

16 February 2021

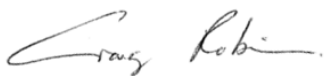
Manager, Company Announcements,
Australian Securities Exchange Limited,
20 Bridge Street,
Sydney NSW 2000

**Half Year Ended 31 December 2020
Appendix 4D**

Attached is a copy of the Breville Group Limited Appendix 4D including Independent Auditor's Review Report and Auditor's Independence Declaration for the Half Year Ended 31 December 2020.

The release of this announcement was authorised by the Board.

Yours faithfully



Craig Robinson
Joint Company Secretary
Breville Group Limited

Telephone: (02) 9384 8100

Breville Group Limited

ABN 90 086 933 431

Appendix 4D – Half year report

Note: The numbering marked with [] within this half year report is consistent with the numbering used in the guidelines issued by the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3.

Current reporting period [1]: **half year ended 31 December 2020**

Previous corresponding period [1]: **half year ended 31 December 2019**

Results for announcement to the market

Percentage change				Amount
Up or down				A\$'000
				%
Total revenues [2.1]	Up	28.8%	to	710,958
Earnings before interest, tax, depreciation & amortisation (EBITDA)	Up	32.0%	to	112,421
Earnings before interest and tax (EBIT)	Up	29.6%	to	94,606
Net profit after income tax for the half year attributable to members [2.2] [2.3]	Up	29.2%	to	64,160

Dividends [2.4]	Date paid / payable [5]	Amount per security [2.4]	Franked amount per security at 30% tax [2.4]	Amount per security of foreign source dividend [5]
Interim dividend				
Current reporting period	18 MAR 2021	13.0¢	13.0¢	0.0¢
Previous corresponding period	18 MAR 2020	20.5¢	12.3¢	0.0¢

Ex-dividend date for the interim dividend: 25 February 2021
The record date for determining entitlements to the interim dividend [2.5]: 26 February 2021

Dividend reinvestment plan [6]

The dividend reinvestment plan will not be in operation for the current reporting period interim dividend.

Brief explanation [2.6]

Please refer to the commentary in the review of results and operations section of the directors' report.

For further explanation please refer to the ASX report announcement accompanying this half year report.

Net tangible assets [3]

	Current period	Previous corresponding period
Net tangible assets per security	181.4¢	133.5¢

Control gained or lost over entities [4]

The group acquired and gained control over a US-based entity, Baratz, LLC during the half year ended 31 December 2020. Refer to Note 8 in the notes to the Appendix 4D.

The group has not lost control of any entities during the half year ended 31 December 2020.

Total dividend paid / payable [5]

	Current period A\$'000	Previous corresponding period A\$'000
Final dividend paid	28,078	24,121
Interim dividend payable / paid	18,062	26,728

Associates and joint venture entities [7]

The group held no interests in associates or joint ventures during the half year ended 31 December 2020.

For foreign entities, which set of accounting standards are used in compiling the report [8]

Not applicable.

Compliance statement

The results for announcement to the market should be read in conjunction with the attached half year report for the half year ended 31 December 2020 and the 2020 Annual Report.

No review dispute or qualification is contained in the attached independent review report for the half year ended 31 December 2020[9].

Sign here:



Craig Robinson
Company Secretary



Sasha Kitto
Company Secretary

Date:

16 February 2021

Breville Group Limited

ABN 90 086 933 431

Half year report

FOR THE HALF YEAR ENDED

31 December 2020

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Corporate information

This half year 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 review of results and operations and principal activities in the directors' report on page 5. The directors' report is unaudited and does not form part of the financial report.

Directors

Steven Fisher
Non-executive chairman

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

Directors' report

The board of directors of Breville Group Limited has pleasure in submitting its report in respect of the financial half year ended 31 December 2020.

Directors

The names of the company's directors in office during the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Steven Fisher	Non-executive chairman
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
Kate Wright	Non-executive director

Review of results and operations

Revenues of the consolidated entity for the half year to 31 December 2020 were \$710,958,000, an increase of 28.8% from the revenues for the previous corresponding half year (2019: \$552,034,000).

