executives for outperforming the peer group.

    - 50% vesting is achieved if the Group's TSR is in top half of the peer group, rising to 100% vesting if a 75th percentile performance is achieved.
    - The Group uses an average 3-year performance period. To incentivise sustained shareholder value delivery over multiple periods, rather than a single point, the LTI grant is split into three tranches and TSR performance is measured over a 2, 3 and 4-year period with an average performance period of 3 years.
    - No vesting occurs unless absolute TSR is positive in a performance period. TSR performance is calculated by an independent specialist at the end of each performance period
    - Relative TSR will be replaced by an absolute target for TSR in the FY21 LTI plan.

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Remuneration report (audited) continued

5. Linking Remuneration to Performance continued

Table 3 below shows the Group's sales, profit and share price performance over the last 5 years.

The measures shown are consistent with the measures used in determining the variable amounts of remuneration to be awarded to executives. There is a strong alignment between executive reward and shareholder return as seen in the below table.

Table 3: Five Year Group Performance ($m)

Year ended	*30 June 2016*	*30 June 2017*	*30 June 2018*	*30 June 2019*	*30 June 2020*
Group Revenue	576.6	605.7	646.8	760.0	**952.2**
Revenue Growth	*9.4%*	*5.0%*	*6.8%*	*17.5%*	***25.3%***
Group EBIT	73.7	79.0	86.9	97.3	**100.9**
EBIT Growth	*5.9%*	*7.2%*	*10.0%*	*12.0%*	***3.7%***
NPAT	50.2	53.8	58.5	67.4	**66.2**
Earnings per share (cents)	38.6	41.4	45.0	51.8	**50.5**
EPS Growth	*7.5%*	*7.2%*	*8.7%*	*15.2%*	***(2.5)%***
Total dividends per share (cents)	28.5	30.5	33.0	37.0	**41.0**
Share price at 30 June ($)	7.49	10.45	11.62	16.36	**22.76**
Share Price Change	*20.6%*	*39.5%*	*11.2%*	*40.8%*	***39.3%***
One Year TSR	*25.0%*	*43.5%*	*14.2%*	*43.8%*	***41.5%***

Average STI as % Maximum Opportunity	39.6%	39.7%	78.0%	76.0%	**0%**
Percentage of Executive LTI performance rights that vested related to schemes maturing in the year	0%	100%	100%	100%	**100%**

- The Group's annual FY21 STI plan has a stretch financial EBIT target based on growth on *normalised Group EBIT* for FY20 which will be retrospectively disclosed as a part of the FY21 remuneration report.
- Since FY16 the LTI performance rights awarded have used relative TSR as the performance measure. TSR performance and associated rights vesting in FY21 will be retrospectively disclosed as part of the FY21 remuneration report.

6. Executive Remuneration - detailed elements

There are four key components in Executive remuneration

i)	Fixed Cash Remuneration	ii)	Fixed Deferred Remuneration in Rights
iii)	Short Term Performance Incentive	iv)	Long Term Performance Incentive

i) Fixed Cash Remuneration

Executives receive their fixed cash remuneration in cash or other non-cash benefits. Fixed cash remuneration is reviewed annually by the PPR&NC, or on role change. The committee reviews company and individual performance, relevant comparative market compensation, considers internal relativities and, where appropriate, external advice on policies and practices. Breville increasingly competes in a global market for talent and employs both Australian and international managers, thus the Group increasingly benchmarks both domestically, and internationally, when reviewing suitability of remuneration.

Details of fixed cash remuneration by KMP is shown in the remuneration tables 6 and 7.

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Remuneration report (audited) continued

6. Executive Remuneration - detailed elements continued

ii) Fixed Deferred Remuneration in Share Rights

Fixed remuneration may also be delivered by way of a deferred grant of share rights. These rights will vest, and are exercisable, at the completion of a specific period of employment service. The rights automatically lapse if the executive resigns before the vesting date, or is terminated with cause, and vest, on a pro rata basis, if the executive is terminated without cause.

Details of fixed deferred remuneration grants for which compensation has been included in the remuneration tables 4, 6 and 7. All grants are shown in table 11. Under AASB 2 accounting, although the rights relate to future specific periods of employment some of the cost is recognised in the current period.

Table 4: Fixed Deferred Remuneration included in Remuneration tables 6 and 7

Fixed Deferred Remuneration – share rights year of issue	**Conditions**	**Issue Price / Fair value**	**Number outstanding 30 June 2020**	**Number outstanding 30 June 2019**
FY18	- Issued for nil consideration - Exercise price is $0. - Participant (Jim Clayton) must be employed by the company on 30 June 2020. - 0% vested at 30 June 2020 as vesting date is 31 August 2020.	**$10.12**	60,000	60,000
FY20*	- Issued for nil consideration - Exercise price is $0. - Participant (Jim Clayton) must be complete the service period between: • 16,467 rights: 26 August 2019 – 25 August 2020. • 29,940 rights: 26 August 2020 – 25 August 2021 • 29,940 rights: 26 August 2021 – 25 August 2022. • 29,940 rights: 26 August 2022 – 25 August 2023. • 29,940 rights: 26 August 2023 – 25 August 2024. - 0% vested at 30 June 2020. * material terms and conditions of the grant were agreed in January 2020. In line with AASB2, fair value was based on VWAP for H1 FY20.	**$16.70**	136,227	-

iii) Short term performance incentives (STI)

The Group operates an annual STI program available to executives and other employees and awards a cash incentive subject to the attainment of clearly defined business targets.

Who participates?	Executives and other employees
How is STI delivered?	Cash
What is the STI opportunity?	Executives and other employees are eligible for an annual maximum incentive of between 5% and 50% of fixed cash remuneration.
What are the performance conditions for each financial year?	The STI rewards executives and other employees for their contribution to achievement of Group financial outcomes. The total Group incentive payment is based on the achievement of a stretch target pre-bonus EBIT set by the Board. No bonus pool is awarded or bonus payable to any employee until this pre-bonus EBIT is exceeded. As pre-bonus EBIT exceeds the target, the pool is funded until the maximum is reached. Actual STI payments are awarded to each executive or employee depending on the extent to which the bonus pool is funded, their maximum % achievable and the delivery of divisional and individual targets.
How is performance assessed?	After measurement and audit of Group EBIT • the PPR&NC recommends the amount of STI to be paid to the Group Chief Executive Officer for Board approval; and • for the other executives and employees, PPR&NC will seek recommendations on total and individual pay outs from the Group Chief Executive Officer based on Group EBIT, divisional profits and, in some cases, personal targets.

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Directors' report continued

Remuneration report (audited) continued

6. Executive Remuneration - detailed elements continued

iv) Long term performance incentives (LTI)

The Group operates an LTI scheme with an annual grant of LTI share rights that vest in the future reliant on sustained shareholder value creation. The objective of the LTI plan is to reward and incentivise executives in a manner that aligns with sustainable long-term value creation.

Who participates?	The LTI plan is made available to executives who are able to influence the generation of shareholder value and have a direct impact on the company's performance against long-term performance hurdles. LTI grants to participants (excluding the CEO) are recommended by the CEO to the PPR&NC. This recommendation, together with a recommendation by the PPR&NC of an LTI grant to the CEO, is then put to the Board for approval.
How is LTI delivered?	Upon satisfaction of the performance hurdles, the performance rights will vest and convert into fully paid ordinary shares in the company.
What is the LTI opportunity?	Depending upon their position and seniority in the organisation, executives and other employees are eligible for an annual LTI award of between 10% - 125% of their fixed cash remuneration.
What are the performance hurdles for the FY20 LTI grant?	The Group uses TSR as the performance measure for the LTI plan, applying both an absolute and relative test. The absolute test requires that over the testing period, the TSR needs to be positive. If the TSR is negative over the testing period, then the performance rights lapse. If the TSR is positive, the Group then uses a relative TSR compared to a defined peer group of approximately 60 companies (in the S&P/ASX200 in the Consumer Staples, Consumer Discretionary and Industrials sectors) with percentile ranking to determine the percentage of rights that vest. The grant is split into three equal tranches with a 2, 3 and 4 year vesting period respectively with an average performance period of 3 years. The vesting schedule is as follows:

The Group (BRG) TSR performance ranking relative to peer group	**Proportion of performance rights that will vest**
Below 50th percentile	0%
Above 50th percentile	50%
Between 51st and 75th percentile	Pro rata between 50% and 100%, based on the relative TSR performance
75th percentile and above	100%

	Each of the three tranches will vest and are measured independently. If any tranche does not achieve its vesting conditions, that tranche lapses but this shall not preclude the other tranches from vesting if their respective performance conditions are met. As detailed above the proposed FY21 scheme has been redesigned to reflect expected turbulence in the upcoming performance period and will adopt an absolute, rather than a relative, TSR target.
How is performance assessed?	TSR performance is calculated by an independent external adviser at the end of each performance period. Table 12 provides details of the KMP performance rights granted under the FY20 plan. Please refer to Section 9: Appendix (table 13) for Peer Group of S&P/ASX200 in the Consumer Staples, Consumer Discretionary and Industrials sectors.

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Remuneration report (audited) continued

6. Executive Remuneration - detailed elements continued

iv) Long term incentives (LTI) continued

When does the FY20 LTI vest?	The performance rights will vest over a period of four years, with an average performance period of 3 years. Each tranche, which comprises one third of the total award, is required to meet its performance measures applying both an absolute test and a relative test as follows: Tranche 1: TSR from 30 June 2019 to 30 June 2021 Tranche 2: TSR from 30 June 2019 to 30 June 2022 Tranche 3: TSR from 30 June 2019 to 30 June 2023 If the performance hurdle is not met, any unvested performance rights will lapse unless otherwise determined by the Board.
How are grants treated on termination?	All outstanding unvested performance rights automatically lapse upon an executive ceasing to be employed by the Group unless otherwise determined by the Board.
Are there restrictions on disposal of performance shares following the vesting and exercise of FY20 performance rights?	The participant cannot sell, dispose, encumber or trade in performance shares without the prior written consent of the Board until the earlier of: a) 2 years after the date of issue, transfer or allocation; b) 12 months after the date of cessation of employment; or c) Such other date as the Board determines. Notwithstanding the foregoing, any trading in performance shares is at all times subject to the company's share trading policy.
Do participants receive dividends on unvested performance rights?	Participants do not receive distributions or dividends on unvested performance rights.
What happens if there is a change of control?	In the event of a takeover bid where the bidder and its associates become entitled to at least 50% of the voting shares of the company, any performance rights granted will vest where the Board, in its absolute discretion, is satisfied that performance is in line with any performance condition applicable to those performance rights. Any performance rights which do not vest will immediately lapse, unless otherwise determined by the Board.

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Remuneration report (audited) continued

6. Executive Remuneration - detailed elements continued

Table 5: LTI plans for which compensation is included in the remuneration tables 6 & 7.

LTI Plan for the year ended	Performance hurdles/conditions	Fair value per performance right at Grant date $	Number outstanding 30 June 2020 (Executive only)	Number outstanding 30 June 2019 (Executive only)
FY16 Performance based LTI rights **June 2016**	Issued for nil consideration. - Exercise price is $0. - Term of two to four years with vesting as follows, each representing 33% of the total number of performance rights: (a) Total shareholder return (TSR) from 30 June 2015 to 30 June 2017 applying both an Absolute Test and a Relative Test. (b) Total shareholder return (TSR) from 30 June 2015 to 30 June 2018 applying both an Absolute Test and a Relative Test. (c) Total shareholder return (TSR) from 30 June 2015 to 30 June 2019 applying both an Absolute Test and a Relative Test. 100% vested (91,840 shares) as at 30 June 2020 (16,860 lapsed[1])	**$1.90** **$2.07** **$2.15**	**-**	**27,760**
FY16 Time based rights ***June 2016***	(a) Issued for nil consideration to other KMPs - Exercise price is $0. - Participant must be employed by the company on 25 January 2020. - 100% vested (44,350 shares) as at 30 June 2020 (nil lapsed).	**$4.35**	**-**	**44,350**
FY17 Performance based LTI rights **June 2017**	Issued for nil consideration. - Exercise price is $0. - Term of two to four years with vesting as follows, each representing 33% of the total number of performance rights: (a) Total shareholder return (TSR) from 30 June 2016 to 30 June 2018 applying both an Absolute Test and a Relative Test. (b) Total shareholder return (TSR) from 30 June 2016 to 30 June 2019 applying both an Absolute Test and a Relative Test. (c) Total shareholder return (TSR) from 30 June 2016 to 30 June 2020 applying both an Absolute Test and a Relative Test. 66% vested (110,500 shares) as at 30 June 2020 (22,500 lapsed[1])	**$3.43** **$3.49** **$3.51**	**55,100**	**110,200**
FY18 Performance based LTI rights **June 2018**	Issued for nil consideration. - Exercise price is $0. - Term of two to four years with vesting as follows, each representing 33% of the total number of performance rights: (a) Total shareholder return (TSR) from 30 June 2017 to 30 June 2019 applying both an Absolute Test and a Relative Test. (b) Total shareholder return (TSR) from 30 June 2017 to 30 June 2020 applying both an Absolute Test and a Relative Test. (c) Total shareholder return (TSR) from 30 June 2017 to 30 June 2021 applying both an Absolute Test and a Relative Test. 33% vested (48,500 shares) as at 30 June 2020 (nil lapsed).	**$7.05** **$6.81** **$6.68**	**96,400**	**144,900**
FY19 Performance based LTI rights **June 2019**	Issued for nil consideration. - Exercise price is $0. - Term of two to four years with vesting as follows, each representing 33% of the total number of performance rights: (a) Total shareholder return (TSR) from 30 June 2018 to 30 June 2020 applying both an Absolute Test and a Relative Test. (b) Total shareholder return (TSR) from 30 June 2018 to 30 June 2021 applying both an Absolute Test and a Relative Test. (c) Total shareholder return (TSR) from 30 June 2018 to 30 June 2022 applying both an Absolute Test and a Relative Test. 0% vested as at 30 June 2020 (nil lapsed).	**$7.07** **$6.81** **$6.58**	**197,700**	**197,700**

[1] Performance-based LTI rights lapsed for June 2016 and June 2017 relate to resignation of M. Cohen on 17 November 2017.

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Remuneration report (audited) continued

6. Executive Remuneration - detailed elements continued

Table 5: LTI plans for which compensation is included in the remuneration tables 6 & 7 (continued)

LTI Plan for the year ended	Performance hurdles/conditions	Fair value per performance right at Grant date $	Number outstanding 30 June 2020 (Executive only)	Number outstanding 30 June 2019 (Executive only)
FY20 Performance based LTI rights **June 2020**	Issued for nil consideration. - Exercise price is $0. - Term of two to four years with vesting as follows, each representing 33% of the total number of performance rights: (d) Total shareholder return (TSR) from 30 June 2019 to 30 June 2021 applying both an Absolute Test and a Relative Test. (e) Total shareholder return (TSR) from 30 June 2019 to 30 June 2022 applying both an Absolute Test and a Relative Test. (f) Total shareholder return (TSR) from 30 June 2019 to 30 June 2023 applying both an Absolute Test and a Relative Test. 0% vested as at 30 June 2020 (nil lapsed).	 **$6.51** **$6.81** **$7.06**	**193,500**	-

7. Non-Executive Director Remuneration

In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct. The Board seeks to set non-executive director compensation at a suitable level to attract and retain directors of high calibre whilst being commensurate with growing international companies of a similar size and type.

The compensation of non-executive directors is reviewed annually. Each director receives a fee for being a director of the company. An additional fee is also paid to each director who also acts as chairperson of a Board committee recognising the additional time commitment required by the director to facilitate the running of the committee. In August 2019 the fee for chairing the People,Performance,Remuneration and Nominations Committee and the Audit and Risk committee were increased from $15,000 to $30,000pa to reflect the growing complexity and international nature of the Group.

Directors' fees were reduced by 40% during the months of May and June 2020 as part of the Group wide temporary salary reduction programme.

The Group's constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by general meeting. The aggregate compensation of $1,400,000 per year was approved by shareholders at the annual general meeting held in November 2016. The compensation of non-executive directors for the year ended 30 June 2020 is detailed in Table 6 on page 33 with the total fees paid of $1,015,730 representing 72.6% of the approved fee cap.

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Directors' report continued

Remuneration report (audited) continued

8. Statutory Remuneration Tables

Table 6: KMP Remuneration for the year ended 30 June 2020 (FY20)

The following tables 6 and 7 set out the statutory KMP remuneration disclosures, prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards. No termination benefits were paid in FY20.

