

Breville Group Limited
ABN 90 086 933 431
Ground Floor, Suite 2,
170-180 Bourke Road
Alexandria NSW 2015
Australia
T + 61 (2) 9384 8100
F + 61 (2) 9700 1249
breville.com

21 August 2023

ASX Market Announcements Office
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000



Appendix 4E – Year Ended 30 June 2023

In accordance with ASX Listing Rule 4.3A, please find attached copies of the following documents relating to the full year ended 30 June 2023:

- Appendix 4E,
- Director's report (including the Remuneration report and Operating and Financial Review),
- Corporate governance statement; and
- Financial report.

The release of this announcement was authorised by the Board.

Yours faithfully

Handwritten signatures of Sasha Kitto and Craig Robinson in black ink.

Sasha Kitto and Craig Robinson
Joint Company Secretaries

For personal use only

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 2023

Previous corresponding period [1]: year ended 30 June 2022

Results for announcement to the market

	Percentage change		to	Amount
	Up or Down	%		A\$'000
Total sales revenue [2.1]	Up	4.2%		1,478,554
Earnings before interest, tax, depreciation & amortisation (EBITDA)	Up	16.8%		218,163
Earnings before interest and tax (EBIT)	Up	10.0%		172,021
Net profit after income tax for the year attributable to members [2.2] [2.3]	Up	4.2%		110,208
Earnings per share EPS (cents)	Up	1.7%		77.2

Dividends [2.4]	Date paid / payable [7]	Amount per security [2.4]	Franked
			amount per security [2.4]
Interim dividend			
Current reporting period	27 MAR 2023	15.00	15.00
Previous corresponding period	17 MAR 2022	15.00	15.00
Final dividend			
Current reporting period	05 OCT 2023	15.50	15.50
Previous corresponding period	06 OCT 2022	15.00	15.00

Ex-dividend date for the final dividend: 13 September 2023

Record date for determining entitlements to the final dividend [2.5]: 14 September 2023

Dividend reinvestment plan [8]

The Group Dividend Reinvestment Plan ("DRP") is not currently active. No DRP will apply to the final dividend for the year ending 30 June 2023.

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.

BRGGROUP

Breville Group Limited

ABN 90 086 933 431

Appendix 4E - Preliminary final report

Total dividends paid/payable [7]

	Current Period A\$'000	Previous corresponding period A\$'000
Interim dividend paid	21,417	20,903
Final dividend payable/ paid	22,131	21,417
	43,548	42,320

Net tangible assets [9]

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.

	Current period cents per security	Previous corresponding period cents per security
Net tangible assets per security	259.58	267.92

Control gained or lost over entities [10]

The Group acquired and gained control of Lelit Srl and Seriveneta Srl on 1 July 2022 (CET), refer to note 21 in the attached preliminary final report for the year ended 30 June 2023.

The Group has not lost control of any entities during the year ended 30 June 2023.

Associates and joint venture entities [11]

The Group held no interests in associates or joint ventures during the year ended 30 June 2023.

The Group has not lost control of any entities during the year ended 30 June 2023.

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 2023.

No audit dispute or qualification is contained in the attached independent audit report for the year ended 30 June 2023.

Sign here:  

Craig Robinson
Company secretary

Sasha Kitto
Company secretary

Date: 21 August 2023

BRGGROUP

Breville Group Limited

ABN 90 086 933 431

Preliminary final report

FOR THE YEAR ENDED

30 June 2023

Contents

Company information	4
Directors' report	6
Corporate governance statement	61
Consolidated income statement	68
Consolidated statement of comprehensive income	69
Consolidated statement of financial position	70
Consolidated statement of changes in equity	71
Consolidated statement of cash flows	73
Notes to the financial statements	74
Directors' declaration	130
Auditor's Independence Declaration	131
Independent auditor's report	132

Company information

This financial report covers the consolidated entity comprising Breville Group Limited and its subsidiaries (company or Group) on pages 68 to 130.

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 8 to 37. The Company information, Corporate governance statement and the Directors' report is unaudited (except for the remuneration report) and does not form part of the financial report.