The increase in revenue compared to the previous corresponding half year was driven by strong growth in the Global Product segment, supported by the working-from-home (WFH) trend, with revenue for the half year increasing by 34.0% to \$592,876,000 (2019: \$442,610,000). All regions delivered double-digit growth with solid gains across all categories (Beverages, Cooking and Food Preparation). The Distribution segment delivered revenue of \$118,082,000 (2019: \$109,424,000), growing by 7.9%.

Group EBIT increased by 29.6% to \$94,606,000 (2019: \$72,988,000) for the half year ended 31 December 2020.

The Global Product segment EBIT for the half year increased by 32.8% to \$79,268,000 (2019: \$59,680,000) with gross margin improvement funding increased investment in marketing, IT, R&D and increased doubtful debt provisioning.

Distribution segment EBIT of \$15,338,000 (2019: \$13,308,000) successfully fulfilled its strategic role by delivering a \$2,030,000 increase, with good revenue growth in 'Breville Local', lower growth in Kambrook and Nespresso, and well controlled operating expenses.

The basic earnings per share for the consolidated entity was 46.6 cents per share (2019: 38.1 cents per share).

Principal activities

During the half year, the principal activities of the consolidated entity were the innovation, development, marketing and distribution of small electrical appliances through two distinct business models as follows:

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

'Distribution' segment 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., *Kambrook®*, *Breville®*), or they may be distributed under a 3rd party brand (e.g. *Nespresso®*).

Directors' report (continued)

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) 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.

Auditor's independence declaration

Attached on page 22 is a copy of the auditor's independence declaration provided under section 307C of the *Corporations Act 2001* in relation to the review for the half year ended 31 December 2020. This auditor's independence declaration forms part of this directors' report.

Signed in accordance with a resolution of the directors.



Steven Fisher
Non-executive chairman

Sydney
16 February 2021

Consolidated statement of comprehensive income

for the half year ended 31 December 2020

	Note	Half year ended 31 Dec 2020 \$'000	Half year ended 31 Dec 2019 \$'000
Revenue		710,958	552,034
Cost of sales		(462,016)	(365,111)
Gross profit		248,942	186,923
Other income		108	160
Employee benefits expenses	3	(61,053)	(53,387)
Premises, lease & utilities expenses		(6,154)	(5,996)
Advertising & marketing expenses	3	(33,427)	(22,751)
Doubtful debt expense	3	(8,523)	(99)
Other expenses	3	(27,472)	(19,699)
Earnings before interest, tax, depreciation & amortisation (EBITDA)		112,421	85,151
Depreciation & amortisation expenses		(17,815)	(12,163)
Earnings before interest and tax (EBIT)		94,606	72,988
Finance costs	10(i)	(4,566)	(4,297)
Finance income	10(i)	58	97
Profit before income tax		90,098	68,788
Income tax expense		(25,938)	(19,119)
Net profit after income tax for the half year attributable to members of Breville Group Limited		64,160	49,669
Other comprehensive (loss)/income			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation differences		(22,819)	812
Net change in fair value of cash flow hedges	6	(9,845)	(2,444)
Income tax on other comprehensive income and other items taken directly to equity		5,104	1,518
Other comprehensive (loss)/income for the half year, net of income tax		(27,560)	(114)
Total comprehensive income for the half year attributable to members of Breville Group Limited		36,600	49,555
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of Breville Group Limited:			
- basic earnings per share		46.6	38.1
- diluted earnings per share		46.6	38.1