	Short-term employee benefits					Post-employment benefits	Long-term employee benefits	Share-based payment	Total	Fixed remunera-tion	Performance related	
	Salary & fees $	Cash bonuses STI $	Other $	Fixed deferred remuneration in shares (b) $	Total short term employee benefits $	Super-annuation $	Long service leave $	LTI Performance rights $	$	%	STI %	LTI %
Non-executive directors												
S. Fisher – Chairperson	252,897	-	-	-	252,897	24,025	-	-	276,922	**100.0%**	**-**	**-**
T. Antonie	104,110	-	-	-	104,110	9,890	-	-	114,000	**100.0%**	**-**	**-**
P. Cowan	104,110	-	-	-	104,110	9,890	-	-	114,000	**100.0%**	**-**	**-**
S. Herman	104,110	-	-	-	104,110	9,890	-	-	114,000	**100.0%**	**-**	**-**
D. Howell	104,110	-	-	-	104,110	9,890	-	-	114,000	**100.0%**	**-**	**-**
L. Myers	129,136	-	-	-	129,136	12,268	-	-	141,404	**100.0%**	**-**	**-**
K. Wright	129,136	-	-	-	129,136	12,268	-	-	141,404	**100.0%**	**-**	**-**
Sub-total non-executive directors	927,609	-	-	-	927,609	88,121	-	-	1,015,730			
Other key management personnel												
J. Clayton	889,293	-	-	757,707	1,647,000	25,000	10,519	625,691	2,308,210	**72.9%**	**-**	**27.1%**
S. Brady	513,431	-	28,269	-	541,700	25,000	5,837	143,341	715,878	**80.0%**	**-**	**20.0%**
M. Nicholas	525,498	-	-	-	525,498	25,000	8,016	108,256	666,770	**83.8%**	**-**	**16.2%**
M. Payne (a)	596,137	-	43,515	-	639,652	-	-	133,983	773,635	**82.7%**	**-**	**17.3%**
C. Torng	488,263	-	-	-	488,263	24,141	10,906	166,442	689,752	**75.9%**	**-**	**24.1%**
Sub-total executive KMP	3,012,622	-	71,784	757,707	3,842,113	99,141	35,278	1,177,713	5,154,245			
Totals	**3,940,231**	**-**	**71,784**	**757,707**	**4,769,722**	**187,262**	**35,278**	**1,177,713**	**6,169,975**			

(a) M Payne salary is denominated in USD so reported numbers in AUD are subject to exchange rate fluctuations

(b) Fixed Deferred Remuneration in shares, under AASB2, includes $490k relating to the FY20 service period and $268k relating to future service periods. The FY20 charge represents an increase of $276k over the $214k charge recognised in FY19.

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Directors' report continued

Remuneration report (audited) continued

8. Statutory Remuneration Tables continued

Table 7: KMP Remuneration for the year ended 30 June 2019 (FY19)

	Short-term employee benefits					Post-employment benefits	Long-term employee benefits	Share-based payment	Total	Fixed remuneration	Performance related	
	Salary & fees $	Cash bonuses STI $	Other $	Fixed deferred remuneration in shares $	Total short-term employee benefits $	Super-annuation $	Long service leave $	LTI Performance rights $	$	%	STI %	LTI %
Non-executive directors												
S. Fisher – Chairperson	273,972	-	-	-	273,972	26,028	-	-	300,000	**100.0%**	**-**	**-**
T. Antonie	112,785	-	-	-	112,785	10,715	-	-	123,500	**100.0%**	**-**	**-**
P.Cowan (a)	93,987	-	-	-	93,987	8,929	-	-	102,916	**100.0%**	**-**	**-**
S. Herman	112,785	-	-	-	112,785	10,715	-	-	123,500	**100.0%**	**-**	**-**
D. Howell	112,785	-	-	-	112,785	10,715	-	-	123,500	**100.0%**	**-**	**-**
L. Myers	126,484	-	-	-	126,484	12,016	-	-	138,500	**100.0%**	**-**	**-**
K. Wright	126,484	-	-	-	126,484	12,016	-	-	138,500	**100.0%**	**-**	**-**
Sub-total non-executive directors	959,282	-	-	-	959,282	91,134	-	-	1,050,416			
Other key management personnel												
J. Clayton	915,385	357,991	-	214,036	1,487,412	25,000	17,676	511,532	2,041,620	**57.4%**	**17.5%**	**25.1%**
S. Brady	522,235	156,167	30,000	-	708,402	51,797	40,613	120,377	921,189	**70.0%**	**17.0%**	**13.1%**
M. Nicholas (b)	433,654	96,911	-	-	530,565	20,236	7,359	44,022	602,182	**76.6%**	**16.1%**	**7.3%**
M. Payne(c)	538,273	128,729	45,482	-	712,484		-	116,389	828,873	**70.5%**	**15.5%**	**14.0%**
C. Torng	479,951	128,069	-	-	608,020	20,531	7,842	190,473	826,866	**61.5%**	**15.5%**	**23.0%**
Sub-total executive KMP	2,889,498	867,867	75,482	214,036	4,046,883	117,564	73,490	982,793	5,220,730			
Totals	**3,848,780**	**867,867**	**75,482**	**214,036**	**5,006,165**	**208,698**	**73,490**	**982,793**	**6,271,146**			

(a) P. Cowan joined the Board on 1st September 2018.

(b) M. Nicholas joined on 10th September 2018.

(c) M. Payne salary is denominated in USD so reported numbers in AUD are subject to exchange rate fluctuations.

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Directors' report continued

Remuneration report (audited) continued

8. Statutory Remuneration Tables continued

Table 8: KMP STI cash bonuses awards in FY20 and FY19 and LTI Performance rights vesting in FY20

	STI Cash bonuses			Share-based LTI performance base compensation vesting in FY20		
Name	Financial Year	% Earned	% Forfeited	Financial Year Granted	% Vested	% Forfeited
J. Clayton	**2020**	**0.0%**	**100.0%**	**2018**	**100%**	**0%**
	2019	**76.0%**	**24.0%**	**2017**	**100%**	**0%**
				2016	**100%**	**0%**
S. Brady	**2020**	**0.0%**	**100.0%**	**2018**	**100%**	**0%**
	2019	**76.5%**	**23.5%**	**2017**	**100%**	**0%**
				2016	**100%**	**0%**
M. Nicholas	**2020**	**0.0%**	**100.0%**			
	2019	**60.8%**	**39.2%**			
M. Payne	**2020**	**0.0%**	**100.0%**	**2018**	**100%**	**0%**
	2019	**64.6%**	**35.4%**	**2017**	**100%**	**0%**
				2016	**100%**	**0%**
C. Torng	**2020**	**0.0%**	**100.0%**	**2018**	**100%**	**0%**
	2019	**73.2%**	**26.8%**	**2017**	**100%**	**0%**
				2016	**100%**	**0%**

Table 9: KMP shareholdings

Ordinary shares held* in Breville Group Limited (number)

30 June 2020	Balance at 1 July 2019	On exercise of performance rights	Net change other (a)	Balance at 30 June 2020
Directors				
S. Fisher	**118,000**	**-**	**9,764**	**127,764**
P. Cowan	**5,000**	**-**	**5,968**	**10,968**
T. Antonie	**36,349**	**-**	**7,442**	**43,791**
S. Herman	**36,000**	**-**	**6,484**	**42,484**
D. Howell	**127,500**	**-**	**11,764**	**139,264**
L. Myers	**250,000**	**-**	**(150,000)**	**100,000**
K. Wright	**20,000**	**-**	**1,764**	**21,764**
Other key management personnel				
J. Clayton	**260,700**	**72,800**	**1,764**	**335,264**
S. Brady	**398,067**	**22,065**	**(93,781)**	**326,351**
M. Nicholas	**20,578**	**-**	**12,257**	**32,835**
M. Payne	**30,485**	**19,530**	**-**	**50,015**
C. Torng	**59,485**	**61,315**	**-**	**120,800**
Total (b)	**1,362,164**	**175,710**	**(186,574)**	**1,351,300**

**Held directly, indirectly or beneficially.*

(a) All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.
(b) 1% of total share capital is owned by KMPs (1% in FY19)

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Directors' report continued

Remuneration report (audited) continued

8. Statutory Remuneration Tables continued

Table 9: KMP shareholdings (continued)

Ordinary shares held* in Breville Group Limited (number)

30 June 2019	Balance at 1 July 2018	On exercise of performance rights	Net change other (a)	Balance at 30 June 2019
Directors				
S. Fisher	**100,288**	**-**	**17,712**	**118,000**
P Cowan(c)	**-**	**-**	**5,000**	**5,000**
T. Antonie	**28,286**	**-**	**8,063**	**36,349**
S. Herman	**30,000**	**-**	**6,000**	**36,000**
D. Howell	**120,000**	**-**	**7,500**	**127,500**
L. Myers	**200,000**	**-**	**50,000**	**250,000**
K. Wright	**15,000**	**-**	**5,000**	**20,000**
Other key management personnel				
J. Clayton	**170,100**	**71,400**	**19,200**	**260,700**
S. Brady	**359,502**	**16,565**	**22,000**	**398,067**
M. Nicholas(d)	**-**	**-**	**20,578**	**20,578**
M. Payne	**16,655**	**13,830**	**-**	**30,485**
C. Torng	**3,670**	**55,815**	**-**	**59,485**
Total	**1,043,501**	**157,610**	**161,053**	**1,362,164**

(c) P. Cowan joined the Board on 1st September 2018.
(d) M. Nicholas joined on 10th September 2018.

Table 10: KMP Performance rights granted

The terms and conditions of each grant of performance rights affecting remuneration of key management personnel in this financial year or future reporting years are as follows:

	Grant Date	First exercise date	Last exercise date	Expiry Date	Exercise price	Fair value per performance right at grant date ($) (Note 18)	Vested and exercised in FY20	Number of Rights
FY16 Performance based	12 Feb 16 (a)*	29 Aug 19	3 Oct 19	3 Oct 19	0.00	2.15	**Y**	27,760
FY16 time based	12 Feb 16 (b)	25 Jan 20	31 Mar 20	31 Mar 20	0.00	4.35	**Y**	44,350
FY17 Performance based	9 Aug 16 (c)*	29 Aug 19	3 Oct 19	3 Oct 19	0.00	3.49	**Y**	55,100
FY17 Performance based	9 Aug 16 (c)*	31 Aug 20	2 Oct 20	2 Oct 20	0.00	3.51		55,100
FY18 Performance based	13 Nov 17 (d)*	29 Aug 19	1 Oct 19	1 Oct 19	0.00	7.05	**Y**	48,500
FY18 Performance based	13 Nov 17 (d)*	28 Aug 20	1 Oct 20	1 Oct 20	0.00	6.81		48,200
FY18 Performance based	13 Nov 17 (d)*	27 Aug 21	1 Oct 21	1 Oct 21	0.00	6.68		48,200
FY19 Performance based	11 Sep 18 (e)*	28 Aug 20	1 Oct 20	1 Oct 20	0.00	7.07		66,100
FY19 Performance based	11 Sep 18 (e)*	27 Aug 21	1 Oct 21	1 Oct 21	0.00	6.81		65,900
FY19 Performance based	11 Sep 18 (e)*	29 Aug 22	3 Oct 22	3 Oct 22	0.00	6.58		65,700
FY20 Performance based	11 Oct 19 (f)*	28 Aug 20	1 Oct 21	1 Oct 21	0.00	6.51		64,600
FY20 Performance based	11 Oct 19 (f)*	27 Aug 21	3 Oct 22	3 Oct 22	0.00	6.81		64,450
FY20 Performance based	11 Oct 19 (f)*	29 Aug 22	2 Oct 23	2 Oct 23	0.00	7.06		64,450

*In addition to the TSR performance hurdle, the participant must be employed by the company on the vesting date.

(a) There were three equal tranches to be tested at 30 June 2017, 30 June 2018 and 30 June 2019 all with a total shareholder return hurdle (TSR) applying an absolute test and a relative test.

(b) For this grant the affected executive needed to be employed on 25 January 2020.

(c) There are three equal tranches to be tested at 30 June 2018, 30 June 2019 and 30 June 2020 all with a total shareholder return hurdle (TSR) applying an absolute test and a relative test. One tranche remains to be tested at 30 June 2020.

(d) There are three equal tranches to be tested at 30 June 2019, 30 June 2020 and 30 June 2021 all with a total shareholder return hurdle (TSR) applying an absolute test and a relative test. Two tranches remain to be tested at 30 June 2020 and 30 June 2021 respectively.

(e) There are three equal tranches to be tested at 30 June 2020, 30 June 2021 and 30 June 2022 all with a total shareholder return hurdle (TSR) applying an absolute test and a relative test.

(f) There are three equal tranches to be tested at 30 June 2021, 30 June 2022 and 30 June 2023 all with a total shareholder return hurdle (TSR) applying an absolute test and a relative test.

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Directors' report continued

Remuneration report (audited) continued

8. Statutory Remuneration Tables continued

Table 11: Fixed Deferred Remuneration share rights holding of KMPs

The terms and conditions of each grant of share rights issues as fixed deferred remuneration affecting remuneration of key management personnel in this financial year or future reporting years are as follows:

Grant Date	First exercise date	Last exercise date	Expiry Date	Exercise price	Fair value at grant date ($) (Note 18)	Number of rights	Vested and exercised 30 June 2020	Vested and exercised 30 June 2019
13 Nov 17 (g)	31-Aug-20	1-Oct-20	1-Oct-20	0.00	10.12	60,000	-	-
29 Jan 20 (h)*	25-Aug-20	1-Oct-20	1-Oct-20	0.00	16.70	16,467	-	-
29 Jan 20 (i)*	25-Aug-21	1-Oct-21	1-Oct-21	0.00	16.70	29,940	-	-
29 Jan 20 (j)*	25-Aug-22	3-Oct-22	3-Oct-22	0.00	16.70	29,940	-	-
29 Jan 20 (k)*	25-Aug-23	2-Oct-23	2-Oct-23	0.00	16.70	29,940	-	-
29 Jan 20 (l)*	25-Aug-24	1-Oct-24	1-Oct-24	0.00	16.70	29,940	-	-

* material terms and conditions of the grant were agreed in January 2020. In line with AASB2, fair value was based on VWAP for H1 FY20.

(a) Participant, in this case the CEO must be employed by the company on 30 June 2020 for the rights to vest.
Not vested yet as first exercise date is 31 Aug 20.
(b) Participant, in this case the CEO, must complete the service period between 26 August 2019 – 25 August 2020 for the rights to vest.
(c) Participant, in this case the CEO, must complete the service period between 26 August 2020 – 25 August 2021 for the rights to vest.
(d) Participant, in this case the CEO, must complete the service period between 26 August 2021 – 25 August 2022 for the rights to vest.
(e) Participant, in this case the CEO, must complete the service period between 26 August 2022 – 25 August 2023 for the rights to vest.
(f) Participant, in this case the CEO, must complete the service period between 26 August 2023 – 25 August 2024 for the rights to vest.

Table 12: Performance rights holdings of KMP

30 June 2020	Balance 30 June 2019	Granted as remuneration (a)	Vested and exercised	Other (b)	Balance 30 June 2020
Other key management personnel					
J. Clayton	**269,700**	**104,800**	**(72,800)**	**-**	**301,700**
S. Brady	**66,565**	**23,400**	**(22,065)**	**-**	**67,900**
M. Nicholas	**24,800**	**22,400**	**-**	**-**	**47,200**
M. Payne	**62,330**	**21,300**	**(19,530)**	**-**	**64,100**
C. Torng	**101,515**	**21,600**	**(61,315)**	**-**	**61,800**
	524,910	**193,500**	**(175,710)**	**-**	**542,700**

(a) Performance awards granted during the year are subject to TSR performance hurdles and/or remaining in employment until date of vesting.
(b) Includes forfeitures and lapses.

30 June 2019	Balance 30 June 2018 (d)	Granted as remuneration (a)	Vested and exercised	Other (b)	Balance 30 June 2019
Other key management personnel					
J. Clayton	**238,700**	**102,400**	**(71,400)**	**-**	**269,700**
S. Brady	**57,230**	**25,900**	**(16,565)**	**-**	**66,565**
M. Nicholas (c)	**-**	**24,800**	**-**	**-**	**24,800**
M. Payne	**53,160**	**23,000**	**(13,830)**	**-**	**62,330**
C. Torng	**135,730**	**21,600**	**(55,815)**	**-**	**101,515**
	484,820	**197,700**	**(157,610)**	**-**	**524,910**

(a) Performance awards granted during the year are subject to TSR performance hurdles and/or remaining in employment until date of vesting.
(b) Includes forfeitures and lapses.
(c) M. Nicholas joined on 10 September 2018.
(d) 60,000 Fixed Deferred Remuneration shown in closing balance in FY18, now shown separately so not included in FY19 opening balance. Refer to Table 11

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Directors' report continued

Remuneration report (audited) continued

9. Peer Group Appendix

Table 13: ASX200 Consumer Staples, Consumer Discretionary and Industrials Peer Group used for Relative TSR Measurement

Code	Company	Sector
A2M	The a2 Milk Company	Consumer Staples
ALG	Ardentleisuregrpltd	Consumer Discretionary
ALL	Aristocrat Leisure	Consumer Discretionary
ALQ	Als Limited	Industrials
ALX	Atlas Arteria	Industrials
ARB	ARB Corporation	Consumer Discretionary
ASB	Austal Limited	Industrials
AZJ	Aurizon Holdings Limited	Industrials
BAL	Bellamy's Australia	Consumer Staples
BAP	Bapcor Limited	Consumer Discretionary
BGA	Bega Cheese Limited	Consumer Staples
BIN	Bingo Industries Limited	Industrials
BKL	Blackmores Limited	Consumer Staples
BRG	Breville Group Limited	Consumer Discretionary
BXB	Brambles Limited	Industrials
CCL	Coca-Cola Amatil	Consumer Staples
CGC	Costa Group Holdings	Consumer Staples
CIM	Cimic Group Limited	Industrials
COL	Coles Group	Consumer Staples
CTD	Corp Travel Limited	Consumer Discretionary
CWN	Crown Resorts Limited	Consumer Discretionary
CWY	Cleanaway Waste Limited	Industrials
DMP	Domino PIZZA Enterpr	Consumer Discretionary
DOW	Downer Edi Limited	Industrials
EHL	Emeco Holdings	Industrials
ELD	Elders Limited	Consumer Staples
FLT	Flight Centre Travel	Consumer Discretionary
GEM	G8 Education Limited	Consumer Discretionary
GNC	Graincorp Limited Class A	Consumer Staples
GUD	G.U.D. Holdings	Consumer Discretionary
GWA	GWA Group Limited	Industrials
HVN	Harvey Norman	Consumer Discretionary
IEL	Idp Education Limited	Consumer Discretionary
ING	Inghams Group	Consumer Staples
IPH	IPH Limited	Industrials
IVC	Invocare Limited	Consumer Discretionary
JBH	JB Hi-Fi Limited	Consumer Discretionary
MMS	Mcmillan Shakespeare	Industrials
MND	Monadelphous Group	Industrials
MTS	Metcash Limited	Consumer Staples
NEA	Nearmap Limited	Industrials
NEC	Nine Entertainment	Consumer Discretionary
NWH	NRW Holdings Limited	Industrials
NWS	News Corp	Consumer Discretionary
OML	Ooh!Media Limited	Consumer Discretionary
PMV	Premier Investments	Consumer Discretionary
QAN	Qantas Airways	Industrials
QUB	QUBE Holdings Limited	Industrials
RWC	Reliance Worldwide	Industrials
SEK	Seek Limited	Industrials
SGR	The Star Ent Group	Consumer Discretionary
SIQ	Smartgrp Corporation	Industrials
SKC	Skycity Ent Group Limited	Consumer Discretionary
SSM	Service Stream	Industrials
SUL	Super Ret Rep Limited	Consumer Discretionary
SVW	Seven Group Holdings	Industrials
SXL	STHN Cross Media	Consumer Discretionary
SYD	SYD Airport	Industrials
TAH	Tabcorp Holdings Limited	Consumer Discretionary
TCL	Transurban Group	Industrials
TGR	Tassal Group Limited	Consumer Staples
TWE	Treasury Wine Estate	Consumer Staples
WEB	Webjet Limited	Consumer Discretionary
WES	Wesfarmers Limited	Consumer Discretionary
WOW	Woolworths Group Limited	Consumer Staples

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Directors' report continued

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of Board meetings attended by each director or by each committee member, in the case of the audit and risk committee (A&RC) and the people, performance, remuneration and nominations committee (PPR&NC), was as follows:

	Full Board	Audit & risk (A&RC)	People, performance, remuneration & nominations (PPR&NC)
Number of meetings	**19**	**4**	**3**
S. Fisher	19(b)	(a)	(a)
T. Antonie	18	(a)	(a)
P. Cowan	19	(a)	(a)
S. Herman	19	(a)	(a)
D. Howell	19	4	3
L. Myers	19	4(b)	3
K. Wright	19	4	3(b)

During FY20, an additional 7 Board Meetings were held during April to June 2020 to manage the COVID-19 crisis and subsequently to review and approve the Capital Raise and Bank Debt Refinance.