Directors

Timothy Antonie
Non-executive Chair

Lawrence Myers
Non-executive Deputy Chair and Lead Independent Director

Jim Clayton
Managing Director and CEO

Tim Baxter
Non-executive Director

Peter Cowan
Non-executive Director

Sally Herman
Non-executive Director

Dean Howell
Non-executive Director

Tuula Ryttilä (appointed 1 April 2023)
Non-executive Director

Kate Wright
Non-executive Director

Company secretaries

Sasha Kitto

Craig Robinson

ABN

Breville Group Limited ABN 90 086 933 431

Registered office and principal place of business

170-180 Bourke Road
Alexandria NSW 2015
(+61 2) 9384 8100

Company information continued

Share register

Boardroom Pty Limited
Level 8, 210 George St
Sydney NSW 2000

Enquiries within Australia: 1300 737 760
Enquiries outside Australia: (+61 2) 9290 9600
Website: www.boardroomlimited.com.au

Auditors

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000

Bankers

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

Company websites

brevillegroup.com
breville.com
kambrook.com.au
sageappliances.com
chefsteps.com
baratza.com
beanz.com
lelit.com

Directors' report

The Board of Breville Group Limited (company) has pleasure in submitting its report in respect of the Group for the year ended 30 June 2023.

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.

Timothy Antonie

Non-executive Chair : BEcon

Mr Antonie has more than 25 years' experience in investment banking, corporate advisory 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 providing independent financial advice to Australian and international corporations. He holds a Bachelor of Economics degree from Monash University and qualified as a Chartered Accountant with Price Waterhouse.

During the last four years he has served as a non-executive director of the following other listed companies:

Netwealth Group Limited # (Chair)

Premier Investments Limited #

Village Roadshow Limited

denotes current directorship

Lawrence Myers

Non-executive Deputy Chair and Lead Independent 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 Chair of the audit and risk committee (A&RC) and is the company's lead independent director and Deputy Chair.

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

Regal Asian Investments Limited #

VGI Partners Global Investments Limited #

denotes current directorship

Jim Clayton

CEO and Managing Director : BBA, JD

Mr Clayton was appointed Managing Director on 18 August 2021 and has been CEO since 1 July 2015. Mr Clayton has extensive international experience in consumer electronics, business transformation and strategy. He joined Breville from LG Electronics Inc., where he held a number of senior roles since 2009, including Executive Vice President, New Business Division for LG's Home Entertainment Company. Prior to this, Mr Clayton worked for Symphony Technology Group, a Silicon Valley based private equity firm focused on midmarket enterprise software and technology enabled service companies, and McKinsey & Company in the US, Germany and Singapore.

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

Tim Baxter

Non-executive Director : BS

Mr Baxter is an accomplished senior executive, with over 35 years' experience across the consumer electronics, retail, technology and telecom industries. He was previously Chief Executive Officer of Samsung Electronics North America, having been promoted to the role from Chief Operating Officer, America. Prior to this, he held several senior management positions across sales and marketing at Samsung, Sony Corporation and AT&T Inc. Mr Baxter serves as a non-executive director on a number of public and private company boards.

During the last four years, he has served as a non-executive Director of the following listed companies:

PAVmed Inc. #

denotes current directorship

Directors' report continued

Board of Directors continued

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 four 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 public and private 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 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 four years she has served as a non-executive Director of the following other listed companies:

E&P Financial Group Limited

Irongate Funds Management Limited (the responsible entity for Irongate Property Fund I and Irongate Property Fund II)

Premier Investments Limited #

Suncorp Group Limited #

denotes current directorship

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.

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

Tuula Ryttilä (appointed 1 April 2023)

Non-executive Director : MSc

Ms. Ryttilä is an accomplished senior executive, with over 30 years' experience across the consumer technology and product sector in technologies, digitization and product management. Ms. Ryttilä brings an international perspective having worked across Europe, North America, Asia and Africa. Her most recent focus has been on driving global business model change and customer experience optimization. Ms. Ryttilä has detailed insight into product roadmaps, product development, consumer insights as well as experience with global go-to-market strategies and e-commerce. Ms. Ryttilä has worked for Microsoft for the last 9 years, with global responsibility for Microsoft Digital Stores. During her 15 years with Nokia, Ms. Ryttilä rose to the position of global CMO.

During the last four years she has served as a non-executive director of the following listed company:

Bang & Olufsen A/S #

denotes current directorship

Ms. Ryttilä also serves as a Member of the Board of Trustees of the National Nordic Museum in Seattle.