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

Consolidated statement of financial position

as at 31 December 2020

	Note	31 Dec 2020 \$'000	30 June 2020 \$'000	31 Dec 2019 \$'000
Current assets				
Cash and cash equivalents	5	105,372	128,457	116,147
Trade and other receivables		270,659	156,106	257,398
Inventories		160,513	153,734	175,170
Other financial assets	6	274	2,243	683
Current tax assets		97	2,788	2,871
Total current assets		536,915	443,328	552,269
Non-current assets				
Plant and equipment	7	12,184	13,541	13,470
Deferred tax assets		20,623	9,918	6,894
Right-of-use assets		14,353	17,198	19,308
Intangible assets	8	237,084	160,179	160,151
Total non-current assets		284,244	200,836	199,823
Total assets		821,159	644,164	752,092
Current liabilities				
Trade and other payables		228,062	147,891	174,442
Borrowings	5	14,776	-	169,020
Lease liabilities		7,122	7,382	7,376
Current tax liabilities		17,518	5,014	4,957
Provisions		29,445	20,214	20,952
Other financial liabilities	6	8,892	1,016	1,575
Total current liabilities		305,815	181,517	378,322
Non-current liabilities				
Other payables		11,402	15,499	14,120
Lease liabilities		13,539	16,964	19,572
Deferred tax liabilities		45	2,724	4,800
Provisions		1,196	1,060	1,097
Total non-current liabilities		26,182	36,247	39,589
Total liabilities		331,997	217,764	417,911
Net assets		489,162	426,400	334,181
Equity				
Equity attributable to equity holders of the parent				
Issued capital	9	309,615	246,445	144,814
Reserves		(34,431)	2,059	1,275
Retained earnings		213,978	177,896	188,092
Total equity		489,162	426,400	334,181

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

Consolidated cash flow statement

for the half year ended 31 December 2020

	Note	Half year ended 31 Dec 2020 \$'000	Half year ended 31 Dec 2019 \$'000
Cash flows used in operating activities			
Receipts from customers		673,375	508,062
Payments to suppliers and employees		(601,738)	(488,960)
Finance costs paid		(4,031)	(3,527)
Income tax paid		(19,517)	(17,588)
Finance income received		58	97
Net cash flows used in operating activities		48,147	(1,916)
Cash flows used in investing activities			
Proceeds from sale of plant and equipment	7	46	126
Purchase of plant and equipment	7	(1,956)	(4,171)
Development of intangible assets	8	(16,164)	(15,094)
Cash consideration paid on acquisition of business	8	(58,788)	(14,289)
Net cash flows used in investing activities		(76,862)	(33,428)
Cash flows (used in)/from financing activities			
Proceeds from borrowings		51,330	179,188
Repayment of borrowings		(35,209)	(57,404)
Principal elements of lease payments		(3,758)	(3,529)
Equity dividends paid	4(a)	(27,566)	(24,121)
Proceeds from ordinary shares issued to underwriters of Dividend Reinvestment Plan (DRP)	9(a)	27,607	-
Net cash flows from/(used in) financing activities		12,404	94,134
Net increase/(decrease) in cash and cash equivalents		(16,311)	58,790
Cash and cash equivalents at beginning of the half year		128,457	57,129
Net foreign exchange difference		(6,774)	228
Cash and cash equivalents at end of the half year	5	105,372	116,147