Notes

(a) Not a member of the relevant committee.
(b) Designates the current chairperson of the Board or committee.

Committee membership

As at the date of this report, the company had an audit and risk committee and a people, performance, remuneration and nominations committee. The details of the functions and memberships of the committees are presented in the corporate governance statement.

The current members, as at the date of this report, of the A&RC are L. Myers (chairperson), D. Howell and K. Wright.
The current members, as at the date of this report, of the PPR&NC are K. Wright (chairperson), D. Howell and L. Myers.
All Chairs and members of the above committees are independent.

All Board Members may attend A&RC and PPR&NC meetings by invitation.

Indemnification of directors and officers

The directors and officers of the company are indemnified by the company against losses or liabilities which they may sustain or incur as an officer of the company in the proper performance of their duties. During the financial year, the company paid premiums in respect of contracts to insure the directors and officers of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premiums.

Likely future developments and expected results

Disclosure of information as to likely future developments in the operations of the consolidated entity and expected results of those operations would be prejudicial to the interests of the consolidated entity. Accordingly, such information has not been included in this report.

Environmental regulations and performance

The consolidated entity is not involved in any activities that have a marked influence on the environment within its area of operation.

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Directors' report continued

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Breville Group Limited support the principles of good corporate governance. The company's corporate governance statement is on page 41.

Performance rights

Unissued shares

As at the date of this report there were 1,380,127 potential unissued shares under the performance rights and fixed deferred remuneration schemes (2019: 1,106,255). Refer to note 18 of the financial report for further details of the performance rights outstanding and fixed deferred remuneration rights. Neither performance right holders, nor fixed deferred remuneration rights holders, have any right, by virtue of the performance right, to participate in any share issue of the company.

Lapse of unvested performance rights

During the year 7,600 unvested performance rights lapsed following the cessation of employment of employees or executives and no unvested performance rights lapsed as a result of performance hurdles not being met. (2019: 15,165 unvested performance rights lapsed following the cessation of employment of employees or executives and no unvested performance rights lapsed as a result of performance hurdles not being met).

Auditor's declaration of independence

Attached on page 102 is a copy of the auditor's declaration provided under section 307C of the *Corporations Act 2001* in relation to the audit for the year ended 30 June 2020. This auditor's declaration forms part of this directors' report.

Non-audit services

During the financial year ended 30 June 2020 the company's auditor, PricewaterhouseCoopers, provided non-audit services to Breville Group entities. Details of the amounts paid to the auditor PricewaterhouseCoopers, for the provision of non-audit services during the year ended 30 June 2020 are set out in Note 20. These services primarily relate to tax compliance and advisory services.

The increase in the Group's audit fee between FY19 to FY20 is largely reflective of additional procedures and audit effort required over the expanded European geographies. For FY20, the ratio between audit and non-audit fees is 1.4 to 1.0. A portion of the non-audit fees associated with taxation and accounting advisory services in FY20 are non-recurring in nature, relating to ATO Top 1000 review, ChefSteps acquisition, impact of US tariffs and tax compliance in Europe. Refer to Note 20 on page 88.

In accordance with the recommendation from the audit and risk committee of the company, the directors are satisfied that the provision of the non-audit services during the year is compatible with the general standard of independence imposed by the Corporations Act. Also, in accordance with the recommendation from the audit and risk committee, the directors are satisfied that the nature and scope of each type of non-audit service provided means that auditor independence was not compromised. The auditors have also provided the audit and risk committee with a report confirming that, in their professional judgement, they have maintained their independence in accordance with the firm's requirements, the provisions of APES 110 Code of Ethics for Professional Accountants and the applicable provisions of the Corporations Act.

Significant events after year end

No matters or circumstances have arisen since the end of the year which significantly affected or may affect the operations of the consolidated entity.

Signed in accordance with a resolution of directors.



Steven Fisher
Non-executive Chairperson

Sydney
13 August 2020

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Corporate governance statement

The Board of directors is responsible for the corporate governance practices of the company and is committed to adhering to the Australian Securities Exchange ('ASX') Corporate Governance Council ('council') 'Corporate Governance Principles and Recommendations (3rd Edition)'.

The ASX principles that have been adopted are outlined below.

The company's corporate governance practices throughout the year ended 30 June 2020 were compliant with the council's principles and recommendations, except for those differences disclosed and explained in this statement.

The following documents are available in the corporate governance section of the company's website **brevillegroup.com**

- Audit and risk committee charter
- Board charter
- Anti-bribery and corruption
- Diversity policy
- Share trading policy
- Code of conduct
- People, performance, remuneration and nominations committee charter
- Continuous disclosure policy
- Selection and appointment of directors
- Criteria for assessing independence of directors
- Shareholder communications policy
- Workplace gender equality agency report
- Ethical sourcing policy

Board skills matrix

The skills, diversity and term in office of the current directors as at the date of this annual report are as follows:

Director	Appointed	Term in Office	Qualifications	Non-executive	Independent	Last elected
Steven Fisher (Chairperson)	2004	16 years	B.ACC, CA (SA)	Yes	No	2018
Timothy Antonie	2013	6 years	BEcon	Yes	No	2017
Peter Cowan	2018	2 years	Other	Yes	Yes	2018
Sally Herman	2013	7 years	BA, GAICD	Yes	No	2019
Dean Howell	2008	12 years	FCA, CTA	Yes	Yes	2017
Lawrence Myers	2013	6 years	B.Acct, CA, CTA	Yes	Yes	2018
Kate Wright	2016	4 years	BA	Yes	Yes	2019

The Board has a wide range of skills which are necessary for the effective management of the business including in the following areas:

- Corporate strategy and executive leadership
- Multinational businesses
- Marketing
- Consumer goods
- Risk management
- Banking
- Compliance and governance
- Accounting, tax, reporting, and financial analysis
- Mergers, acquisitions and capital raisings
- Human resources and executive remuneration
- Investor relations

Principle 1: Lay solid foundations for management and oversight

Role of the Board and management

The Board guides and monitors the business and affairs of the company on behalf of the shareholders, by whom it is elected and to whom it is accountable. The Board has adopted formal guidelines for Board operation and membership. These guidelines outline the roles and responsibilities of the Board and its members and establish the relationship between the Board and management.

The Board is responsible for approving the strategic direction of the company, establishing goals for management, monitoring the achievement of those goals and establishing a sound system of risk oversight and management.

The Board will regularly review its performance and the performance of its committees. The respective roles and responsibilities of the Board and management are outlined further in the Board charter.

Appointment of Board members

A detailed process is undertaken for the appointment of new Board members, including appropriate checks as to background, history and any potential conflicts of interest.

As at the date of this annual report, all directors have a written agreement outlining their roles and responsibilities. New directors receive a comprehensive briefing package prior to their appointment.

Company secretaries

The company secretaries are directly accountable to the Board on all matters relating to the proper functioning of the Board.

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Corporate governance statement continued

Principle 1: Lay solid foundations for management and oversight continued

Diversity policy

The company is an equal opportunity employer and values differences such as gender, age, culture, disability, ethnicity and lifestyle choices. The company's diversity policy aims to ensure a corporate culture that supports workplace diversity whilst providing access to equal opportunities at work based on merit. This policy is available on the company's website at the corporate, corporate governance section and is subject to periodic review by, and may be changed by resolution of, the Board. The policy has no contractual effect.

Diversity policy objectives

The objectives set by the Board in accordance with the diversity policy and progress towards achieving them are:

- Representation of women trained in recruitment and selection panels: Ongoing progress was made during the year with further women being trained;
- Issuing the company equal opportunity statement to recruiting agencies: This continued during the year;
- Explicit requirement of recruiting agencies to provide a gender balance of suitable, qualified, shortlisted candidates for interview: This initiative continued to progress during the year;
- Promoting a safe workplace free from harassment or discrimination of any kind: Training and education programs which included topics on harassment, bullying, victimisation and discrimination were conducted during the year;
- Enhancing the gender balance in career development in senior and managerial roles; and
- Continue flexible working arrangements where operationally appropriate.

The proportion of women employees in the company at 30 June 2020 is shown in the below table:

	30 June 2020	30 June 2019
Women on the Board [1]	29%	29%
Women in senior and executive roles [2]	30%	25%
Women in managerial roles [3]	32%	30%
Women in company	45%	45%

[1] The number of women on the Board remained at 2.
[2] Senior and executive roles is comprised of all executive staff reporting to the CEO and their direct reports.
[3] Managerial roles include all executive, senior and management roles.

To assist the Board in fulfilling its responsibilities in relation to diversity, the implementation of these objectives is overseen by the people, performance, remuneration and nominations committee. The committee shall:

- report to the Board at least annually, on the company's progress in achieving the objectives set for achieving gender diversity;
- regularly oversee a review of the relative proportion of women across the company and their relative positions; and
- consider other initiatives to promote diversity in the workplace.

Workplace equality

In accordance with the requirements of the Workplace Gender Equality Act 2012 (Act), Breville Pty Limited lodged its annual compliance report with the Workplace Gender Equality Agency. This report is available on the company's website at the corporate, corporate governance section.

Evaluating the performance of the Board

The Chairperson is responsible for evaluating the Board's performance by way of an annual internal assessment. Each director provides written feedback in relation to the performance of the Board and directors against a set of agreed criteria. This feedback is reported by the Chairperson to the Board following the assessment. This performance assessment was completed by the Chairperson during the year.

Evaluating the performance of key executives

The performance of key executives is reviewed against specific and measurable qualitative and quantitative performance criteria and includes:

- financial measures of the company's performance;
- development and achievement of strategic objectives;
- development of management and staff;
- compliance with legislative and company policy requirements; and
- achievement of key performance indicators.

Performance evaluation

All key executives were subject to an annual performance review with their direct manager during the reporting period.

Principle 2: Structure the Board to add value

Board composition

The company's constitution states that there must be a minimum of three directors and contains detailed provisions concerning the tenure of directors. The Board currently comprises seven non-executive directors. The directors' report, on pages 5 and 6, outlines the relevant skills, experience and expertise held by each director in office at the date of this report.

In accordance with good corporate governance, where the Chairperson of the Board is not an independent director, the Board considers it to be useful and appropriate to designate an independent director to serve in a lead capacity to co-ordinate the activities of the other independent directors, including acting as principal liaison between the independent directors and the Chairperson and representing the Board as the lead independent director when the Chairperson is unable to do so because of his non-independent status.

As Mr Fisher is currently not classified as an independent director, the Board has appointed Mr Myers as its lead independent director.

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Corporate governance statement continued

Principle 2: Structure the board to add value continued

Director independence

In considering whether a director is independent, the Board refers to the company's "Criteria for assessing independence of directors" at the corporate governance section of the company's website, which is consistent with the council's recommendations. Independent directors of the company are those that are not involved in the day-to-day management of the company and are free from any real or reasonably perceived business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement.

In accordance with the definition of independence above, and the materiality thresholds outlined in the company's policy 'Criteria for assessing independence of directors', it is the Board's view that Mr Peter Cowan, Mr Dean Howell, Mr Lawrence Myers and Ms Kate Wright are independent directors. Mr Dean Howell's independance was explicitly reviewed in light of his tenure with the Group and was reconfirmed.

The following directors are not classified independent directors:

- Mr Steven Fisher (non-executive Chairperson) ceased his employment by an entity associated with a substantial shareholder of the company during FY19.
- Mr Timothy Antonie (non-executive director) is a non-executive director of Premier Investments Ltd, a substantial shareholder of the company; and
- Ms Sally Herman (non-executive director) is a non-executive director of Premier Investments Ltd, a substantial shareholder of the company.

Regardless of whether directors are defined as independent, all directors are expected to bring independent views and judgement to Board deliberations.

The majority of the Board members are independent directors.

Material personal interest requirement

The Corporations Act provides that unless agreed by the Board, where any director has a material personal interest in a matter, the director will not be permitted to be present during discussions, or to vote on the matter.

Access to independent advice

There are procedures in place to enable directors, in connection with their duties and responsibilities as directors, to seek independent professional advice at the expense of the company. Prior written approval of the Chairperson is required, which will not be unreasonably withheld.

Board committees

The Board has established the audit and risk committee and people, performance, remuneration and nominations committee to assist in the execution of its duties and to allow detailed consideration of complex issues. The composition of these committees is shown on page 39 and comprises only independent directors.

Principle 3: Promote ethical and responsible decision making

Code of conduct

The Board has formally adopted a code of conduct ("code") for all employees (including directors). The code aims at maintaining the highest ethical standards, corporate behaviour and accountability across the Group. These obligations are also consistent with the duties imposed on directors by the Corporations Act. In addition, directors are obliged to be independent in judgement and to ensure that all reasonable steps are taken to be satisfied as to the soundness of Board decisions.

Principle 4: Safeguard integrity in financial reporting

Audit and risk committee

The Board has an audit and risk committee (A&RC), which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the consolidated entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The Board has delegated the responsibility for monitoring and maintaining the framework of internal control and ethical standards of the company to the A&RC.

Among its responsibilities, the A&RC:

- ensures that company accounting policies and practices are in accordance with current and emerging accounting standards;
- reviews all accounts of the Group to be publicly released;
- recommends to the Board the appointment and remuneration of the external auditors;
- reviews the scope of external audits;
- assesses the performance and independence of the external auditors, including procedures governing partner rotation;
- reviews corporate governance practices;
- monitors and assesses the systems for internal compliance and control, legal compliance and risk management including operational and strategic risks; and
- reviews and carries out an annual assessment of the company's risk management framework.

Composition of committee

The members of the A&RC as at the date of this report are:

- Mr Lawrence Myers (chairperson)
- Mr Dean Howell
- Ms Kate Wright

The directors' report, on page 39, outlines the number of A&RC meetings held during the year and the member's attendance at those meetings. It also outlines the qualifications of A&RC members on pages 5 and 6.

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Corporate governance statement continued

Principle 4: Safeguard integrity in financial reporting continued

Audit and risk committee continued

Board members, group chief executive officer, company secretaries, group chief financial officer; the external auditors and any other persons considered appropriate may attend meetings of the A&RC by invitation. The committee also meets from time to time with the external auditors independent of management.

In accordance with the council's recommendation 4.2, the A&RC is structured so that it:

- comprises only non-executive directors;
- is chaired by an independent chair, who is not chair of the Board; and
- has at least three members, in Breville's case, all of whom are independent directors

In accordance with the council's recommendation 4.2 the group chief executive officer and group chief financial officer provided the Board with a written declaration confirming that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system operated effectively in all material respects.

Principle 5: Make timely and balanced disclosure

The company's continuous disclosure policy complies with the council's recommendation 5.1. This policy is available on the company's website at the corporate, corporate governance section.

Principle 6: Respect the rights of shareholders

Communication policy

The company is committed to providing all shareholders with comprehensive, timely and equal access to information about its activities to enable them to make informed investment decisions. The company's shareholder communication policy is available on the company's website at the corporate, corporate governance section.

Electronic communication

The company's website displays recent ASX announcements and contains information about the company.

Shareholders can elect to receive communications from the company's share registry electronically which also gives shareholders the opportunity to manage their account details and holdings electronically. Shareholders are also able to send communications to the company and receive responses to these communications electronically.

Briefings

The company keeps a record of briefings held with investors and analysts, including a record of those present and the time and place of the meeting.

Principle 7: Recognise and manage risk

The company is committed to the identification, monitoring and management of risks associated with its business activities including financial, operational, compliance, ethical conduct, brand and product quality risks. The company has embedded in its management and reporting systems a number of risk management controls.