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 (PPRNC).

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

Directors' report continued

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.

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 25 years' commercial finance experience. He has worked in FMCG, Medical Diagnostics and Sales Service industries in the UK, Australia, Switzerland and the USA.

Reporting currency and rounding

This preliminary final 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 and refreshed through in-year reforecasts.

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 and other stakeholders with additional information regarding the Group's operations, financial position, business strategies, risks 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, remains the design and development of innovative world class, small electrical kitchen appliances and the effective marketing and distribution of these products across the globe.

In line with this strategy, and to drive sustainable growth in both revenue and profits the Group has developed:

- a strong, competitive and growing product portfolio with proven international success;
- an innovative, committed and high-quality team;
- a research and development (R&D) culture that focuses on consumer solutions, sustainability and emerging food and beverage technologies;
- a strategic marketing capability supporting new product launches and building brand awareness;
- a corporate IT platform rolling out globally to bring speed and competitive advantage;
- a proven methodology of successfully expanding into new geographies;
- a track record of successfully integrating acquisitions; and,
- a strong balance sheet that provides a platform to take advantage of future opportunities.

With significant headroom to grow, the Group's objective is to deliver annual EBIT growth against a variety of trading backdrops, while reinvesting in R&D, marketing, technology services and geographic expansion to drive sustained growth and long-term shareholder value creation. During FY23 the Group continued to invest in new product development, to enhance our digital marketing offense and product solutions, to roll out the Global IT platform, and to grow in our newly entered markets increasing geographic diversity.

The Group operates a global centralised business structure with two *business segments* and three *geographic theatres* as described below:

- The Global Product segment sells premium products designed and developed by Breville that may be sold directly or through third parties and may be branded Breville®, Sage®, Baratza®, Lelit® or other Group owned brands.
- The Distribution segment sells products that are designed and developed by a third party and are distributed pursuant to a license or distribution agreement or 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 may be distributed under a third-party brand (e.g., Nespresso®).

Directors' report continued

Operating and financial review continued

The three geographic theatres execute the sales, distribution, and business development functions in each geography. The theatres are supported by centralised functions including product development, marketing, operations, IT, finance, and HR.

- In Asia Pacific (APAC), the Group principally trades under its company owned brands, Breville®, Baratza®, Kambrook® and Lelit® branded products and also distributes products under a machine partnership with Nespresso®.
- In the Americas, the Group markets and distributes Breville®, Baratza® and Lelit® branded products and distributes Nespresso® products, under a machine partnership.
- In Europe, Middle East, and Africa (EMEA), the Group markets and distributes Breville® designed products under the company owned brands Sage®, Baratza®, Lelit® and Breville® in selected markets.

Group operating results

AUDm ¹	FY23	FY22	% Growth
Revenue	1,478.6	1,418.4	4.2%
Gross Profit	516.9	485.9	6.4%
Gross Margin %	35.0%	34.3%	
EBITDA	218.2	186.8	16.8%
EBIT	172.0	156.4	10.0%
NPAT	110.2	105.7	4.2%

Dividend per share - ordinary (cents)	30.5	30.0	
Franked (%)	100%	100%	
Net cash / (debt) (\$m)	(121.3)	(4.1)	

¹ Minor differences may arise due to rounding.

In FY23 the Group delivered solid revenue growth of 4.2%, with the 2H growth rate running at 9.4%, primarily driven by EMEA moving back into growth. This topline growth was delivered against a subdued consumer backdrop, as well as building on three strong years of growth in FY20-22 of 25.3%, 24.7% and 19.4% respectively.

Importantly, in the current inflationary environment, gross profit grew by 6.4% (with the second half at 10.6%), as our gross margin % improved year-on-year by 70bps with inflationary pressures earlier in the year recovered and promotions well controlled.

The Group delivered EBIT of \$172m, or 10.0% growth, a result at the top end of our guidance, and above consensus, with expenses successfully aligned to a slower growth environment.

NPAT grew in line with sales at 4.2% (improving to 12.4% in the second half), after absorbing higher borrowing costs.

Free cash flow (net cash flows from operating activities plus capitalised expenditure) was \$37.1m for the year up from \$(84.8)m in the prior comparative period (pcp). As expected, the second half saw a seasonally strong total cash inflow of \$90.9m, as peak receivables were collected. Full year total cash outflow of \$(117.2)m was primarily due to the purchase of Lelit as well as higher working capital following strong Q4 sales.