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

Consolidated statement of changes in equity

for the half year ended 31 December 2020

Consolidated		Issued capital	Foreign currency translation reserve	Employee equity benefits reserve	Cash flow hedge reserve	Retained earnings	Total equity
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2020							
At 1 July 2020		246,445	2,921	(1,721)	859	177,896	426,400
Foreign currency translation reserve		-	(22,819)	-	-	-	(22,819)
Cash flow hedges		-	-	-	(9,845)	-	(9,845)
Income tax on items taken directly to equity		-	-	2,150	2,954	-	5,104
Total other comprehensive (loss)/income for the half year		-	(22,819)	2,150	(6,891)	-	(27,560)
Profit for the half year		-	-	-	-	64,160	64,160
Total comprehensive (loss)/income for the half year		-	(22,819)	2,150	(6,891)	64,160	36,600
Dividends paid	4(a)	-	-	-	-	(28,078)	(28,078)
Ordinary shares issued for Performance Rights Plan (LTI) and Fixed Deferred Remuneration Plan	9(a)	11,659	-	(453)	-	-	11,206
Ordinary shares issued to underwriters, net of transaction costs and tax, and participants of the DRP	9(a)	27,971	-	-	-	-	27,971
Ordinary shares issued, net of transaction costs and tax, on acquisition of Baratz	9(a)	23,540	-	-	-	-	23,540
Ordinary shares acquired by the Trustee of the Performance Rights Plan (LTI)	9(b)	(11,206)	-	-	-	-	(11,206)
Transferred to participants of the Performance Rights Plan (LTI)	9(b)	11,206	-	(11,206)	-	-	-
Share-based payments expense		-	-	2,729	-	-	2,729
At 31 December 2020		309,615	(19,898)	(8,501)	(6,032)	213,978	489,162
2019							
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)		-	-	-	-	(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		-	812	-	-	-	812
Cash flow hedges		-	-	-	(2,444)	-	(2,444)
Income tax on items taken directly to equity		-	-	784	734	-	1,518
Total other comprehensive (loss)/income for the half year		-	812	784	(1,710)	-	(114)
Profit for the half year		-	-	-	-	49,669	49,669
Total comprehensive (loss)/income for the half year		-	812	784	(1,710)	49,669	49,555
Dividends paid	4(a)	-	-	-	-	(24,121)	(24,121)
Ordinary shares issued	9(a)	4,764	-	-	-	-	4,764
Ordinary shares acquired by the Trustee of the Performance Rights Plan (LTI)	9(b)	(4,764)	-	-	-	-	(4,764)
Transferred to participants of the Performance Rights Plan (LTI)	9(b)	4,764	-	(4,764)	-	-	-
Share-based payments expense		-	-	1,600	-	-	1,600
At 31 December 2019		144,814	6,079	(4,180)	(624)	188,092	334,181

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

Notes to the half year report

for the half year ended 31 December 2020

Note 1. Basis of preparation of the half year financial report

(a) Corporate information

The financial report of Breville Group Limited (the company) for the half year ended 31 December 2020 was authorised for issue in accordance with a resolution of the directors on 16 February 2021. 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.

The nature of the operations and principal activities of the group are described in the directors' report.

(b) Summary of significant accounting policies

The half year consolidated financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half year report should be read in conjunction with the annual report of Breville Group Limited for the year ended 30 June 2020.

It is also recommended that the half year report be considered together with any public announcements by Breville Group Limited and its controlled entities during the half year ended 31 December 2020 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

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

(i) Basis of accounting

The half year consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*.

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

The amounts contained in this report have been rounded to the nearest \$1,000 (where rounding is applicable) 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 this applies.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

(ii) Significant accounting policies

The accounting policies adopted in the preparation of the half year consolidated financial statements are consistent with those followed in the preparation of the group's annual consolidated financial statements for the year ended 30 June 2020.

(iii) Basis of consolidation

The half year consolidated financial statements comprise the financial statements of Breville Group Limited and its subsidiaries as at 31 December 2020 (the group).

(c) Seasonality of operations

The financial performance of the group is exposed to seasonality in the volume of sales; such that the company's financial performance is historically weighted in favour of the half year to 31 December. This seasonality is a reflection of the additional retail sales generated during the Christmas trading period each year.

This seasonality in the volume of sales also generally results in a higher level of receivable and inventory balances at the half year compared to year end, usually resulting in a higher working capital requirement and lower operating cash flows at the half year.

Notes to the half year report (continued)

for the half year ended 31 December 2020

Note 1. Basis of preparation of the half year financial report (continued)

(d) New accounting standards and interpretations

(i) Changes to accounting policy and disclosures

All 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 half-year.

The adoption of other Standards and Interpretations did not have a significant impact on the group's financial results or statement of financial position.

Notes to the half year report (continued)

for the half year ended 31 December 2020

Note 2. Operating segments

The following tables present the revenue and profit information regarding operating segments for the half year periods ended 31 December 2020 and 31 December 2019.