These include:

- guidelines and limits for approval of capital expenditure;
- policies and procedures for the management of financial risk and treasury operations including exposures to foreign currencies and movements in interest rates;
- annual budgeting and monthly reporting systems for all businesses which enable the monitoring of progress against performance targets and the evaluation of trends;
- policies and procedures which enable management of the company's material business risks;
- formal strategic planning sessions; and
- presentation of periodic reports to the Board and the A&RC identifying items that represent a potential risk and the manner in which these are being managed and responded to.

The company does not have an internal audit function and management is ultimately responsible to the Board for the system of internal control and risk management and has reported to the Board as to the effectiveness of the company's management of its material business risks. The A&RC assists the Board in monitoring this function.

During the year ended 30 June 2020, the company did not have a separately established risk committee. All duties and responsibilities typically delegated to such a committee are the responsibility of the full Board, with assistance from the A&RC.

The Group's exposure to economic, environmental and social sustainability risks, together with how these risks are managed, are detailed in the Operating and Financial Review section of the Directors' report.

People, performance, remuneration and nominations committee

During the year, the people & performance committee (P&PC) expanded its remit and updated its charter to explicitly include the remuneration and nomination of both key executive, and non-executive Board roles.

The people, performance, remuneration and nominations committee (PPR&NC), comprises the following directors as at the date of this report:

- Ms Kate Wright (chairperson)
- Mr Dean Howell
- Mr Lawrence Myers

In accordance with the council's recommendation 8.1, the PPR&NC comprises:

- an independent chairperson; and
- at least three members, in Breville's case all of whom are independent

The PPR&NC is considered to be independent as at the date of this report.

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Corporate governance statement continued

Principle 8: Remunerate fairly and responsibly

People, performance, remuneration and nominations committee continued

For details on the number of meetings of the PPR&NC held during the year and the members attendance at those meetings, refer to the directors' report on page 39.

Remuneration disclosure

For details of the company's remuneration philosophy and framework, and the remuneration received by directors and executives in the current period, please refer to the remuneration report contained in the directors' report on pages 19 to 38.

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Consolidated income statement

for the year ended 30 June 2020

	Note	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Revenue	3(a)	**952,244**	759,967
Cost of sales	3(b)	**(631,684)**	(488,767)
Gross profit		**320,560**	271,200
Other income		**294**	287
Employee benefits expenses	3(e)	**(89,213)**	(82,402)
Premises, lease & utilities expenses	3(d)	**(12,646)**	(15,686)
Advertising and marketing expenses		**(35,053)**	(32,221)
Other expenses	3(d)	**(57,421)**	(27,217)
Earnings before interest, tax, depreciation & amortisation (EBITDA)		**126,521**	113,961
Depreciation & amortisation expense	3(c)	**(25,582)**	(16,616)
Earnings before interest & tax (EBIT)		**100,939**	97,345
Finance costs	3(f)	**(8,368)**	(3,483)
Finance income	3(f)	**192**	449
Profit before income tax		**92,763**	94,311
Income tax expense	4	**(26,562)**	(26,926)
Net profit after income tax for the year attributable to members of Breville Group Limited		**66,201**	67,385
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of Breville Group Limited:			
- basic earnings per share	12	**50.5**	51.8
- diluted earnings per share	12	**50.5**	51.8

The accompanying notes form an integral part of this consolidated income statement.

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Consolidated statement of comprehensive income

for the year ended 30 June 2020

	Note	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Net profit after income tax for the year		**66,201**	67,385
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences		**(2,346)**	6,391
Net change in fair value of cash flow hedges		**(325)**	(1,878)
Income tax on other comprehensive income	4	**2,733**	2,326
Other comprehensive income for the year, net of income tax		**62**	6,839
Total comprehensive income for the year attributable to members of Breville Group Limited		**66,263**	74,224

The accompanying notes form an integral part of this consolidated statement of comprehensive income.

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Consolidated statement of financial position

as at 30 June 2020

	Note	Consolidated 30 June 2020 $'000	30 June 2019 $'000
Current assets			
Cash and cash equivalents	5	**128,457**	57,129
Trade and other receivables	6	**156,106**	154,595
Inventories	7	**153,734**	152,325
Other financial assets	15	**2,243**	2,016
Current tax assets	4	**2,788**	1,923
Total current assets		**443,328**	367,988
Non-current assets			
Plant and equipment	8	**13,541**	12,043
Deferred tax assets	4	**9,918**	6,322
Right-of-use assets (adoption of AASB 16)	22	**17,198**	-
Intangible assets	9	**160,179**	123,414
Total non-current assets		**200,836**	141,779
Total assets		**644,164**	509,767
Current liabilities			
Trade and other payables	6	**147,891**	122,700
Lease liabilities (adoption of AASB 16)	22	**7,382**	-
Current tax liabilities	4	**5,014**	6,276
Provisions	6	**20,214**	13,960
Other financial liabilities	15	**1,016**	464
Total current liabilities		**181,517**	143,400
Non-current liabilities			
Other payables	6	**15,499**	3,395
Borrowings	14	**-**	47,283
Lease liabilities (adoption of AASB 16)	22	**16,964**	-
Deferred tax liabilities	4	**2,724**	4,346
Provisions	6	**1,060**	1,008
Total non-current liabilities		**36,247**	56,032
Total liabilities		**217,764**	199,432
Net assets		**426,400**	310,335
Equity			
Equity attributable to equity holders of the parent			
Issued capital	13	**246,445**	140,050
Reserves	13	**2,059**	4,553
Retained earnings		**177,896**	165,732
Total equity		**426,400**	310,335

The accompanying notes form an integral part of this consolidated statement of financial position.

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Consolidated statement of changes in equity

for the year ended 30 June 2020

Consolidated	Note	Issued capital $'000	Foreign currency trans-lation reserve $'000	Employee equity benefits reserve $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total equity $'000
2020							
At 1 July 2019 (original)		**140,050**	**5,267**	**(1,800)**	**1,086**	**165,732**	**310,335**
Adjustment due to change in accounting standard (AASB 16)	22(d)	**-**	**-**	**-**	**-**	**(3,188)**	**(3,188)**
At 1 July 2019 (restated)		**140,050**	**5,267**	**(1,800)**	**1,086**	**162,544**	**307,147**
Foreign currency translation reserve		**-**	**(2,346)**	**-**	**-**	**-**	**(2,346)**
Cash flow hedges		**-**	**-**	**-**	**(325)**	**-**	**(325)**
Income tax on items taken directly to equity	4	**-**	**-**	**2,635**	**98**	**-**	**2,733**
Total other comprehensive income for the year		**-**	**(2,346)**	**2,635**	**(227)**	**-**	**62**
Profit for the year		**-**	**-**	**-**	**-**	**66,201**	**66,201**
Total comprehensive (loss)/income for the year		**-**	**(2,346)**	**2,635**	**(227)**	**66,201**	**66,263**
Dividends paid	11	**-**	**-**	**-**	**-**	**(50,849)**	**(50,849)**
Ordinary shares issued, net of transaction costs and tax	13(a)	**106,395**	**-**	**-**	**-**	**-**	**106,395**
Ordinary shares acquired by the Trustee of the Breville Group Performance Share Plan Trust	13(b)	**(5,496)**	**-**	**-**	**-**	**-**	**(5,496)**
Transferred to participants of the performance rights plan	13(b)	**5,496**	**-**	**(5,496)**	**-**	**-**	**-**
Share-based payments			**-**	**2,940**	**-**	**-**	**2,940**
At 30 June 2020		**246,445**	**2,921**	**(1,721)**	**859**	**177,896**	**426,400**
2019							
At 1 July 2018		140,050	(1,124)	(1,972)	2,401	143,880	283,235
Foreign currency translation reserve		-	6,391	-	-	-	6,391
Cash flow hedges		-	-	-	(1,878)	-	(1,878)
Income tax on items taken directly to equity	4	-	-	1,763	563	-	2,326
Total other comprehensive income for the year		-	6,391	1,763	(1,315)	-	6,839
Profit for the year		-	-	-	-	67,385	67,385
Total comprehensive (loss)/income for the year		-	6,391	1,763	(1,315)	67,385	74,224
Dividends paid	11	-	-	-	-	(45,533)	(45,533)
Ordinary shares acquired by the Trustee of the Breville Group Performance Share Plan Trust	13(b)	(3,767)	-	-	-	-	(3,767)
Transferred to participants of the performance rights plan	13(b)	3,767	-	(3,767)	-	-	-
Share-based payments		-	-	2,176	-	-	2,176
At 30 June 2019		140,050	5,267	(1,800)	1,086	165,732	310,335

The accompanying notes form an integral part of this consolidated statement of changes in equity.

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Consolidated cash flow statement

for the year ended 30 June 2020

	Note	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Cash flows from operating activities			
Receipts from customers		**1,004,785**	775,992
Payments to suppliers and employees		**(836,779)**	(717,668)
Finance costs paid		**(6,973)**	(2,996)
Income tax paid		**(28,930)**	(25,436)
Finance income received		**192**	449
Net cash flows from operating activities	5(a)	**132,295**	30,341
Cash flows used in investing activities			
Purchase of plant and equipment		**(7,004)**	(5,473)
Proceeds from sale of plant and equipment		**126**	95
Development of intangible assets		**(31,372)**	(23,003)
Cash consideration paid on acquisition of business		**(14,289)**	-
Net cash flows used in investing activities		**(52,539)**	(28,381)
Cash flows used in financing activities			
Proceeds from issue of shares net of transaction costs	13(a)	**100,722**	-
Proceeds from borrowings		**202,604**	99,577
Repayment of borrowings		**(253,704)**	(99,603)
Irretrievable cash contributions paid to the Trustee of the Breville Group Performance Share Plan Trust to acquire ordinary shares	13(b)	**-**	(3,767)
Principal elements of lease payments (adoption of AASB 16)	22(b)	**(7,325)**	-
Equity dividends paid	11(a)	**(50,849)**	(45,533)
Net cash flows used in financing activities		**(8,552)**	(49,326)
Net increase/(decrease) in cash and cash equivalents		**71,204**	(47,366)
Cash and cash equivalents at beginning of the year		**57,129**	103,316
Net foreign exchange difference		**124**	1,179
Cash and cash equivalents at end of the year	5(a)	**128,457**	57,129

The accompanying notes form an integral part of this consolidated cash flow statement.

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Notes to the financial statements

For the year ended 30 June 2020

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Note	Notes to the financial statements
	Key numbers
1	Summary of significant accounting policies
2	Operating segments
3	Revenue and expenses
4	Income tax
5	Cash and cash equivalents
6	Receivables, payables and provisions
7	Inventories
8	Non-current assets – plant and equipment
9	Non-current assets – intangible assets
10	Impairment testing of goodwill and intangibles with indefinite lives
	Capital management
11	Dividends
12	Earnings per share
13	Issued capital and reserves
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15	Financial risk management
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19	Related party transactions
20	Auditor's remuneration
21	Contingencies
22	AASB 16 Leases
23	Significant events after year end
24	Other accounting policies

Notes to the financial statements continued

For the year ended 30 June 2020

Key numbers

Note 1. Summary of significant accounting policies

Breville Group Limited is a for profit company limited by shares incorporated in Australia. Breville Group Limited shares are quoted on the Australian Securities Exchange.

This financial report covers the consolidated entity comprising Breville Group Limited and its subsidiaries (company or Group).

A description of the Group's operations and of its principal activities is included in the operating and financial review in the directors' report on pages 7 to 17. The directors' report is unaudited (except for the remuneration report) and does not form part of the financial report.

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards.

The financial report has also been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191. The company is an entity to which the class order applies.

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Breville Group Limited and its subsidiaries as at 30 June each year.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period, using consistent accounting policies. In preparing the consolidated financial statements, all inter-Group balances and transactions, income and expenses and profit and loss resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

(d) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill & intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 10.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using either the Black-Scholes or Monte-Carlo option pricing model, using the assumptions detailed in note 18.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 1. Summary of significant accounting policies continued

(d) Significant accounting judgements, estimates and assumptions continued

Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile. As the Group assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

Warranty and faulty goods
Provision for warranty and faulty goods is recognised at the date of sale of the relevant products, at the Group's best estimate of the expenditure required to settle the Group's liability. Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as parts and labour costs. The related carrying amounts are disclosed in note 6.

(e) Notes to the financial statements

Notes relating to individual line items in the financial statements include accounting policy information where it is considered relevant to an understanding of these items. Details of the impact of new accounting policies and all other accounting policy information are disclosed in note 24 of the financial report.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 2. Operating segments

Operating segments

The Group has identified its operating segments in line with AASB 8 *Operating Segments* based on the internal reports that are reviewed by the chief operating decision makers (group chief executive officer and Board of directors) in assessing performance and in determining the allocation of resources.

The Group's external reporting segments are 'Global Product' and 'Distribution'.

'Global Product' sells premium products designed and developed by Breville, which are sold globally. Products may be sold directly or through 3rd parties, and may be branded Breville®, Sage® or carry a 3rd party brand.

'Distribution' sells products that are designed and developed by a 3rd party. Breville distributes these products pursuant to a license or distribution agreement, or they are sourced directly from manufacturers. Products in this business unit may be sold under a brand owned by the Group (e.g. Breville®, Kambrook®), or they may be distributed under a 3rd party brand.

		Consolidated					
		30 June 2020			30 June 2019		
	Note	Global Product $'000	Distrib-ution $'000	Total $'000	Global Product $'000	Distrib-ution $'000	Total $'000
Segment revenue	(a)	**764,409**	**187,835**	**952,244**	611,960	148,007	759,967
Segment results							
EBITDA		**99,752**	**26,769**	**126,521**	94,754	19,207	113,961
Depreciation and amortisation		**(24,372)**	**(1,210)**	**(25,582)**	(15,932)	(684)	(16,616)
EBIT		**75,380**	**25,559**	**100,939**	78,822	18,523	97,345
Finance income				**192**			449
Finance costs				**(8,368)**			(3,483)
Profit before income tax				**92,763**			94,311
Other segment information							
Capital expenditure – plant and equipment		**5,559**	**1,612**	**7,171**	4,513	859	5,372
Capital expenditure – intangibles		**31,388**	**-**	**31,388**	22,771	-	22,771

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
(a) Segment revenue		
Global Product		
North America	**420,397**	357,429
ANZ	**157,390**	132,860
Europe	**143,331**	89,580
Rest of World	**43,291**	32,091
Total Global Product revenue	**764,409**	611,960

Distribution

Revenue generated from ANZ and North America

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 3. Revenue and expenses

	Note	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
(a) Revenue			
Sale of goods		**952,244**	759,967
Total revenue		**952,244**	759,967
(b) Cost of sales			
Costs of inventories recognised as an expense (includes write-down of inventory to net realisable value (note 7))		**556,990**	431,373
Costs of delivering goods to customers		**38,910**	31,665
Warranty expense		**35,784**	25,729
Total cost of sales		**631,684**	488,767
(c) Depreciation and amortisation expense			
Depreciation – right-of-use assets (adoption of AASB 16)	22(b)	**6,377**	-
Depreciation – plant and equipment	8	**5,574**	4,633
Amortisation – computer software	9	**3,307**	2,750
Amortisation – development costs	9	**10,145**	9,054
Amortisation – customer relationships	9	**179**	179
Total depreciation and amortisation expense		**25,582**	16,616
(d) Lease payments and other expenses included in consolidated income statement			
Included in premises, lease & utilities expenses:			
▪ Minimum lease payments – operating lease		-	8,635
From 1 July 2019, the Group adopted the new accounting standard *AASB 16 Leases* and has recognised right-of-use assets for these leases, except for short-term and low-value leases. Refer to Note 22			
Included in other expenses:			
▪ Net foreign exchange (gain)/loss		**(307)**	(616)
▪ Other product related costs		**5,819**	4,365
▪ Impairment charge – IoT platform	9	**9,644**	-
▪ Doubtful debt expense	6	**13,570**	-
(e) Employee benefits expenses			
Wages & salaries, leave and other employee related benefits		**82,143**	76,867
Defined contribution plan expense		**4,130**	3,359
Share-based payments expense		**2,940**	2,176
Total employee benefits expenses		**89,213**	82,402

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 3. Revenue and expenses continued

	Note	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
(f) Finance costs/income			
Finance costs paid or payable on borrowings and bank overdrafts:			
- interest		**2,195**	1,047
- other borrowing costs (line fees and bank charges)		**3,190**	1,949
Interest on other payables – non current (deferred consideration)		**1,395**	487
Interest on lease liabilities (adoption of AASB 16)	22(b)	**1,588**	-
Finance costs		**8,368**	3,483
Finance income		**(192)**	(449)
Total net finance costs		**8,176**	3,034
(g) Research and development costs			
Amortisation of previously capitalised development costs included in amortisation expense	3(c)	**10,145**	9,054
Research and development costs charged directly to the income statement (including employment costs and impairment charge for IoT)		**34,430**	21,464
Total research and development costs		**44,575**	30,518

Recognition and measurement

(i) Sale of goods

In accordance with AASB 15, Revenue from Contracts with Customers is recognised at a point in time when the performance obligation of transferring goods to the buyer has been satisfied and the transaction price can be measured. Goods are considered transferred to the buyer when the buyer obtains control of those goods, which is at the earlier of delivery of the goods or the transfer of legal title to the buyer. Revenue is measured at the fair value of the consideration received or receivable, net of returns, allowances, trade discounts and volume rebates.