Directors' report continued

Operating and financial review continued

Segment results

AUDm ¹	Revenue			Gross Profit			Gross Margin (%)	
	FY23	FY22	% Change	FY23	FY22	% Change	FY23	FY22
Global Product	1,279.2	1,178.5	8.5%	470.5	428.7	9.8%	36.8%	36.4%
<i>% Growth in constant currency</i>			4.1%					
Distribution	199.3	239.9	(16.9)%	46.4	57.2	(18.9)%	23.3%	23.8%
TOTAL	1,478.6	1,418.4	4.2%	516.9	485.9	6.4%	35.0%	34.3%

¹ Minor differences may arise due to rounding.

Our strategically key Global Product segment grew revenue by 8.5%, and gross profit by 9.8%, as new product development (NPD) launches landed well, and we successfully leveraged our pricing power in this premium segment.

Our mass market Distribution segment saw revenue and gross profit decline by (16.9)% and (18.9)% respectively, led by weaker demand for Nespresso Distribution products.

In the Global Product segment our NPD launches performed well, with strong sales from the Barista Express® Impress, the Barista Touch™ Impress, the Vertuo Creatista®, the Joule® Oven Air Fryer Pro, the Joule® Turbo Sous Vide and the Baratza® Encore ESP. After a quiet FY21 and FY22, with minimal product launches, these new products added growth to the Global Product segment with a healthy innovation funnel expected to yield further gains in FY24.

In category terms, both Coffee and Cooking grew well – the former benefiting from the continuing trend to premium espresso coffee and the latter supported by the air-fryer tailwind. Our Food Preparation category – juicers, blenders and food processors – proved more discretionary and declined year-on-year.

Pricing power in the Global Product segment again meant that we were more successful at growing gross margins than in the mass market Distribution segment. Pleasingly, looking forward to FY24, inflationary pressures in product and freight costs are abating, which should provide a tailwind to gross margins in both segments.

Global Product segment revenue growth – reported and constant currency

AUDm ¹	Global Product Segment Revenue			
	FY23	FY22	% Growth	% in constant currency
Americas	701.2	605.0	15.9%	7.0%
APAC	292.2	278.4	5.0%	4.3%
EMEA	285.8	295.2	(3.2)%	(3.1)%
TOTAL	1,279.2	1,178.6	8.5%	4.1%

¹ Minor differences may arise due to rounding.

All three Theatres posted positive unit sell-out growth, or consumer off-take, for the year. Sell-in growth, or sales to retailers, was also positive and strengthened in the 2H23 to 14.4% (or 9.8% in constant currency) as EMEA lapped an easier prior period.

The Americas, our largest region grew 15.9% (or 7.0% in constant currency) with US consumers proving more resilient at the premium end of the market. Sell-out growth was similar across the first and second half, and so was sell-in, when normalised for the impact of the Bed Bath & Beyond (BBB) bankruptcy. Our strong credit control meant there was no credit loss when BBB stopped trading, however, the fact that stores remained open until July delayed the expected consumer migration to other retailers as BBB sold through its Breville inventory acquired pre 2H23.

Directors' report continued

Operating and financial review continued

APAC grew 5.0% against a difficult backdrop with market share gains in ANZ and sell-out growth in both halves supported by strong NPD launches. Asia contributed strongly, including a promising early performance in South Korea.

EMEA posted the strongest sell-out growth in both the 1H23 and 2H23, with consumer offtake boosted by NPD and our DTC channel growing well. Sell-in growth, as expected, bounced back strongly in the 2H23 reaching 37.4% against an easy denominator (lapping post-Ukraine invasion nervousness) and as retailer destocking, seen in the 1H23, abated.

FY23 was another strong example of our diversified portfolio and growth levers working for us, delivering a solid result in testing times.

EBIT and NPAT

In a low-growth year, we contained expense growth to deliver a 10.0% EBIT growth.

An improving gross margin certainly contributed, yielding 6.4% gross profit growth or \$31.0m extra profit dollars of which fifty percent was absorbed in operating expenses, and the other fifty percent flowed through to EBIT. In FY23 we chose to hold like-for-like headcount flat. Total employment costs increased \$24.5m or 15.5% in FY23 due to hires in FY22 serving a full year and annual salary increases.