The company's external reporting segments are 'Global Product' and 'Distribution'. The two segments reflect the two business models in the company: (i) global, innovation driven, product business, and (ii) a distribution business. For both business units, the geographic regions execute the sales and distribution functions, supported by centralised functions (specifically, product development, marketing, IT, finance, HR and operations).

'Global Product' sells premium products designed and developed by Breville. Products may be sold directly or through 3rd parties, and may be branded *Breville*®, *Sage*®, *Baratza*® 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., *Kambrook*®, *Breville*®), or they may be distributed under a 3rd party brand (e.g. *Nespresso*®).

	Note	Half year ended 31 Dec 2020			Half year ended 31 Dec 2019		
		Global Product \$'000	Distribution \$'000	Total \$'000	Global Product \$'000	Distribution \$'000	Total \$'000
Segment revenue	(a)	592,876	118,082	710,958	442,610	109,424	552,034
Segment results							
EBITDA		96,685	15,736	112,421	71,344	13,807	85,151
Depreciation and amortisation		(17,417)	(398)	(17,815)	(11,664)	(499)	(12,163)
EBIT		79,268	15,338	94,606	59,680	13,308	72,988
Finance income				58			97
Finance costs				(4,566)			(4,297)
Profit before income tax				90,098			68,788

	Half year ended 31 Dec 2020 \$'000	Half year ended 31 Dec 2019 \$'000
(a) Segment revenue		
Global Product		
Americas	314,871	258,626
EMEA	145,251	94,683
APAC	132,754	89,301
Total Global Product revenue	592,876	442,610

Distribution

All revenue is generated from Americas and APAC.

Notes to the half year report (continued)

for the half year ended 31 December 2020

Note 2. Operating segments (continued)

In H1 FY21 Breville revised the geographic grouping of its Global Product segment sales to better reflect the strategic development and operational management of the business. Prior year periods have been restated on this basis to allow for comparability.

The previous four Global Product geographic groupings of ANZ, Europe, North America and ROW have been consolidated to three geographic groupings - APAC, Americas and EMEA. Sales to customers in the previous Rest of World (ROW) grouping are now reported based on the location of the customer.

The table below shows the countries included within each of the three new geographic groupings:

New Geographic Groupings	Countries
APAC (Asia Pacific)	All countries in Australasia, North East Asia, Southeast Asia, South Asia
Americas	All countries in North, Central and South America
EMEA (Europe, Middle East, Africa)	All countries in Europe, Middle East, and Africa, including Russia

Note 3. Expenses

Employee benefit expenses increased \$7,666,000, or +14.4%, in 1H21 to \$61,053,000, over the pcp (\$53,387,000) reflecting the hiring of approximately 70 new staff in 1H21.

1H21 also included a payment to employees in lieu of salary withheld in 2H20 (during the early phase of the COVID-19) partially offset by the receipt of government subsidies.

Advertising and marketing expenses increased \$10,676,000, or +46.9%, to \$33,427,000 in 1H21 from \$22,751,000 in the pcp, driven by an increased investment in the Group's digital offense including online delivery, content, and platforms to support sustained online, and retailer based, sales growth.

The provision for doubtful debts was increased by \$8,424,000 during 1H21 to reflect the seasonal peak in receivables. Our risk stance was consistent 2H20 with globally retailers still facing challenges and the insurance market remaining cautious.

Other expenses of \$27,472,000 (pcp \$19,699,000) reflect an increase in customer service expenses, logistics costs and legal expenses associated with acquisitions.