(ii) Finance costs/income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Borrowing costs are recognised as an expense when incurred.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 4. Income tax

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
The major components of income tax expense are:		
Income statement		
Current income tax		
Current income tax charge	**28,063**	25,438
Adjustments in respect of current income tax of previous years	**(238)**	(434)
Deferred income tax		
Relating to the origination and reversal of temporary differences	**(1,263)**	1,922
Total income tax expense reported in the income statement	**26,562**	26,926
Deferred income tax related to items charged or credited directly to other comprehensive income		
Employee equity benefits reserve	**(2,635)**	(1,763)
Net (loss)/gain on revaluation of cash flow hedges	**(98)**	(563)
Income tax (benefit)/expense reported in other comprehensive income	**(2,733)**	(2,326)
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the parent entity's applicable income tax rate is as follows:		
Profit before income tax	**92,763**	94,311
At the parent entity's statutory income tax rate of 30% (2019: 30%)	**27,829**	28,293
▪ adjustments in respect of current income tax of previous years	**(238)**	(436)
▪ effect of different rates of tax on overseas income	**(527)**	(559)
▪ expenditure not allowable for income tax purposes	**1,389**	1,139
▪ other	**(1,891)**	(1,511)
Income tax expense reported in the income statement	**26,562**	26,926

	Consolidated		Consolidated	
	Statement of financial position		Income statement	
	30 June 2020 $'000	30 June 2019 $'000	30 June 2020 $'000	30 June 2019 $'000
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities				
Brand names	**1,875**	1,875	**-**	-
Development costs	**13,285**	11,806	**(1,280)**	(3,193)
Other intangibles	**760**	281	**(479)**	54
Cash flow hedge reserve	**368**	466	**-**	-
Accelerated depreciation for tax purposes	**505**	482	**(23)**	(437)
Gross deferred income tax liabilities	**16,793**	14,910		

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 4. Income tax continued

	Consolidated Statement of financial position		Consolidated Income statement	
	30 June 2020 $'000	30 June 2019 $'000	30 June 2020 $'000	30 June 2019 $'000
Deferred tax assets				
Losses available for offset against future taxable income	**193**	311	**(118)**	(275)
Provisions and accruals	**12,665**	6,636	**5,374**	410
Other long term payables	**743**	859	**(116)**	(91)
Employee benefits	**2,406**	3,608	**(1,202)**	355
Revaluation of inventories	**777**	1,051	**(274)**	492
Employee equity benefits reserve	**5,028**	3,160	**446**	384
Net liability arising from adoption of AASB 16	**1,326**	-	**(418)**	-
Other	**849**	1,261	**(647)**	379
Gross deferred income tax assets	**23,987**	16,886		
Net deferred income tax assets	**7,194**	1,976		
Deferred tax expense			**1,263**	(1,922)

	30 June 2020 $'000	30 June 2019 $'000
Current income tax		
Current tax asset	**2,788**	1,923
Current tax liabilities	**5,014**	6,276

At 30 June 2020, there is no recognised or unrecognised deferred income tax liability (2019: $nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, as the Group has no current intention of distributing existing retained earnings in jurisdictions where liability for additional taxation exists should such amounts be remitted.

Recognition and measurement

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred income tax is provided on all temporary differences between the tax bases of assets/liabilities and their carrying amounts at balance sheet date for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 4. Income tax continued

Recognition and measurement continued

Deferred tax continued

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes in relation to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Breville Group Limited and its wholly-owned Australian resident controlled entities (excluding the Breville Group Performance Share Plan Trust) have implemented the tax consolidated legislation as of 1 July 2003.

Breville Group Limited is the head entity of the tax consolidated Group. For further information, refer to note 17.

Note 5. Cash and cash equivalents

		Consolidated	
		30 June 2020	**30 June 2019**
	Note	**$'000**	**$'000**
Cash at bank and on hand	(a)	**128,457**	57,129

Notes:

- Cash at bank earns interest at floating rates based on daily bank deposit rates.
- At 30 June 2020, the Group had available $272,429,000 (2019: $35,109,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. This does not include the three year committed seasonal facility which is drawable between August and January (see note 14).
- The fair value of cash and cash equivalents is $128,457,000 (2019: $57,129,000).

Cash and cash equivalents	(a)	**128,457**	57,129
Non-current borrowings	14	**-**	(47,283)
Net cash	(b)	**128,457**	9,846

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 5. Cash and cash equivalents continued

	Note	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
(a) Reconciliation of net profit after tax for the year to net cash flows from operating activities			
Net profit for the year		**66,201**	67,385
Adjustments for:			
Depreciation and amortisation (including AASB16)		**25,582**	16,616
Impairment charge		**9,644**	-
Share-based payments		**2,940**	2,176
Foreign exchange (gains)/losses		**(307)**	(616)
Doubtful debt expense		**13,570**	-
Changes in assets and liabilities:			
Decrease/(increase) in:			
Trade receivables, prepayments and other receivables		**(4,664)**	(28,758)
Inventories		**(382)**	(49,004)
Other current assets		**(82)**	3,135
Non-current assets		**(1,485)**	1,203
(Decrease)/increase in:			
Current liabilities		**22,492**	18,240
Non-current liabilities		**(1,214)**	(36)
Net cash flows from operating activities		**132,295**	30,341

(b) Net debt reconciliation

Consolidated	Cash $'000	Borrowings $'000	Total $'000
Net cash at 30 June 2018	**103,316**	**(45,324)**	**57,992**
Cash flows	(47,366)	26	(47,340)
FX adjustments	1,179	(1,985)	(806)
Net cash at 30 June 2019	**57,129**	**(47,283)**	**9,846**
Cash flows	71,204	51,100	122,304
FX adjustments	124	(3,817)	(3,693)
Net cash at 30 June 2020	**128,457**	**-**	**128,457**

(c) Disclosure of financing facilities

Refer to note 14.

Recognition and measurement

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 6. Receivables, payables and provisions

	Note	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Trade and other receivables			
Current			
Trade receivables	(a)	**166,133**	152,325
Allowance for uncollectible receivables		**(14,101)**	(457)
Trade receivables, net		**152,032**	151,868
Prepayments		**2,487**	1,750
Other receivables	(b)	**1,587**	977
Total current trade receivables, prepayments and other receivables		**156,106**	154,595

Notes:

(a) Trade receivables are non-interest bearing and are generally on 30-60 day terms. In 2H20 the trading environment has seen some lengthening of credit terms, and a withdrawal of some insurance credit limits, which has heightened the credit risk environment. An allowance for uncollectible, or doubtful, receivables is made when there is objective evidence on a case by case basis that a trade receivable is partially or fully impaired. A charge of $13,570,000 (2019: $312,000) has been recognised by the Group as an expense in 'other expenses' for the current year for specific debtors for which such evidence exists.

At 30 June 2020 an ageing analysis of those trade receivables (net of allowance for uncollected receivables) are as follows:

	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Current	**149,168**	143,608
31 – 60 days overdue	**1,747**	4,402
61+ days overdue	**1,117**	3,858
Trade receivables, net	**152,032**	151,868

Trade receivables (net) past due, but not impaired, amount to $2,864,000 (2019: $8,260,000). Of the remaining balance, 70% is covered by insurance, 23% is considered very low risk for collection default and 7% is uninsured. In all instances each operating unit has been in contact with the relevant debtor and is satisfied that payment will be received in full or has been provided for.

(b) Non-trade other receivables are non-interest bearing and have repayment terms between 30 and 60 days. Balances within other receivables do not contain impaired assets and are not past due. It is expected that these balances will be received when due.

Recognition and measurement

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost. Bad debts are written off when incurred. An allowance for uncollectible receivables is established when there is objective evidence that the Group may not be able to collect all amounts due. The amount of the allowance is recognised in the income statement. The carrying value and estimated net fair values of the trade and other receivables is assumed to approximate their fair value, being the amount at which the asset could be exchanged between willing parties.

Details regarding the effective interest rate and credit risk of current receivables are disclosed in note 15.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 6. Receivables, payables and provisions continued

	Note	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Trade and other payables			
Current			
Trade and other payables – unsecured		**147,891**	122,700
Total current trade and other payables		**147,891**	122,700
Non-current			
Other payables	(a)	**15,499**	3,395
		15,499	3,395

Notes:

(a) Relates to earn-outs in relation to the acquisitions of PolyScience and ChefSteps.

Recognition and measurement

Trade and other payables are carried at amortised cost. Trade payables represent liabilities for goods and services provided to the Group prior to the end of the year, including customer rebates, that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, non-interest bearing and are usually settled on 30 day terms. The carrying value and estimated net fair values of the trade and other payables is assumed to approximate their fair value, being the amount at which the liability could be settled in a current transaction between willing parties. Details regarding interest rate, foreign exchange and liquidity risk exposure are disclosed in note 15.

	Note	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Provisions			
Current			
Warranty and faulty goods	(a)	**12,562**	7,630
Employee benefits – annual leave	(a)	**5,058**	3,942
Employee benefits – long service	(a)	**2,544**	2,338
Other provisions	(a)	**50**	50
Total current provisions	(a)	**20,214**	13,960
Non-current			
Employee benefits – long service	(a)	**1,060**	1,008
Total non-current provisions	(a)	**1,060**	1,008

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 6. Receivables, payables and provisions continued

Provisions continued

Consolidated	Warranty and faulty goods $'000	Employee benefits - annual leave $'000	Employee benefits - long service $'000	Other Provisions $'000	Total $'000
(a) Movement in provisions					
Carrying amount at the beginning of the year:					
Current	7,630	3,942	2,338	50	13,960
Non-current	-	-	1,008	-	1,008
Total	**7,630**	**3,942**	**3,346**	**50**	**14,968**
Movement in provisions during the year:					
Amounts utilised during the year	(30,903)	(2,634)	(337)	-	(33,874)
Additional provisions made in the year	35,871	3,762	591	-	40,224
Net exchange differences	(36)	(12)	4	-	(44)
Net movement	**4,932**	**1,116**	**258**	**-**	**6,306**
Carrying amount at the end of the year:					
Current	**12,562**	**5,058**	**2,544**	**50**	**20,214**
Non-current	**-**	**-**	**1,060**	**-**	**1,060**
Total	**12,562**	**5,058**	**3,604**	**50**	**21,274**

Recognition and measurement

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranties and faulty goods

Provisions for warranty and faulty goods are recognised at the date of sale of the relevant products. A provision for warranty and faulty goods represents the present value of the best estimate of the future sacrifice of economic benefits expected that will be required for warranty and faulty goods claims on products sold. This estimate is based on the historical trends experienced on the level of repairs and returns. It is expected that these costs will be incurred in the next year. Assumptions used to calculate the provision for warranty and faulty goods were based on the level of warranty and faulty goods claims experienced during the last year. During COVID-19 related lock downs in various markets, the ability of consumers to make returns has been inhibited so the Group has prudently increased its provision in a number of territories.

Employee benefits - annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. During COVID-19 employees have not chosen to take leave at normal levels.

Contributions to the defined contribution fund are recognised as an expense as they become payable.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 6. Receivables, payables and provisions continued

Provisions continued

Recognition and measurement continued

Employee benefits – long service

The provision for employee benefits represents the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using appropriate market yields at the reporting date to estimate the future cash outflows.

Note 7. Inventories

		Consolidated	
		30 June 2020	**30 June 2019**
	Note	**$'000**	**$'000**
Finished goods (at lower of cost and net realisable value)	(a)	**126,995**	123,255
Stock in transit (at cost)		**26,739**	29,070
Total inventories		**153,734**	152,325

Notes:

(a) Total net finished goods provision movements recognised in the income statement totalled a $19,000 debit (2019: $326,000 debit) for the Group. This net debit/credit is included in the cost of inventories line in the cost of sales. The nature of the Group's finished products make obscelence and deterioration in storage unlikely.

Recognition and measurement

Inventories are valued at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. This includes the transfer from equity of gains and losses on qualifying cash flow hedges of purchases of finished goods. Costs are assigned to individual items of inventory on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 8. Non-current assets - plant and equipment

	Note	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
At the beginning of the year			
At cost (gross carrying amount)		**44,628**	39,696
Accumulated depreciation and impairment		**(32,585)**	(28,317)
Net carrying amount		**12,043**	11,379
Reconciliation of the carrying amount:			
Carrying amount at the beginning of year		**12,043**	11,379
Additions		**7,171**	5,372
Additions from acquisition of ChefSteps		**168**	-
Disposals		**(271)**	(180)
Reclassifications		**-**	(10)
Depreciation	3(c)	**(5,574)**	(4,633)
Net exchange difference		**4**	115
Carrying amount at the end of year		**13,541**	12,043
At the end of the year			
At cost (gross carrying amount)		**50,807**	44,628
Accumulated depreciation and impairment		**(37,266)**	(32,585)
Net carrying amount		**13,541**	12,043

Recognition and measurement

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation on plant and equipment is calculated on a straight line basis over the estimated useful life of between 2 and 10 years.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each year end. An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset at the time of derecognition) is included in the income statement in the year in which they arise.

Note 9. Non-current assets - intangible assets

	Consolidated 30 June 2020 $'000	Consolidated 30 June 2019 $'000
Development costs	**44,248**	39,352
Computer software	**16,980**	12,946
Brand names	**31,575**	31,575
Customer relationships	**759**	938
Goodwill	**66,617**	38,603
Total intangible assets (net carrying amount)	**160,179**	123,414

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 9. Non-current assets - intangible assets continued

Consolidated 2020	Note	Develop-ment costs	Computer software	Brand names	Customer relation-ships	Goodwill	Total
		$'000	$'000	$'000	$'000	$'000	$'000
At the beginning of the year							
At cost (gross carrying amount)		99,376	21,098	31,575	1,835	38,603	192,487
Accumulated amortisation and impairment		(60,024)	(8,152)	-	(897)	-	(69,073)
Net carrying amount		**39,352**	**12,946**	**31,575**	**938**	**38,603**	**123,414**
Reconciliation of the carrying amount:							
Carrying amount at the beginning of year		**39,352**	**12,946**	**31,575**	**938**	**38,603**	**123,414**
Additions	(i)	24,047	7,341	-	-	-	31,388
Additions from acquisition of ChefSteps	(ii)	717	-	-	-	28,014	28,731
Impairment charge – IoT platform	(iii)	(9,644)	-	-	-	-	(9,644)
Amortisation	3(c)	(10,145)	(3,307)	-	(179)	-	(13,631)
Net exchange difference		(79)	-	-	-	-	(79)
Carrying amount at the end of year		**44,248**	**16,980**	**31,575**	**759**	**66,617**	**160,179**
At the end of the year							
At cost (gross carrying amount)		**124,047**	**28,439**	**31,575**	**1,835**	**66,617**	**252,513**
Accumulated amortisation and impairment		**(79,799)**	**(11,459)**	**-**	**(1,076)**	**-**	**(92,334)**
Net carrying amount		**44,248**	**16,980**	**31,575**	**759**	**66,617**	**160,179**

Notes:

(i) Investment in new product development and upgrade of Global IT 2.0 platform including D365 ERP, PIM and middleware.

(ii) Acquisition of ChefSteps – Goodwill of $28,014,000 and $717,000 of Development Costs were recognised arising from the acquisition of Chefsteps Inc., a US-based business on 16 July 2019. Cash consideration was paid on acquisition with a further deferred consideration payable as an earn out based on future performance of the acquired assets. The assets have been included within the Global Product segment cash generating unit (CGU).

(iii) One-off impairment charge to IoT platform assets arising as a result of strategic decision to move to a standards-based IoT platform and to write-off development work on a range of proprietary IoT platforms.

Consolidated 2019		Develop-ment costs	Computer software	Brand names	Customer relation-ships	Goodwill	Total
		$'000	$'000	$'000	$'000	$'000	$'000
At the beginning of the year							
At cost (gross carrying amount)		79,680	18,010	31,575	1,835	38,577	169,677
Accumulated amortisation and impairment		(50,970)	(5,401)	-	(718)	-	(57,089)
Net carrying amount		**28,710**	**12,609**	**31,575**	**1,117**	**38,577**	**112,588**
Reconciliation of the carrying amount:							
Carrying amount at the beginning of year		**28,710**	**12,609**	**31,575**	**1,117**	**38,577**	**112,588**
Additions		19,696	3,075	-	-	26	22,797
Reclassifications		-	10	-	-	-	10
Amortisation	3(c)	(9,054)	(2,750)	-	(179)	-	(11,983)
Net exchange difference		-	2	-	-	-	2
Carrying amount at the end of year		**39,352**	**12,946**	**31,575**	**938**	**38,603**	**123,414**
At the end of the year							
At cost (gross carrying amount)		99,376	21,098	31,575	1,835	38,603	192,487
Accumulated amortisation and impairment		(60,024)	(8,152)	-	(897)	-	(69,073)
Net carrying amount		**39,352**	**12,946**	**31,575**	**938**	**38,603**	**123,414**

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 9. Non-current assets - intangible assets continued

A summary of the policies applied to the Group's intangible assets is as follows:

(a) Development costs	
Internally generated / Acquired	Internally generated and acquired products and product platforms
Recognition	Capitalised at cost and recognised only after the Group can demonstrate the technical feasibility and commercial viability of the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Research costs are expensed as incurred.
Useful lives	Finite
Amortisation method	Amortised straight line over the period of expected future sales, not exceeding 3 years, from the related project on a straight line basis.
Impairment test	Annually and more frequently when an indication of impairment exists. An impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. The amortisation method is reviewed at each year end.
(b) Computer software	
Internally generated / Acquired	Internally generated and acquired software
Recognition	Capitalised at cost
Useful lives	Finite
Amortisation method	Amortised over the useful life, not exceeding 7 years, on a straight line basis.
Impairment test	When an indication of impairment exists. The amortisation method is reviewed at each year end.
(c) Brand names	
Internally generated / Acquired	Acquired Brand names
Recognition	Capitalised at cost or if acquired as part of a business combination at fair value at the date of acquisition
Useful lives	Indefinite
Amortisation method	No amortisation
Impairment test	Annually and more frequently when an indication of impairment exists.
(d) Customer Relationships	
Internally generated / Acquired	Acquired Customer Relationships
Recognition	Capitalised at cost or if acquired as part of a business combination at fair value at the date of acquisition
Useful lives	Finite
Amortisation method	Amortised over the useful life, not exceeding 10 years, on a straight line basis.
Impairment test	Annually and more frequently when an indication of impairment exists. The amortisation method is reviewed at each year end.
(e) Goodwill	
Internally generated / Acquired	Acquired Goodwill
Recognition	Initially capitalised at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.
Useful lives	Indefinite
Amortisation method	No amortisation
Impairment test	Annually and more frequently when an indication of impairment exists.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 10. Impairment testing of goodwill and intangibles with indefinite lives

On a consistent basis, goodwill and brand names acquired through business combinations have been allocated to these cash generating units or Groups of cash generating units for impairment testing as follows:

- Global Product ANZ
- Global Product North America
- Global Product Europe & Rest of World
- Distribution

In all cases the recoverable amount of the individual cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the Board.