Partially offsetting this was a \$15.6m or 22.8% reduction in marketing expenses as a series of marketing platform projects transitioned from the "build" phase to the less expensive "run and maintain" phase. Market-facing activities, such as advertising and content creation, were kept largely unchanged year-on-year. Other expenses increased somewhat as we renewed and expanded key warehousing 3PL contracts and leases to prepare for future growth.

Total spend on investment functions – R&D, Marketing, Technology Service and Solutions – was 13.1% of revenue in FY23, a step up from 12.3% in FY20, the pre-Covid period, but a step down from 13.6% during FY21 and FY22, driven by expensing the build phase of key go-to-market platforms. In dollar terms investment functions expense in FY23 was \$77.4m higher than FY20.

NPAT grew 4.2% for the full year and 12.4% in the second half after absorbing higher finance costs arising from increased borrowings, largely due to the Lelit acquisition and working capital increases, combined with an increase in effective interest rates.

Financial Position

The Group's net working capital position at 30 June 2023 of \$455.1m reflects choices made in managing inventory in FY23, the restoration of a more normal receivables balance and a lower payables balance reflecting the slowdown in purchases in 2H23.

After increasing inventory against a clear supply risk in FY22 and 1H23, we took the commercial decision in 2H23 to right size inventory through constrained purchases, rather than discounted clearances, hence our GM% has improved across the period. In the 2H23 our inventory purchases reduced by \$140.1m over the same period last year, and overall in FY23 our like-for-like inventory reduced by \$96.6m or 22%. Our reported inventory was broadly flat, impacted by the purchase of Lelit, our new approach to NPD launches, with more inventory held upfront to maximize the velocity of new launches, and the strength of the USD and Euro against AUD. Continued planned lower purchases in FY24 are expected to deliver another step down in inventory levels, but not at the cost of discounting.

Receivables were \$82.6m higher at 30 June 2023 than the prior year end, reflecting stronger Q4 sales, especially in EMEA. Average receivable days were well controlled and within terms at 62 days (pcp 61 days). Payables were \$30.9m lower than the pcp reflecting the above-mentioned slowdown in 2H23 inventory purchases.

PPE balances increased \$20.3m led by the acquisition of Lelit's manufacturing assets as well as increased investment in tooling as new products are prepared for production.

The increase in capitalised development costs and software of \$15.5m in FY23 arises as an increasing number of projects move toward launch. As a reminder, for any given project, all costs are expensed until the project reaches the commercial viability gate, roughly 18 months before launch, at which point we start capitalising expenses. Once the product launches in market, we begin amortising. You can expect to see our amortisation costs increase over the next couple of years as our number of launches increase. Overall, our level of capitalised PPE, development costs and software has grown over the last few years to about 8.5% of revenue in line with the ratios seen in FY19 and FY20.

The step increase in Goodwill and Brands to \$327.2m (\$184.8m in the pcp) reflects the purchase of Lelit in July 2022.

Directors' report continued

Operating and financial review continued

Net Debt and Cash flow

2H23 saw a strong \$90.9m cash inflow as peak receivables were collected and inventory purchases were moderated. A full year cash outflow of \$117.2m was largely due to the Lelit acquisition \$79.6m and higher June receivables.

A more benign supply chain environment is expected to allow a continued reduction in inventory purchases during FY24, delivering enhanced cash inflow, especially in the second half, and reduced net debt.

At 0.6x EBITDA the group remains conservatively leveraged and has significant unused debt facilities in place for expansion.

Dividends

A final dividend of 15.5 cents per share (100% franked) has been declared (FY22: 15 cents, 100% franked) bringing the total dividends for the year to 30.5 cents per share (FY22: 30.0 cents).

The dividend reflects the target payout ratio of 40% of EPS on a full year basis.

The final dividend will have a record date of 14 September 2023 and will be paid on 5 October 2023.