Notes to the half year report (continued)

for the half year ended 31 December 2020

	Half year ended 31 Dec 2020 \$'000	Half year ended 31 Dec 2019 \$'000
Note 4. Dividends		
(a) Dividends on ordinary shares paid during the half year to equity holders		
Final partially franked dividend for the financial year ended 30 June 2020 of 20.5 cents per share, 12.3 cents (60%) franked (2019: final partially franked dividend for the financial year ended 30 June 2019 of 18.5 cents per share, 11.1 cents (60%) franked)		
Dividend paid	28,078	24,121
Final dividend	28,078	24,121
(b) Dividends proposed and not recognised as a liability to equity holders		
Fully franked interim dividend for the half year ending 31 Dec 2020 of 13.0 cents per share, 13.0 cents (100%) franked (2019: 20.5 cents per share, 12.3 cents (60%) franked)	18,062	26,728

	31 Dec 2020 \$'000	30 June 2020 \$'000	31 Dec 2019 \$'000
Note 5. Cash, Borrowings and Net Debt			
(i) Cash and cash equivalents			
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:			
Cash and cash equivalents	105,372	128,457	116,147
Total cash and cash equivalents, net	105,372	128,457	116,147
(ii) Borrowings			
Current	14,776	-	169,020
Non-current	-	-	-
Total borrowings	14,776	-	169,020
(iii) Net cash / (debt)	90,596	128,457	(52,873)

Notes to the half year report (continued)

for the half year ended 31 December 2020

Note 6. Financial assets and liabilities

Financial instruments

During the half year, the group designated forward exchange contracts as hedges of highly probable forecasted purchases of inventory, principally in USD. The forecast purchases are expected to occur between 0-12 months from 1 January 2021. The terms of the forward exchange contracts have been negotiated to match the terms of the forecast transactions. Consequently, the hedges were assessed to be highly effective. As of 31 December 2020, an unrealised loss of \$9,845,000 (2019: loss of \$2,444,000) is included in other comprehensive income.

Forward exchange contracts are initially recognised in the statement of financial position at fair value and subsequently remeasured to their fair value. Accordingly, there is no difference between the carrying value and the fair value of derivative financial instruments at reporting date. The carrying value and estimated net fair values of the borrowings held with banks is assumed to approximate their fair value, being the amount at which the liability could be settled in a current transaction between willing parties.

Fair value hierarchy

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

All forward exchange contracts were measured at fair value using the Level 2 method.

Valuation techniques

The forward exchange contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies, as well as the currency basis spreads between the respective currencies.

Note 7. Plant and equipment

During the half year ended 31 December 2020, the group capitalised items into plant and equipment with a cost of \$1,985,000 (2019: \$4,332,000). Depreciation of \$2,860,000 was expensed during the half year (2019: \$2,692,000).

Note 8. Intangibles

Intangible assets

During the half year ended 31 December 2020, the group capitalised items into intangible assets - development costs of \$10,561,000 and computer software of \$5,585,000 (2019: development costs of \$11,194,000 and computer software of \$3,883,000). The capitalised development costs represent the Group's strategic investment in new product development with costs only capitalised when a project has a high likelihood of commercialisation, normally on investment in tooling. The capitalised computer software primarily relates to enhancements and upgrades to the IT 2.0 Global Platform.

Acquisition of Baratza

Acquisition accounting for Baratza is provisional. The contribution of Baratza during the period is not material. Goodwill of \$78,576,000 was recognised arising from the acquisition of Baratza, LLC, a US-based business on 1 October 2020, for a total consideration of \$82,328,000. \$58,788,000 of the consideration was paid in cash and \$23,540,000 by the issue of 884,956 fully paid ordinary shares in Breville priced at the 20-day VWAP of Breville shares traded on the ASX prior to 1 October 2020 at a value of \$26.60 per share. The cash portion was funded from existing cash reserves. The shares are subject to a trading lock. The acquisition has been included within the Global Product segment.