The pre-tax discount rates applied to cash flow projections are in the range of 8.0% to 11.5% (2019: 7.2% to 11.7%), depending on the CGU. This discount rate has been determined using the weighted average cost of capital which incorporates both the cost of debt and the cost of capital. Cash flows beyond the approved 30 June 2021 budgets are extrapolated using a 3.0% growth rate (2019: 3.0%), which is considered a reasonable estimate of the long-term average growth rate for the wholesale consumer products industry.

Management has performed sensitivity testing by cash generating unit (CGU), based on assessing the effect of changes in revenue growth rates as well as discount rates. Management consider any reasonable likely combination of changes in these key assumptions would not result in the carrying value of the goodwill or brand names exceeding the recoverable amount.

Key assumptions used in value in use calculations for the cash generating units for 30 June 2020 and 30 June 2019

The key assumptions on which management has based its cash flow projections when determining the value in use of the cash generating units are budgeted revenue and gross margins. The basis used to determine the value assigned to the budgeted revenue and gross margins are based on past performance and expectations for the future.

		Consolidated	
		30 June 2020	30 June 2019
	Note	$'000	$'000
Carrying amounts of goodwill and brand names are allocated as follows:			
Breville Group			
- brand names with indefinite useful lives		**13,800**	13,800
Global Product ANZ			
- goodwill		**20,553**	20,553
Global Product North America			
- goodwill	9(ii)	**35,714**	7,700
Global Product Europe & Rest of World			
- goodwill		**2,241**	2,241
Distribution			
- goodwill		**8,109**	8,109
- brand names with indefinite useful lives		**17,775**	17,775
		98,192	70,178
All cash generating units			
- goodwill	9	**66,617**	38,603
- brand names with indefinite useful lives	9	**31,575**	31,575
Total carrying amount of goodwill and brand names		**98,192**	70,178

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 10. Impairment testing of goodwill and intangibles with indefinite lives continued

Recognition and measurement

Intangible assets - goodwill

The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. When the recoverable amount of a cash generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment; or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

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Notes to the financial statements continued

For the year ended 30 June 2020

Capital management

Note 11. Dividends

		Consolidated	
		30 June 2020 $'000	30 June 2019 $'000
(a) Dividends on ordinary shares declared and paid during the year:			
Final partially franked dividend for the year ending 30 June 2019 of 18.5 cents per share, 11.1 cents (60%) franked (2019: final partially franked dividend for 2018 of 16.5 cents per share, 9.9 cents (60%) franked)			
▪ Paid in cash		**24,121**	21,466
Final dividend		**24,121**	21,466
Partially franked interim dividend for the year ending 30 June 2020 of 20.5 cents per share, 12.3 cents (60%) franked (2019: interim partially franked dividend for 2019 of 18.5 cents per share, 11.1 cents (60%) franked)			
▪ Paid in cash		**26,728**	24,068
Interim dividend		**26,728**	24,068
Total partially franked dividends declared and paid during the year of 39.0 cents per share, 23.4 cents (60%) franked (2019: 35.0 cents per share (21.0 cents (60%) franked))			
▪ Paid in cash		**50,849**	45,533
Total dividends		**50,849**	45,533
(b) Dividends on ordinary shares proposed and not recognised as a liability:			
Final partially franked dividend for 2020 of 20.5 cents per share, 12.3 cents (60%) franked (2019: final partially franked dividend of 18.5 cents per share, 11.1 cents (60%) franked)	(i)	**27,992**	24,121
(c) Franking credit balance			
The amount of franking credits in the parent available for the subsequent year are:			
▪ franking account balance as at the end of the year at 30% (2019: 30%)		**13,754**	8,089
▪ franking (debits)/credits that will arise from the payment of income tax (receivable)/payable as at the end of the year		**(1,545)**	2,932
		12,209	11,021
The amount of franking credits in the parent available for future reporting periods:			
▪ impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as distribution to equity holders during the period		**(7,198)**	(6,189)
Total franking credit balance		**5,011**	4,832

The tax rate at which dividends are franked is 30% (2019: 30%).

(i) The Group has established a new Dividend Reinvestment Plan ("DRP") for its shareholders, replacing its previous inactive DRP. The DRP will apply to the final dividend for the year ending 30 June 2020 and will remain in place until further notice. Please refer to the cover page of this Appendix 4E and page 18 of the Directors' report for full details.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 12. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	30 June 2020	30 June 2019
	$'000	$'000
Earnings used in calculating basic and diluted earnings per share:		
Net profit attributable to ordinary equity holders of Breville Group Limited	**66,201**	67,385
	Thousands	**Thousands**
Weighted average number of shares:		
Weighted average number of ordinary shares for basic and diluted earnings per share	**131,090**	130,095
Weighted average number of exercised, forfeited or expired potential ordinary shares included in diluted earnings per share	**-**	-

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

Recognition and measurement
Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:
- cost of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

Note 13. Issued capital and reserves

		Consolidated	
		30 June 2020	30 June 2019
	Note	$'000	$'000
Issued Capital			
Ordinary shares – authorised, issued and fully paid	(a)	**246,445**	140,050
Ordinary shares – held by the Breville Group Performance Share Plan Trust	(b)	**-**	-
Total contributed equity		**246,445**	140,050

Ordinary shares

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

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 13. Issued capital and reserves continued

Ordinary shares held by the Breville Group Performance Share Plan Trust

Ordinary shares held by the Breville Group Performance Share Plan Trust in order to fulfil its obligations under the Breville Group Limited Performance Share Plan are deducted from equity. No gain or loss is recognised in the income statement on the purchase of the Group's equity instruments by the Breville Group Performance Share Plan Trust.

The ordinary shares held by the Breville Group Performance Share Plan Trust, if any, are yet to be allocated to LTI participants. They will be allocated to participants once performance rights vest and they are exercised. The ordinary shares held by the Breville Group Performance Share Plan Trust, if any, have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. The ordinary shares held by the Breville Group Performance Share Plan Trust, if any, entitle their holder to one vote, either in person or by proxy, at a meeting of the company. Details are provided in note 16(b) and note 18.

		Consolidated 30 June 2020		Consolidated 30 June 2019	
		Number of shares	$'000	Number of shares	$'000
(a) Movements in ordinary issued shares:					
Beginning of the year		**130,095,322**	**140,050**	130,095,322	140,050
Movements during the year					
Ordinary shares issued during the year for Breville Group Performance Share Plan Trust	(i)	**331,155**	**5,496**	-	-
Ordinary shares issued, net of transaction costs and tax, as part of capital raise	(ii)	**6,117,648**	**100,899**	-	-
End of the year		**136,544,125**	**246,445**	130,095,322	140,050

(i) During the year the group issued 331,155 fully paid ordinary shares (2019: nil) of Breville Group Limited as a result of the vesting of Performance Rights issued under the Breville Group Performance Share Plan. The average value attributable to these issued shares was $16.60 (2019: nil), as of the date of issue.

(ii) In May and June 2020 the Group successfully completed an institutional placement and retail share purchase plan (SPP), issuing 6,117,648 shares at $17.00 per share, raising $100,899,000 net of transaction costs and tax.

	Note	30 June 2020 Number of shares	30 June 2020 $'000	30 June 2019 Number of shares	30 June 2019 $'000
(b) Movements in ordinary shares held by the Breville Group Performance Share Plan Trust:					
Beginning of the year		**-**	**-**	-	-
Movements during the year					
Ordinary shares transferred to participants of the Breville Group Performance Share Plan	(iii)	**331,155**	**5,496**	268,720	3,767
Ordinary shares subscribed to/acquired by the Breville Group Performance Share Plan Trust during the half year - cash	(iv)	**(331,155)**	**(5,496)**	(268,720)	(3,767)
End of the year		**-**	**-**	-	-

(iii) During the year the Trustee of the Breville Group Performance Share Plan Trust transferred 331,155 ordinary company shares (2019: 268,720) to participants in order to fulfil its obligations under the Breville Group Limited Performance Share Plan.

(iv) During the year the Trustee of the Breville Group Performance Share Plan Trust subscribed to 331,155 ordinary shares of Breville Group Limited (2019: acquired 268,720 shares) in order to fulfil its obligations under the Breville Group Limited Performance Share Plan. The average value placed on these subscriptions was $16.60 per share (2019: average value placed on these acquisitions was $14.02 per share). Details are provided in note 16(b) and note 18.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 13. Issued capital and reserves continued

(c) Rights over ordinary shares:

The company has a share-based payment rights schemes under which rights to subscribe for the company's shares have been granted to certain executives and other employees (refer note 18). At the end of the year there were 1,380,127 (2019: 1,106,255) potential unissued ordinary shares in respect of rights that were outstanding.

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Reserves		
Foreign currency translation reserve	**2,921**	5,267
Employee equity benefits reserve	**(1,721)**	(1,800)
Cash flow hedge reserve	**859**	1,086
Total reserves	**2,059**	4,553

Nature and purpose of reserves

Foreign currency translation reserve - This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Employee equity benefits reserve - This reserve is used to record the value of equity benefits provided to employees as part of their remuneration. Refer to note 18 for further details of these plans.

Cash flow hedge reserve - This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Note 14. Borrowings

	Consolidated	
	30 June 2020 $'000	30 June 2019 $'000
Non-current		
Other loans:		
- Cash advance facilities	**-**	47,283
Total non-current borrowings	**-**	47,283

Terms and conditions

The Group operates under one primary facility with Australia and New Zealand Banking Group Limited (ANZ) enabling all jurisdictions to borrow under one global facility. The facility agreement has a number of financial covenants all of which have been fully complied with as at the years ended 30 June 2020 and 30 June 2019.

The Australia and New Zealand financing facilities are secured by a first ranking fixed and floating registered charge (or general security for Breville New Zealand Limited), over all the assets and undertakings of Thebe International Pty Limited, Breville Pty Limited, Breville Holdings Pty Limited, Breville R&D Pty Limited and Breville New Zealand Limited and are guaranteed by Breville Group Limited. The Hong Kong facility is secured via a security agreement over the assets and undertakings of HWI International Limited. A security agreement in favour of ANZ is in existence over the assets and undertakings of Breville USA, Inc. Breville Group Limited has issued corporate guarantees in favour of the local bank (HSBC) which provides the day to day US, Canadian, UK and German transactional banking facilities. Borrowings may include Australian dollar, US dollar, Canadian dollar, British pounds, Euro and New Zealand dollar denominated amounts.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 14. Borrowings continued

Fair value

The carrying value and estimated net fair values of the borrowings held with banks (determined under Level 2, as described in note 15) approximates their fair value. Fair values of the company's interest-bearing loans are determined by using a discounted cash flow method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The non-performance risk as at 30 June 2020 was assessed to be insignificant (2019: insignificant). Details regarding interest rate, foreign exchange and liquidity risk are disclosed in note 15.

		Consolidated	
	Note	30 June 2020 $'000	30 June 2019 $'000
Financing facilities available			
At reporting date, the following financial facilities have been negotiated and were available to the Group:			
Facilities used at the reporting date	(a)	**7,984**	52,057
Facilities unused at the reporting date	(b)	**276,974**	66,518
Total facilities	(c)	**284,958**	118,575
(a) Facilities used at the reporting date:			
- Non-current cash advance facilities – committed		**-**	47,283
- Non-current cash advance facilities – uncommitted		**-**	-
- Overdraft facilities		**395**	-
- Business transactions facilities		**1,929**	698
- Indemnity/guarantee facilities		**5,660**	4,076
- Documentary credit facilities		**-**	-
Facilities used as at reporting date		**7,984**	52,057
(b) Facilities unused at the reporting date:			
- Non-current cash advance facilities – committed		**261,376**	23,222
- Non-current cash advance facilities – uncommitted		**-**	30,000
- Overdraft facilities		**11,053**	11,887
- Business transactions facilities		**1,612**	698
- Indemnity/guarantee facilities		**2,207**	-
- Documentary credit facilities		**726**	711
Facilities unused as at reporting date		**276,974**	66,518
(c) Total facilities:			
- Non-current cash advance facilities – committed		**261,376**	70,505
- Non-current cash advance facilities – uncommitted		**-**	30,000
- Overdraft facilities		**11,448**	11,887
- Business transactions facilities		**3,541**	1,396
- Indemnity/guarantee facilities		**7,867**	4,076
- Documentary credit facilities		**726**	711
Total facilities		**284,958**	118,575

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 14. Borrowings continued

Group facilities

In June 2020, the Group refinanced its existing debt facilities with ANZ bank including

- an extension of committed base and seasonal multicurrency facilities from 1 to 3 years (30 June 2020: $246,000,000)
- a $115,000,000 one year multicurrency facility, with a defined extension mechanism.

Seasonal facilities

The Group also has 3 year committed seasonal facilities available between August and January for FY21, FY22 and FY23, which range between $43,619,000 and $99,682,000 (2019: between $9,710,000 and $71,137,000).

Borrowings may include Australian dollar, US dollar, Canadian dollar, British pounds, Euro and New Zealand dollar denominated amounts.

Recognition and measurement

All borrowings, including cash advance facilities, are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings, including cash advance facilities, are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are derecognised.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Note 15. Financial risk management

The Group's principal financial instruments, other than derivatives, comprises cash advances, bank overdrafts, cash at bank and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions, primarily forward exchange contracts. The purpose is to manage the currency risks arising from the Group's business operations and its sources of finance. It is the Group's policy that no speculative trading in derivatives shall be undertaken. The main risks arising from the Group's financial instruments are foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Recognition and measurement

Derivative financial instruments and hedging

The Group may use derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. The fair value of the forward exchange contracts is estimated using market observable inputs. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify for hedge accounting, are taken directly to the income statement for the year.

The fair value of forward exchange contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles and where applicable, exercise prices.

For the purposes of hedge accounting, hedges are classified as cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 15. Financial risk management continued

Recognition and measurement continued

Derivative financial instruments and hedging continued

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

Interest rate risk

The Group is exposed to interest rate risk on its borrowings, cash balances and derivative financial instruments. The Group's policy is to manage its interest rate risk using a mix of fixed and variable rate debt where appropriate. Cash advance facilities have short term fixed interest rates with maturities ranging between 1 and 3 months, therefore within the financial year they are exposed to interest rate risk.

At 30 June 2020, the Group has the following exposure to interest rate risk:

	Consolidated	
	30 June 2020	**30 June 2019**
	$'000	**$'000**
Cash at bank	**128,457**	57,129
Cash advance facilities	**-**	(47,283)
Net exposure	**128,457**	9,846

The Group's net exposure to interest rate risk calculated as at 30 June 2020 is not representative of its exposure during the financial year due to seasonality in the volume of sales such that financial performance is historically weighted in favour of the half to 31 December. This seasonality results in a higher level of receivable and inventory balances and a consequent increase in working capital requirements.

At 30 June 2020, the Group did not have any borrowings drawn down from its cash advance facilities, and so there is no material interest rate risk that would impact finance costs due to exposure to floating rates.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 15. Financial risk management continued

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign exchange rate fluctuations. Such exposure arises primarily from purchases of inventory by a business unit in currencies other than the unit's functional currency (purchases are predominately US dollar denominated). Other foreign exchange risk only arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

To hedge exposure arising from the purchase of inventories or payments in currencies other than the business unit's functional currency, forward exchange contracts may be utilised. At inception these hedge contracts are designated as cash flow hedges to hedge the exposure to the variability in cash flows arising as a result of movements in exchange rates below contracted exchange rates for options and for movements above or below a contracted exchange rate for forward exchange contracts.

Also, as a result of the Group's investment in its overseas operations, the Group's balance sheet can be affected significantly by movements in the exchange rates of the jurisdictions it operates within.

At 30 June 2020, the Group has the following financial assets and liabilities exposed to foreign currency risk:

	Consolidated	
	30 June 2020	**30 June 2019**
	$'000	**$'000**
Cash at bank	**7,346**	9,873
Trade and other receivables	**3,178**	4,404
Trade and other payables	**(15,358)**	(15,826)
Other financial assets – derivative assets – forward exchange contracts	**2,243**	2,016
Other financial liabilities – derivative liabilities – forward exchange contracts	**(1,016)**	(464)
Net exposure	**(3,607)**	3

Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposures to fluctuations in interest and foreign exchange rates.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The fair value of all derivative assets and liabilities have been determined under Level 2.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 15. Financial risk management continued

Foreign currency risk continued

(i) Forward exchange contracts – cash flow hedges

The majority of the Group's inventory purchases from suppliers are denominated in US dollars (US$). In order to manage exchange rate movements and to manage the inventory costing process, the Group has entered into forward exchange contracts to purchase USD, Euro and CHF. These contracts are hedging highly probable forecasted purchases and highly probable forecasted payments and they are timed to mature when settlement of purchases or the payments are scheduled to be made. All forward exchange contracts have 0-12 months maturity (2019: 0-12 months).