Material business risks

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

Risk	Nature of risk	Key actions to mitigate risk
Supply chain disruption and input cost risk	<p>Concentration of supply from one region and country (China) raises risk of supply interruption due to geo-political tensions, public health decisions or extreme climate events.</p> <p>This potential puts the ability to adequately supply our market and thus Group revenue and profitability at risk.</p> <p>Inflationary pressures on manufacturing and transport costs may arise either from high demand for consumer goods, shipping and labour or from general inflationary pressures and exchange rate movements or additional tariffs. Unless recoverable by pricing this puts the profitability of the Group at risk.</p>	<p>Inventory is held in market to provide a buffer against supply chain interruptions. In a period of heightened risk, such as during the Covid pandemic, inventory holdings may be increased or brought to market early.</p> <p>Alternative sourcing locations are being established, nearer to market, with the first, Mexico, having just been commissioned for one product.</p> <p>Core S&OP process gives long forward visibility to suppliers to help ensure that required components, labour etc. are secured.</p> <p>Breville uses multiple manufacturers where possible to de-risk dependence on single suppliers and establishes long term partnerships to manage short term cost fluctuations.</p> <p>Input cost inflation is monitored and negotiated by SKU and supplier in both USD and landed currency.</p> <p>Pricing power of our premium, innovative products is leveraged to protect margins where possible on a market-by-market basis.</p> <p>Contracted shipping and logistics rates are secured where possible. Exchange rates are hedged 12 months in advance. Both of these activities provide forward visibility of effective costs for 12 months to allow effective management of margins.</p>

Directors' report continued

Operating and financial review continued

Risk	Nature of risk	Key actions to mitigate risk
Demand pattern risk	<p>There is risk of volatility in the growth trajectory of the company arising from consumer-based cost of living pressures including interest costs.</p> <p>This can be exacerbated in the short term by retailer destocking/restocking decisions sometimes effected by global shocks e.g., Ukraine invasion as well as by the general risk stance of retailers in the current uncertain economic environment.</p> <p>This can impact revenue and profits and reputational risk with investors if expectations are not met.</p>	<p>The increasingly balanced global revenue footprint of the Group diversifies risk and mitigates the impact of disruption in a specific region on the Group results.</p> <p>Weekly sell-out is monitored by SKU and customer. This forward visibility allows informed adjustments in terms of market activity and promotion in a timely, effective manner to optimise revenue and margin.</p> <p>Rolling forecasting of annual gross profit delivery allows contraction, and expansion, of expenses as needed to deliver profit within a specific year. The Group has a strong track record of delivering EBIT growth against a variety of backdrops whilst still maintaining investment for sustainable long-term growth.</p> <p>The premium, innovative nature of the product range historically provides some resilience of demand to short term economic conditions.</p>
ESG risk and sustainability	<p>Reputational risk with employees, customers, investors and society, and subsequent financial impact, if the Group fails to act adequately on ESG issues and/or fails to communicate its strategy and approach.</p> <p>Risk to supply continuity from extreme climate events (see above).</p>	<p>Approach to ESG issues and risks is detailed in the ESG report section of the Directors report page 16 to 36 which cover the Group's approach to climate emissions and ESG responsibilities more generally.</p> <p>Group commitment to a sustainable business and business model is guided by the Board Sustainability committee.</p>
Product development and innovation risk	<p>Insufficient or ineffective investment in product development and innovation, and inadequate communication of the innovative range to customers and consumers may result in loss of competitive advantage.</p>	<p>Securing of proven, world class leadership for product development, technology services, marketing and solutions functions.</p> <p>Strategic annual target of increasing investment in product development, technology and solutions as well as marketing and communications.</p> <p>The prioritization of investment in these growth drivers is communicated as a core part of Group strategy in investor engagements and results presentations.</p>
Cyber security risk	<p>Breaches of cyber security is a growing global risk as the volume and sophistication of threats has increased, partially from the broad-based working from home reality. Risks include:</p> <ul style="list-style-type: none"> • Unauthorised access to data/information leading to reputational damage and/or risk of litigation. • Malicious attacks that result in outages and service and revenue disruption. • Ransom demands with direct financial consequence to the business. • Failure to comply with regulatory standards risks financial fines or restrictions to conduct business. • Business interruption and availability of systems following a breach. 	<p>The technology services team has further developed our cyber security and privacy programs in FY23 within an overall security and privacy framework. Including:</p> <ul style="list-style-type: none"> • Deployment of modern IT infrastructure with latest security defenses. • Penetration testing and vulnerability assessments. • PCI Audits and external reviews of some of our key cloud operating environments. • Selection of a privacy and data mapping platform to facilitate compliance with multiple global privacy obligations. • Staff mandatory multi-factor authentication and annual cyber security and phishing training • Annual cyber-attack simulation exercise. • Breville has cyber insurance in place.