Notes to the half year report (continued)

for the half year ended 31 December 2020

		31 Dec 2020 \$'000	30 June 2020 \$'000	31 Dec 2019 \$'000
	Note			
Note 9. Issued capital				
Ordinary shares – issued	(a)	309,615	246,445	144,814
Ordinary shares – held by the Performance Rights Plan (LTI)	(b)	-	-	-
Total contributed equity		309,615	246,445	144,814

		Half year ended 31 Dec 2020		Half year ended 31 Dec 2019	
		Number of shares	\$'000	Number of shares	\$'000
(a) Movements in ordinary issued shares during the half year:					
Beginning of the half year		136,544,125	246,445	130,095,322	140,050
Movements during the half year					
Ordinary shares issued during the half year for Performance Rights Plan (LTI) and Fixed Deferred Remuneration Plan.	(i)	423,167	11,659	286,805	4,764
Ordinary shares issued, net of transaction costs and tax, as part of DRP	(ii)	1,088,556	27,971	-	-
Ordinary shares issued on acquisition of Baratza	(iii)	884,956	23,540	-	-
End of the half year		138,940,804	309,615	130,382,127	144,814
(b) Movements in ordinary shares held by the Breville Group Performance Share Plan Trust:					
Beginning of the half year		-	-	-	-
Movements during the half year					
Ordinary shares subscribed to/acquired by the Performance Rights Plan (LTI) during the half year - cash	(iv)	(406,700)	(11,206)	(286,805)	(4,764)
Ordinary shares transferred to participants of the Performance Rights Plan (LTI)	(v)	406,700	11,206	286,805	4,764
End of the half year		-	-	-	-

- (i) During the half year the group issued 423,167 fully paid ordinary shares (2019: 286,805) of Breville Group Limited as a result of the vesting of Rights issued under the Performance Rights Plan (LTI) and Fixed Deferred Remuneration Plan. The average value attributable to these issued shares was \$27.55 (2019: 16.61), as of the date of issue.

Notes to the half year report (continued)

for the half year ended 31 December 2020

Note 9. Issued capital (continued)

- (ii) In October 2020 the group issued 1,088,556 shares at \$25.79 per share as part of the fully underwritten Dividend Reinvestment Plan (DRP).
- (iii) In October 2020 the group issued 884,956 shares at \$26.60 per share as part of the consideration for the acquisition of Baratza, LLC. Refer to Note 8.
- (iv) During the half year the Trustee of the Performance Rights Plan (LTI) subscribed for 406,700 ordinary shares of Breville Group Limited (2019: acquired 286,805 shares) in order to fulfil its obligations under the Performance Rights Plan (LTI). The average value placed on these subscriptions was \$27.55 per share (2019: average value placed on these acquisitions was \$16.61 per share).
- (v) During the half year the Trustee of the Performance Rights Plan (LTI) transferred 406,700 ordinary shares (2019: 286,805) to participants in order to fulfil its obligations under the Performance Rights Plan (LTI).

Note 10. Other disclosures

	31 Dec 2020 \$'000	31 Dec 2019 \$'000
(i) Finance costs/income		
Finance costs paid or payable on borrowings and bank overdrafts:		
- interest and other borrowing costs	3,375	2,714
Interest on other payables – non-current (deferred consideration)	535	769
Interest on lease liabilities (AASB 16)	656	814
Finance costs	4,566	4,297
Finance income	(58)	(97)
Total net finance costs	4,508	4,200

Note 11. Contingencies

At 31 December 2020, there are no material contingent liabilities or contingent assets.

Note 12. Events after the balance date

There are no other matters or circumstances that have arisen since the end of the half year that significantly affected or may affect the operations of the consolidated entity.

Directors' declaration

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

In the opinion of the directors:

- (a) the financial report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the board



Steven Fisher
Non-executive chairman

Sydney
16 February 2021

Independent auditor's review report to the members of Breville Group Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Breville Group Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Breville Group Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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 & 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's responsibility for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PricewaterhouseCoopers



Aishwarya Chandran
Partner

Sydney

16 February 2021

Auditor's Independence Declaration

As lead auditor for the review of Breville Group Limited for the half-year ended 31 December 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Aishwarya Chandran
Partner
PricewaterhouseCoopers

Sydney
16 February 2021

PricewaterhouseCoopers, ABN 52 780 433 757

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