The cash flows are expected to occur between 0-12 months from 1 July 2020 (2019: 0-12 months) and the cost of sales and where applicable the sale of goods within the income statement will be affected in the next financial year as the inventory is sold or the payments are made. At balance date, the details of outstanding contracts are:

	Consolidated 30 June 2020 A$'000	Consolidated 30 June 2019 A$'000
Buy USD	**115,446**	107,844
Buy Euro	**3,265**	15,779
Buy CHF	**17,222**	15,432

The cash flow hedges of the forecast purchases and forecast payments are considered to be highly effective and any gain or loss on the contracts is taken directly to equity. Where the contracts are hedging highly probable forecasted inventory purchases, when the inventory is received or the risk is assumed, the amount recognised in equity is adjusted to the inventory account in the balance sheet. Where the contracts are hedging highly probable forecasted payments, when the payments are made the amount recognised in equity is adjusted to the income statement. During the year $4,698,000 was credited to inventory (2019: $4,289,000 credited) and $2,254,000 was credited (2019: $2,411,000 credited) to equity in respect of the Group.

At 30 June 2020, the Group had hedged 42% (2019: 50%) of its forecast foreign currency purchases extending to June 2021 (2019: June 2020). The remaining 58% (2019: 50%) is exposed to some foreign exchange risk, however is also naturally hedged within the Group.

In respect of net derivative assets and liabilities above, being the fair value of forward exchange contracts designated as cash flow hedges, a decrease of 10% in the US dollar exchange rate against local currencies, all other variables held constant, would result in an increase in equity of $10,649,000 (2019: $9,702,000). Conversely, an increase of 10% in the US dollar exchange rate against local currencies, all other variables held constant, would result in a decrease in equity of $8,633,000 (2019: $7,608,000).

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Board monitors the Group's gearing ratio and compliance with debt covenants on a regular basis. The Group's gearing ratio at 30 June 2020 and 30 June 2019 is nil due to the Group being in a net cash position. The gearing ratio is defined as Group net borrowings divided by capital employed (net borrowings plus shareholders' equity).

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 15. Financial risk management continued

Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets (including trade receivables), excluding investments, of the Group that has been recognised on the balance sheet is the carrying value amount, net of any uncollectible receivables (measured on a collective basis).

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group appropriately provides for expected credit losses on a timely basis, and in calculating the expected credit loss rates, the Group considers historic loss rates for each category of customers, adjusting for forward looking macroeconomic data.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In certain instances, where deemed appropriate, receivable insurance is acquired to offset the Group's exposure to credit risk.

Post COVID-19 a number of retailers/customers have experienced cashflow difficulties with an increased instance of delayed payments or bankruptcy. At the same time insurers have reduced insurable limits with a number of customers heightening the Group's exposure to credit risk. In response the Group has increased its doubtful debt provision.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is appropriately provided for.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party with a maximum exposure equal to the carrying amount of these instruments. These counter parties are large multi-national banks.

Since the Group trades only with recognised third parties, there is no requirement for collateral.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 15. Financial risk management continued

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash advances and bank overdrafts.

Group facilities

In June 2020, the Group refinanced its existing debt facilities with ANZ bank including

- an extension of committed base and seasonal multicurrency facilities from 1 to 3 years (30 June 2020: $246,000,000)
- a $115,000,000 one year multicurrency facility, with a defined extension mechanism.

As at 30 June 2020, the Group did not have any outstanding debt relating to its cash advance facilities (2019: 100% of the Group's borrowings were due to mature in greater than one year and nil in less than one year).

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows. See note 14 for details of available facilities.

At 30 June 2020, the remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	30 June 2020	**30 June 2019**
	$'000	**$'000**
Less than 1 year	**148,907**	123,164
Between 1 and 5 years	**15,499**	50,678
	164,406	173,842

The table below analyses the Group's remaining contractual maturities by the type of financial liability. The amounts disclosed are the contractual undiscounted cash flows.

	Consolidated			Consolidated		
	30 June 2020			30 June 2019		
	Less than 1 year $'000	**Between 1 and 5 years $'000**	**Total $'000**	**Less than 1 year $'000**	**Between 1 and 5 years $'000**	**Total $'000**
Trade and other payables	**147,891**	**15,499**	**163,390**	122,700	3,395	126,095
Borrowings	**-**	**-**	**-**	-	47,283	47,283
Other financial liabilities	**1,016**	**-**	**1,016**	464	-	464
	148,907	**15,499**	**164,406**	123,164	50,678	173,842

Contractual maturities disclosed in the tables above include contracted interest payments. Total borrowings disclosed in note 14 exclude such contracted interest payments.

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Notes to the financial statements continued

For the year ended 30 June 2020

Group Structure

Note 16. Interests in other entities

The consolidated financial statements include the financial statements of Breville Group Limited and the subsidiaries listed in the following table.

Legal entity	Country of incorporation	Note	Equity interest 30 June 2020 %	Equity interest 30 June 2019 %
Thebe International Pty Limited	Australia	(a)	**100**	100
Investments not held directly by Breville Group Limited:				
Breville Holdings Pty Limited	Australia	(a)	**100**	100
Breville Pty Limited	Australia	(a)	**100**	100
Breville R&D Pty Limited	Australia		**100**	100
Breville Group Performance Share Plan Trust	Australia	(b)	**-**	-
Breville New Zealand Limited	New Zealand		**100**	100
HWI International Limited	Hong Kong		**100**	100
Breville Services (Shenzhen) Company Limited	China		**100**	100
Breville Holdings USA, Inc.	USA		**100**	100
Breville USA, Inc.	USA		**100**	100
Holding HWI Canada, Inc.	Canada		**100**	100
HWI Canada, Inc.	Canada		**100**	100
Breville Canada, L.P.	Canada		**100**	100
BRG Appliances Limited	UK		**100**	100
Sage Appliances GmbH	Germany		**100**	100
Sage Appliances France SaS	France		**100**	-

Breville Group Limited, a company incorporated in Australia is the ultimate parent of the Group.

(a) Entities subject to reporting relief

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785,* relief has been granted to Thebe International Pty Limited, Breville Pty Limited and Breville Holdings Pty Limited from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

As a condition of the instrument, Breville Group Limited and Thebe International Pty Limited entered into a Deed of Cross Guarantee on 4 November 1999. This deed was subsequently assumed by Breville Pty Limited and Breville Holdings Pty Limited under an assumption deed dated 19 December 2001. The effect of the deed is that Breville Group Limited has guaranteed to pay any deficiency in the event of winding up of either controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Breville Group Limited is wound up or if it does not meet its obligation under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The entities comprising the “closed group” are Breville Group Limited, Thebe International Pty Limited, Breville Pty Limited and Breville Holdings Pty Limited. The consolidated statement of financial position and income statement of the entities that are members of the "closed group" are detailed in notes 19(i) and 19(ii).

(b) Breville Group Performance Share Plan Trust (refer note 13)

A trust fund has been established with the appointment of an independent Trustee. The trust is funded by funds irretrievably contributed to it by the company and the Trustee uses these funds to either subscribe for a new issue of shares in the company or purchase shares on the ASX in order to fulfil its obligations under the Breville Group Limited Performance Rights Plan.

The trust does not form part of the Breville Group Limited Australian tax consolidation group.

During the year the Trustee of the Breville Group Performance Share Plan Trust subscribed to 331,155 ordinary shares of Breville Group Limited (2019: acquired 268,720 shares) in order to fulfil its obligations under the Breville Group Limited Performance Share Plan. The average value placed on these subscriptions was $16.60 per share (2019: average value placed on these acquisitions was $14.02 per share). Details are provided in note 18.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 17. Parent entity information

As at and throughout the financial year ended 30 June 2020 the parent company of the Group was Breville Group Limited.

	30 June 2020 $'000	30 June 2019 $'000
Results of the parent entity		
Profit of the parent entity	**53,457**	47,220
Total comprehensive income of the parent entity	**53,457**	47,220
Financial position of the parent entity		
Current assets	**74,996**	66,862
Total assets	**253,684**	147,376
Current liabilities	**-**	(2,774)
Total liabilities	**-**	(2,774)
Net assets	**253,684**	144,602
Equity attributable to the equity holders of the parent		
Issued capital	**246,445**	140,050
Employee equity benefits reserve	**(1,721)**	(1,800)
Retained earnings	**8,960**	6,352
Total shareholders' equity	**253,684**	144,602

Contingencies

The parent company has guaranteed under the terms of an ASIC class order any deficiency of funds if Thebe International Pty Limited, Breville Pty Limited and Breville Holdings Pty Limited are wound up. No such deficiency currently exists.

The parent company has issued corporate guarantees in favour of the HSBC local banks in the US, Canada and the UK which provides the day to day US, Canadian and UK transactional banking facilities.

Tax consolidation

Breville Group Limited and its 100% owned Australian resident subsidiaries (excluding the Breville Group Performance Share Plan Trust) have formed a tax consolidated Group with effect from 1 July 2003.

The head entity, Breville Group Limited, and each subsidiary in the tax consolidated Group are required to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Breville Group Limited also recognises:
(a) the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group; and
(b) assets or liabilities arising for Breville Group Limited under the tax funding agreement as amounts receivable from or payable to other entities in the Group.

Members of the tax consolidated Group have entered into a tax funding agreement. The tax funding agreement supports the calculation of current tax liabilities (and assets) and deferred tax assets/liabilities on a stand-alone basis. Calculation is performed in accordance with AASB 112 Income Tax. The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated Group head company, Breville Group Limited.

No amounts have been recognised in the financial statements in respect of the tax sharing agreement should the head entity default on its tax payment obligations on the basis that the possibility of default is remote.

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Notes to the financial statements continued

For the year ended 30 June 2020

Other

Note 18. Share-based payments

Performance rights plan (LTI) and fixed deferred remuneration plan

Under the performance rights plan (LTI) and fixed deferred remuneration plan participants are issued with rights over the ordinary shares of Breville Group Limited issued in accordance with the Breville Group Limited Share Plan. See pages 21 and 23 of the Remuneration report for details of the two plans.

At 30 June 2020 there were 1,380,127 (2019: 1,106,255) total rights outstanding under both plans, 1,183,900 (2019: 1,046,255) under the performance rights plan (LTI) and 196,227 (2019: 60,000) under the fixed deferred remuneration plan.
The expense recognised in the income statement in relation to share-based payments is disclosed in note 3(e).

Recognition and measurement

Performance rights issued to employees (including key management personnel) are accounted for as share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value has been determined by an external valuer using a Black Scholes or Monte-Carlo model, further details of which are given below.

Market based performance conditions are reflected within the fair value at grant date. Service and non-market performance conditions are not taken into account when determining the grant date fair value of the awards. The likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date). At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period. The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 18. Share-based payments continued

Rights granted and outstanding under the performance rights plan (LTI)

The following table illustrates the number and weighted average exercise prices ("WAEP") of and movements in performance rights issued during the year:

	Note	30 June 2020 Number of performance rights	30 June 2020 WAEP	30 June 2019 Number of performance rights	30 June 2019 WAEP
Outstanding at the beginning of the year		**1,046,255**	**0.0000**	978,440	0.0000
Performance rights granted during the year		**476,400**	**0.0000**	351,700	0.0000
Performance rights exercised during the year		**(331,155)**	**0.0000**	(268,720)	0.0000
Performance rights lapsed during the year		**(7,600)**	**0.0000**	(15,165)	0.0000
Outstanding at the end of the year	(a)	**1,183,900**	**0.0000**	1,046,255	0.0000
Exercisable at the end of the year		**-**	**-**	-	-

Rights outsanding under the performance rights plan (LTI)

Notes

(a) The outstanding balance as at 30 June 2020 is represented by:

Number of performance rights	Note	Grant date	Vesting date	Expiry date	WAEP $	Fair value at grant date ($)
109,700	(i)	9-Aug-16	31-Aug-20	2-Oct-20	0.0000	3.51
97,000	(ii)	13-Nov-17	28-Aug-20	1-Oct-20	0.0000	6.81
96,300	(iii)	13-Nov-17	27-Aug-21	1-Oct-21	0.0000	6.68
116,700	(iv)	11-Sep-18	28-Aug-20	1-Oct-20	0.0000	7.07
116,000	(v)	11-Sep-18	27-Aug-21	1-Oct-21	0.0000	6.81
114,900	(vi)	11-Sep-18	29-Aug-22	3-Oct-22	0.0000	6.58
19,800	(iv)	16-Nov-18	28-Aug-20	1-Oct-20	0.0000	7.07
19,800	(v)	16-Nov-18	27-Aug-21	1-Oct-21	0.0000	6.81
19,700	(vi)	16-Nov-18	29-Aug-22	3-Oct-22	0.0000	6.58
159,200	(vii)	11-Oct-19	27-Aug-21	1-Oct-21	0.0000	6.51
157,400	(viii)	11-Oct-19	29-Aug-22	3-Oct-22	0.0000	6.81
157,400	(ix)	11-Oct-19	29-Aug-23	2-Oct-23	0.0000	7.06
1,183,900					**0.0000**	

(i) These performance rights vest based on the Group's total shareholder return (TSR) from 30 June 2016 to 30 June 2020 applying both an absolute test and a relative test measured against a TSR peer Group.

(ii) These performance rights vest based on the Group's total shareholder return (TSR) from 30 June 2017 to 30 June 2020 applying both an absolute test and a relative test measured against a TSR peer Group.

(iii) These performance rights vest based on the Group's total shareholder return (TSR) from 30 June 2017 to 30 June 2021 applying both an absolute test and a relative test measured against a TSR peer Group.

(iv) These performance rights vest based on the Group's total shareholder return (TSR) from 30 June 2018 to 30 June 2020 applying both an absolute test and a relative test measured against a TSR peer Group.

(v) These performance rights vest based on the Group's total shareholder return (TSR) from 30 June 2018 to 30 June 2021 applying both an absolute test and a relative test measured against a TSR peer Group.

(vi) These performance rights vest based on the Group's total shareholder return (TSR) from 30 June 2018 to 30 June 2022 applying both an absolute test and a relative test measured against a TSR peer Group.

(vii) These performance rights vest based on the Group's total shareholder return (TSR) from 30 June 2019 to 30 June 2021 applying both an absolute test and a relative test measured against a TSR peer Group.

(viii) These performance rights vest based on the Group's total shareholder return (TSR) from 30 June 2019 to 30 June 2022 applying both an absolute test and a relative test measured against a TSR peer Group.

(ix) These performance rights vest based on the Group's total shareholder return (TSR) from 30 June 2019 to 30 June 2023 applying both an absolute test and a relative test measured against a TSR peer Group.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 18. Share-based payments continued

Rights granted and outstanding under the fixed deferred remuneration plan

The following table illustrates the number and weighted average exercise prices ("WAEP") of and movements in rights issued during the year:

	Note	30 June 2020 Number of share rights	30 June 2020 WAEP	30 June 2019 Number of share rights	30 June 2019 WAEP
Outstanding at the beginning of the year		**60,000**	**0.0000**	-	0.0000
Rights granted during the year		**136,227**	**0.0000**	60,000	0.0000
Rights exercised during the year		**-**	**0.0000**	-	0.0000
Rights lapsed during the year		**-**	**0.0000**	-	0.0000
Outstanding at the end of the year	(b)	**196,227**	**0.0000**	60,000	0.0000
Exercisable at the end of the year		**-**	**-**	-	-

Rights outstanding under the fixed deferred remuneration plan

Notes

(b) The outstanding balance as at 30 June 2020 is represented by:

Number of performance rights	Note	Grant date	Vesting date	Expiry date	WAEP $	Fair value at grant date ($)
60,000	(i)	13-Nov-17	31-Aug-20	1-Oct-20	0.0000	10.12
16,467	(ii)	29-Jan-20*	25-Aug-20	1-Oct-20	0.0000	16.70
29,940	(iii)	29-Jan-20*	25-Aug-21	1-Oct-21	0.0000	16.70
29,940	(iv)	29-Jan-20*	25-Aug-22	3-Oct-22	0.0000	16.70
29,940	(v)	29-Jan-20*	25-Aug-23	2-Oct-23	0.0000	16.70
29,940	(vi)	29-Jan-20*	25-Aug-24	1-Oct-24	0.0000	16.70
196,227					**0.0000**	

* material terms and conditions of the grant were agreed in January 2020 but administrative finalisation of grants were delayed due to COVID-19 priorities. In line with AASB2, fair value was based on price at time when grant was agreed when VWAP for H1 FY20 was $16.70.

(i) Rights granted as fixed deferred remuneration with vesting condition that the participant must still be employed by the company on 30 June 2020.
(ii) Rights granted as fixed deferred remuneration with vesting condition that the participant must complete the service period between 26 August 2019 – 25 August 2020.
(iii) Rights granted as fixed deferred remuneration with vesting condition that the participant must complete the service period between 26 August 2020 – 25 August 2021.
(iv) Rights granted as fixed deferred remuneration with vesting condition that the participant must complete the service period between 26 August 2021 – 25 August 2022.
(v) Rights granted as fixed deferred remuneration with vesting condition that the participant must complete the service period between 26 August 2022 – 25 August 2023.
(vi) Rights granted as fixed deferred remuneration with vesting condition that the participant must complete the service period between 26 August 2023 – 25 August 2024.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 18. Share-based payments continued

Rights granted under the performance rights plan and fixed deferred remuneration plan

The average remaining contractual life for the performance and the fixed deferred remuneration rights outstanding at 30 June 2020 is between 1 and 4 years (2019: 1 and 4 years).