Directors’ report continued

Operating and financial review continued

Risk	Nature of risk	Key actions to mitigate risk
<p>Health and safety risk</p>	<p>Poor WHS and well-being practices can impact both the motivation and engagement of employees resulting in an impact on business performance as well as exposing the Group to reputational and financial risk via litigation and fines.</p> <p>Inherent in producing and selling kitchen appliances is also the risk of poor quality products harming consumers with a safety and reputational impact as well as financial risk from lost revenue and damages.</p>	<p>The Board receives and reviews OHS statistics and incidents on a monthly basis to ensure top-down ownership of this risk. OHS office ensures accurate monitoring and timely action on any issue.</p> <p>In recognition of the strain that employees’ can face to their mental and physical wellbeing a range of activities and support programs are in place for employees.</p> <p>Breville has extensive compliance processes in place to ensure its products are safe and exceed regulatory standards in our various markets. Rigorous safety standards are a critical element in our approach to product development. Post design the Group maintains a zero-tolerance Pre-Shipment Inspection (PSI) program for all products before they leave the factory.</p> <p>Protocols are in place for rapid reaction to any reported in-use consumer event including product recalls. Breville has not had to issue a product recall since 7 November 2016.</p> <p>Breville has an outsourced business model for manufacturing and distribution with the exception of Lelit.</p>
<p>Key Employee Risk</p>	<p>High turnover of key staff may impact the performance of the Group if there is inadequate succession planning in place. Inadequate career planning and inadequate comparative remuneration may heighten turnover especially given the Group’s recent strong performance and the global “war for talent”.</p>	<p>Annual high potential and succession planning identifies successors for key roles and individual development plans for key individuals.</p> <p>Key roles are benchmarked to market. Domestically and internationally, to ensure that they are competitive.</p> <p>Retention is encouraged through the use of LTI plans and deferred remuneration share rights.</p>

For personal use only

Directors' report continued

Operating and financial review continued

Group acceleration strategy update

During FY23, the Group has continued to progress its acceleration program, the impacts of which helped drive the FY23 performance as well as position the Group for future growth.

The strategic decision made in 2016 to increase investment into the organic growth engines of the company and continued every year thereafter materially supported the Group's growth in FY23. Innovative new products, including the Barista Touch™ Impress, the Joule® Sous Vide Turbo, Vertuo Creatista®, and the Encore™ ESP, were launched in FY23, all of which performed well. Go To Market improved the financial impact of new product launches using its new Launch v2.0 process, enabling the entire retail channel of a country go live on a single day. The Technology Services team, in concert with the Go-To-Market team, continued to productise and improve the Group's digital offense, supporting the growth rate in all digital channels. The Group expanded its product offering in the Specialty Coffee market through the acquisition of Lelit, an Italian-based company manufacturing market-leading prosumer espresso machines.

FY23 growth was also supported by the Group's geographic expansion efforts, which began in earnest in FY18. The Group leaned into geographic expansion during the Covid period, entering Portugal, Spain, France, Italy, Poland, Mexico, and South Korea, despite the executional complexities. In FY23, these countries, collectively, grew revenue 96%. All will be one year older in FY24, giving them the opportunity to have an even more significant impact in absolute dollars.

During the financial year, the Group continued to expand both in new geographies and channels, setting the table for FY24. While the US successfully navigated the BBB bankruptcy in FY23, what it lost through this retailer's demise was physical door presence. To counteract this, the US is launching a limited range of products into over 1,000 doors with Target. In early FY24, Breville-branded products will be made available to Specialty Coffee retailers in the US through the new B2B portal, widening Breville's channel footprint in coffee. The Group also began the multi-country rollout of both Baratza and Lelit, transitioning from a distributor model to a direct model in multiple countries. Baratza was taken to Europe and Australia, and Lelit was taken to the US and Australia. This global rollout will continue as both Baratza and Lelit leverage the Group's global footprint.