The exercise price for performance rights and the fixed deferred remuneration rights outstanding at the end of the year was $nil (2019: $nil).

The weighted average fair value of performance rights granted under the performance rights plan during the year was $6.83 (2019: $6.82).

The fair value of the equity-settled performance rights granted under the performance rights plan is estimated as at the date of grant using a Black-Scholes or Monte-Carlo option-pricing model, taking into account the terms and conditions upon which the options and performance rights were granted.

The following table lists the inputs to the model used for the grants during the year ended 30 June 2020 and 30 June 2019:

	30 June 2020 (Monte-Carlo)	**30 June 2020 (Monte-Carlo)**	**30 June 2020 (Monte-Carlo)**	30 June 2019 (Monte-Carlo)	30 June 2019 (Monte-Carlo)	30 June 2019 (Monte-Carlo)
Grant date	**11 Oct 19**	**11 Oct 19**	**11 Oct 19**	11 Sept 18/ 16 Nov 18	11 Sept 18/ 16 Nov 18	11 Sept 18/ 16 Nov 18
Vesting date	**27 Aug 21**	**29 Aug 22**	**29 Aug 23**	28 Aug 20	27 Aug 21	29 Aug 22
Dividend yield (%)	**2.50**	**2.50**	**2.50**	3.50	3.50	3.50
Expected volatility (%)	**33.00**	**33.00**	**33.00**	25.00	25.00	25.00
Historical volatility (%)	**33.00**	**33.00**	**33.00**	25.00	25.00	25.00
Risk-free interest rate (%)	**0.70**	**0.70**	**0.70**	2.00	2.00	2.00
Expected life of performance right	**1.8 years**	**2.8 years**	**3.8 years**	1.8 years	2.8 years	3.8 years
Performance right exercise price ($)	**0.00**	**0.00**	**0.00**	0.00	0.00	0.00
Weighted average share price ($)[1]	**16.70**	**16.70**	**16.70**	11.59	11.59	11.59
Weighted average fair value ($)[1]	**6.51**	**6.81**	**7.06**	7.07	6.81	6.58

(1) At grant date

The expected life of the performance rights is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of performance rights granted were incorporated into the measurement of fair value.

The weighted average fair value of share rights granted under the fixed deferred remuneration plan during the year was $16.70 (2019: nil).

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 19. Related party transactions

	30 June 2020 $'000	30 June 2019 $'000
(i) Consolidated statement of financial position for class order closed group		
Current assets		
Cash and cash equivalents	**43,991**	24,059
Trade and other receivables	**59,111**	47,401
Inventories	**28,491**	34,286
Other financial assets	**2,245**	2,016
Total current assets	**133,838**	107,762
Non-current assets		
Investments	**166,176**	70,028
Right-of-use-assets	**10,826**	-
Current tax assets	**1,545**	-
Plant and equipment	**9,588**	8,867
Intangible assets	**114,890**	109,336
Total non-current assets	**303,025**	188,231
Total assets	**436,863**	295,993
Current liabilities		
Trade and other payables	**71,773**	57,689
Current tax liabilities	**-**	2,932
Provisions	**7,717**	6,540
Lease liabilities	**2,949**	-
Other financial liabilities	**1,016**	463
Total current liabilities	**83,455**	67,624
Non-current liabilities		
Other payables	**2,476**	2,862
Lease liabilities	**13,439**	-
Deferred tax liabilities	**2,674**	4,307
Provisions	**911**	864
Total non-current liabilities	**19,500**	8,033
Total liabilities	**102,955**	75,657
Net assets	**333,908**	220,336
Equity		
Issued capital	**246,445**	140,050
Reserves	**(861)**	(713)
Retained earnings	**88,324**	80,999
Total equity	**333,908**	220,336
(ii) Consolidated income statement for class order closed group		
Profit from ordinary activities before income tax expense	**84,211**	80,910
Income tax expense relating to ordinary activities	**(23,449)**	(23,250)
Net profit	**60,762**	57,660
Accumulated profits at the beginning of the year	**80,999**	68,872
Adjustment due to change in accounting standard (AASB 16)	**(2,588)**	-
Dividends paid or reinvested	**(50,849)**	(45,533)
Accumulated profits at the end of the year	**88,324**	80,999

(a) Ultimate controlling entity

The ultimate controlling entity of the Group in Australia is Breville Group Limited.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 19. Related party transactions continued

(b) Wholly owned Group transactions

During the financial period, loans were advanced and repayments received on inter-Group accounts with subsidiaries in the wholly owned Group. These transactions were undertaken on commercial terms and conditions.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in the Remuneration Report and below:

		Consolidated	
		30 June 2020	30 June 2019
	Note	$	$
Compensation by category: key management personnel			
Short-term		**4,769,722**	5,006,165
Post-employment	(i)	**187,262**	208,698
Other long-term		**35,278**	73,490
LTI Share-based payment		**1,177,713**	982,792
Total		**6,169,975**	6,271,146

(i) This comprises defined contribution plans expense of $187,262 (2019: $208,698).

Note 20. Auditor's remuneration

	Consolidated	
	30 June 2020	30 June 2019
	$	$
Amounts received or due and receivable from the entity and any other entity in the consolidated entity:		
PricewaterhouseCoopers Australia – primary auditors		
Parent entity		
Audit or review services	**524,956**	431,424
Taxation and accounting advisory services	**101,468**	138,740
Network Firms of PricewaterhouseCoopers Australia		
Controlled entities		
Audit or review services	**154,869**	139,701
Taxation and accounting advisory services	**390,456**	521,416
Total auditor's remuneration	**1,171,749**	1,231,281

The increase in the Group's audit fee between FY19 to FY20 is largely reflective of additional procedures and audit effort required over the expanded European geographies. For FY20, the ratio between audit and non-audit fees is 1.4 to 1.0. A portion of the non-audit fees associated with taxation and accounting advisory services in FY20 are non-recurring in nature, relating to ATO Top 1000 review, ChefSteps acquisition, impact of US tariffs and tax compliance in Europe.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 21. Contingencies

Indemnity agreements have been entered into with certain officers of the Group in respect of expenses and liabilities they incur in their official capacities. No monetary limit applies to these agreements and no known obligations have emerged as a result of these agreements.

Cross guarantees given by Breville Group Limited, Thebe International Pty Limited, Breville Holdings Pty Limited and Breville Pty Limited are described in note 16(a).

Breville Group Limited has issued corporate guarantees in favour of the local bank (HSBC) which provides the day to day US, Canadian, UK and German transactional banking facilities.

Note 22. AASB 16 Leases

This note provides information for leases where the group is a lessee. The Group does not act as a lessor under any circumstances.

a) Amounts recognised in the consolidated statement of financial position

		Consolidated	
		30 June 2020	30 June 2019
	Note	$'000	$'000
Right-of-use assets			
Buildings		17,186	-
Vehicles		12	-
Total	(i)	17,198	-
Lease liabilities			
Current		7,382	-
Non-current		16,964	-
Total		24,346	-

(i) Additions to the right-of-use assets during FY20 were $4,029,000

b) Amounts recognised in the consolidated income statement

		Consolidated	
		30 June 2020	30 June 2019
	Note	$'000	$'000
Depreciation charge of right-of-use assets			
Buildings		6,328	-
Vehicles		49	-
Total	3(c)	6,377	-
Other expenses			
Interest expense on lease liabilities (included in finance costs)	3(f)	1,588	-
Expenses relating to short-term and low value assets (included in premises, lease & utilities expenses)		114	-

The total cash outflow for leases during FY20 was $8,913,000 (includes principal elements of lease payments of $7,325,000 (refer consolidated cash flow statement) plus interest expense on lease liabilities of $1,588,000).

As at 30 June 2020, the Group's leases do not contain any variable payment terms.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 22. AASB 16 Leases continued

c) The Group's leasing activities and how these are accounted for

The Group leases various office buildings and motor vehicles, with rental contracts typically spanning fixed periods of 1 to 6 years, with some having options to extend.

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

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until FY19 and prior, leases were classified as operating leases or financial leases under AASB 117. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Breville Group Limited, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

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

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

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 22. AASB 16 Leases continued

d) Impact of the adoption of AASB 16 Leases

This note explains the impact of the adoption of AASB 16 Leases in FY20 on the Group's financial statements where the Group is a lessee. The Group does not act as a lessor under any circumstances.

As indicated in Note 24(d), the Group has adopted AASB 16 Leases retrospectively from 1 July 2019, but has not restated comparatives for the 30 June 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 July 2019.

On adoption of AASB 16 Leases, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.7%.

Practical expedients applied

In applying AASB 16 Leases for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Measurement of lease liabilities

	30 June 2020 $'000
Operating lease commitments disclosed as at 30 June 2019	**31,466**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**27,166**
Less short-term and low value leases not recognised as a liability	**(157)**
Lease liability recognised as at 1 July 2019	**27,009**
Of which are:	
Current lease liabilities	**6,661**
Non-current lease liabilities	**20,348**
Lease liability recognised as at 1 July 2019	**27,009**

Measurement of right-of-use assets

The associated right-of-use assets for building leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 July 2019.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 22. AASB 16 Leases continued

d) Impact of the adoption of AASB 16 Leases continued

Adjustments recognised in the consolidated statement of financial position on 1 July 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 July 2019:

- Right-of-use assets – increase by $19,396,000
- Deferred tax assets – increase by $1,732,000
- Lease liabilities - increase $27,009,000
- Trade and other payables – decrease by $2,693,000
- Retained earnings – decrease $3,188,000

Impact of the adoption of AASB 16 Leases to the consolidated income statement for FY20

The following table summarises the impact of adopting AASB 16 Leases on the key financial metrics within the consolidated income statement of the group for the year ended 30 June 2020.

$'000 unless specified	Year ended 30 June 2020 Post AASB 16 as reported	Year ended 30 June 2020 Pre AASB 16	Variance
Revenue	**952,244**	**952,244**	-
Gross profit	**320,560**	**320,560**	-
Premises, leases and utilities expenses	**(12,646)**	**(20,974)**	8,328
Other operating expenditure	**(181,393)**	**(181,393)**	-
EBITDA	**126,521**	**118,193**	8,328
Depreciation and amortisation	**(25,582)**	**(19,205)**	(6,377)
EBIT	**100,939**	**98,988**	1,951
Net finance costs	**(8,176)**	**(6,588)**	(1,588)
Profit before income tax	**92,763**	**92,400**	363
Income tax expense	**(26,562)**	**(26,453)**	(109)
Net profit after tax	**66,201**	**65,947**	254
Earnings per share (EPS) *cents per share*	**50.5**	**50.3**	0.2 cps

Note 23. Significant events after year end

No matters or circumstances have arisen since the end of the year which significantly affected or may affect the operations of the consolidated entity.

The financial report of Breville Group Limited for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 13 August 2020.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 24. Other accounting policies

a) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of Breville Group Limited and its Australian subsidiaries are Australian dollars (AUD or A$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the foreign subsidiaries is either:

- USD - United States dollar (Breville Holdings USA, Inc. and Breville USA, Inc.);
- HKD - Hong Kong dollar (HWI International Limited);
- CAD - Canadian dollar (HWI Canada, Inc., Holding HWI Canada, Inc. and Breville Canada, L.P.);
- NZD - New Zealand dollar (Breville New Zealand Limited);
- GBP - British pound (BRG Appliances Limited);
- RMB - Chinese Renminbi (Breville Services (Shenzhen) Company Limited); and
- EUR – Euro (Sage Appliances GmbH and Sage Appliances France SaS).

As at the reporting date the assets and liabilities of these foreign subsidiaries are translated into the presentation currency of Breville Group Limited. They are translated at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the year.

The exchange differences arising on the retranslation of the financial statements of foreign subsidiaries are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(iii) Disposal of foreign operations

In some instances companies in the Breville Group provide intra Group funding to other Group entities by way of permanent equity loans. In these instances any foreign exchange movements are recognised in equity (foreign currency translation reserve) as these equity loans are considered to form part of the net investment in the subsidiary.

b) Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through the income statement, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each year end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Held to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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Notes to the financial statements continued

For the year ended 30 June 2020

Note 24. Other accounting policies continued

c) Other Taxes

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) or value added tax (VAT) except:

- where the GST/VAT incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the applicable amount of GST/VAT included.

The net amount of GST/VAT recoverable/payable is included in receivables/payables in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities are classified as operating cash flows.

Commitments and contingencies are disclosed net of recoverable/payable GST/VAT.

d) New accounting standards and interpretations

(i) Changes to accounting policy and disclosures

The Group had to change its accounting policies as a result of adopting AASB 16 Leases. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 July 2019.

For the full impact assessment of adopting AASB 16 Leases, please refer to Note 22.

Besides AASB 16 Leases, the other accounting policies of the Group are consistent with those of the previous financial year.

The Group adopted all other new and amended Australian Accounting Standards and Interpretations that became applicable during the current financial year.

Besides AASB 16 Leases, the adoption of other Standards and Interpretations did not have a significant impact on the Group's financial results or statement of financial position.

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Directors' declaration

In accordance with a resolution of the directors of Breville Group Limited, I state that:

1. In the opinion of the directors:

   (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1;

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

   (d) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 16(a) will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2020.

On behalf of the Board



Steven Fisher
Non-executive Chairperson

Sydney
13 August 2020

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Independent auditor's report

To the members of Breville Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Breville Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated cash flow statement for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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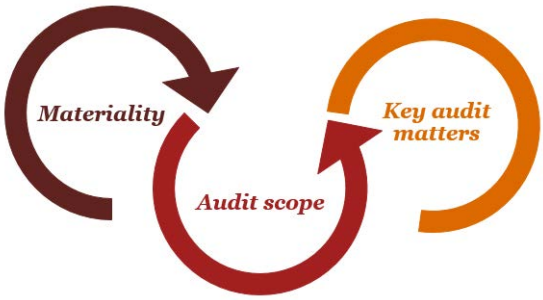
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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of $4.6 million, which represents approximately 5% of the Group's profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group comprises entities located in Australia/New Zealand, North America and the 'Rest of World' comprising its entities in Europe, Hong Kong and China with the most financially significant operations being Breville Australia and Breville United States.
- Our team from the Australian PwC firm undertook all audit procedures to provide us with sufficient and appropriate audit evidence to express an opinion on the Group's financial report as a whole.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	***How our audit addressed the key audit matter***
Estimated recoverable amount of goodwill and indefinite life intangibles *(Refer to note 10) $98.2m* The Group recognises assets for goodwill and indefinite life intangibles in respect of its brand names. Under Australian Accounting Standards, the Group is required to test the goodwill and indefinite lived intangible assets annually for impairment, irrespective of whether there are indications of impairment. This assessment is inherently complex and judgemental, and requires judgement by the Group in forecasting the operational cash flows of the cash generating units of the Group, and determining discount rates and terminal value growth rates used in the discounted cash flow models used to assess impairment (the models). The recoverable amount of goodwill and other indefinite life intangible assets was a key audit matter given the: - financial significance of the intangible assets to the statement of financial position; and - judgement applied by the Group in completing the impairment assessment.	We focused our efforts on developing an understanding and testing the overall calculation and methodology of the Group's impairment assessment, including identification of the cash generating units of the Group for the purposes of impairment testing, and the attribution of net assets, revenues and costs to those components. In obtaining sufficient audit evidence, our procedures included, amongst others: - assessing the cash flow forecasts included in the models with reference to actual historical earnings; - testing the mathematical calculations within the models; - assessing the terminal value growth rates by comparing to external information sources; - assessing the reasonableness of the discount rates by comparing them to market data and comparable companies, with the assistance of our valuation experts; - performing sensitivity analyses over the key assumptions used in the models; and - evaluating the related financial statement disclosures for consistency with Australian Accounting Standards requirements.

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Key audit matter	How our audit addressed the key audit matter
Estimated recoverable amount of capitalised development costs *(Refer to note 9) $44.2m* The Group recognises assets for development costs which meet the recognition criteria required by Australian Accounting Standards. Development costs capitalised in respect of projects that have not yet been completed are referred to in the Australian Accounting Standards as 'intangible assets not yet available for use' and are required to be tested annually for impairment, irrespective of whether there are indicators of impairment. This assessment is inherently complex and judgemental, and requires judgement by the Group in forecasting the total costs, economic returns and operational cash flows of these projects and in determining discount rates used in the discounted cash flow models used to assess impairment (the models). The recoverable amount of development costs was a key audit matter given the: - financial significance of these assets to the statement of financial position and the impairment recognised to the statement of comprehensive income; and - judgement applied by the Group in completing the impairment assessment.	We focused our efforts on developing an understanding and testing the overall calculation and methodology of the Group's impairment assessment, including identifying the projects with the highest magnitudes of capitalised costs. In obtaining sufficient audit evidence, our procedures included, amongst others: - assessing the cash flow forecasts included in the models with reference to actual historical accuracy in forecasting costs and economic returns for past projects; - testing the mathematical calculations within the models; - assessing the reasonableness of the discount rates by comparing them to market data and comparable companies, with the assistance of our valuation experts; - considering the allocation and presentation of the impairment charge recognised; and - performing sensitivity analyses over the key assumptions used in the models; and - evaluating the related financial statement disclosures for consistency with Australian Accounting Standards requirements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included Company information, Directors' report and Corporate governance statement. We expect the remaining other information to be made available to us after the date of this auditor's report.

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Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 19 to 38 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Breville Group Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Mark Dow
Partner

Sydney
13 August 2020

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Auditor's Independence Declaration

As lead auditor for the audit of Breville Group Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Breville Group Limited and the entities it controlled during the period.



Mark Dow
Partner
PricewaterhouseCoopers

Sydney
13 August 2020

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