Breville made significant progress in its migration to Solutions. In Coffee, the Beanz platform went live in Australia, following the US and the UK, with significant work done to harden and productise the service. Further work was done to make it easier for consumers to take advantage of the coffee Master Classes. Supporting the Cooking category, at the beginning of FY24, BRG will launch the Breville+ service in the US. At launch, the Breville+ service will include over 1,000 recipes sourced from ChefSteps, the Breville Test Kitchen, the New York Times, Serious Eats, Americas' Test Kitchen, Williams Sonoma and many individual chefs; cooking guides to help consumers achieve great results with their own recipes; and live and on-demand cooking classes. All Breville+ content will be specifically optimised for the individual Breville products supported by the service.

Underpinning these growth levers is the corporate platform. The Technology Services team largely completed the global rollout of the platform in FY22, meaning FY23 was a year of hardening and further optimising the platform. The benefits of the platform were seen in how quickly the team rolled out new websites, like Baratza.com, as well as how quickly Lelit was integrated, running 100% of its global product transactions through the platform within 4 months of the closing of the transaction.

Directors’ report continued

Operating and financial review continued

Environmental, Society and Governance (ESG) Report

Our commitment to sustainability

The Breville Group is committed to ethical, responsible, and sustainable conduct across and throughout its business, reinforced through our culture, values, process, structure, and policy. Our ESG priorities and strategy are a central part of our overall business strategy and are a fundamental part of the way we work.

Our ESG strategy – “to create innovative, attractive and energy efficient kitchen appliances, designed and sourced in a socially and environmentally responsible manner that delights our consumers, meets the expectations of our stakeholders and delivers sustainable value creation” is embedded in our business operations, and risk management process.

As a consumer-facing company that operates in the heart of our consumers’ homes, *the kitchen*, our reputation, and ability to meet ethical and behavioural expectations is core to our sustained sales, business health and value creation. Our ESG strategy and priorities are shaped by an on-going engagement and dialogue with our stakeholders – our employees, our consumers, our shareholders, our suppliers, regulators, local communities, and specific interest groups. For some priorities, our approach is further informed by scientific analysis and measurement such as detailed LCA (Life Cycle Analysis), which ensures that we prioritise initiatives that empirically have the biggest impact on reducing carbon emissions.

Engagement with employees takes place via open membership of various sustainability teams, staff surveys and townhall meetings. Consumer feedback comes in the form of analysis of product reviews, focus panels and direct feedback. Engagement with investors is ongoing through both group and one-on-one meetings where ESG is inter-twined with business performance discussions. With suppliers, ESG forms a standing part of our regular business review agendas and is monitored during supplier site visits. We keep informed of developing regulation via our company sustainability committees, general legal counsel, corporate secretarial function and through briefings with our professional advisors. Community activities are ongoing, and we seek to understand by listening, for example through the establishment of our RAP Advisory Council and by learning, for example through our Black America History week run each year in the Americas. We also engage with key issue interest groups such as IAST (Investors against Slavery and Trafficking) to keep abreast of best practice and opportunities.

Our strategy is consistent, but we strive to constantly improve and adapt our execution each year. In this ESG report we outline the key priorities that we have focussed on in FY23. We have made good progress on each issue, but there is always more to be done.

In terms of disclosure, we welcome the initiative of the ISSB (International Sustainability Standard Board) in moving towards a standard and industry specific framework for ESG disclosure. As the current exposure drafts develop, we fully expect to migrate towards this approach to disclosure and reporting to meet stakeholder expectations. We also acknowledge and work with the 17 UN sustainable development goals in shaping our priorities.

For FY23 we identify our key priority areas and present progress on each as well as sharing our TCFD (Task Force on Climate-related Financial Disclosures) risk analysis approach.

Key Priorities

Environmental	Social	Governance
<p>1. Climate Change & Action</p> <p>1.1 Climate risks & opportunities (TCFD) approach</p> <p>1.2 Carbon Emissions - measurement and target reductions</p> <p>1.3 Energy efficiency</p> <p>1.4 Sustainable design, repairability & end of life</p> <p>1.5 Sustainable Packaging</p> <p>1.6 Waste Diversion</p>	<p>2. Product quality and safety</p> <p>3. Ethical Sourcing: human rights & modern slavery</p> <p>4. Community Relations</p> <p>4.1 Community engagement</p> <p>4.2 Reconciliation action plan</p> <p>5. Employee Wellbeing</p> <p>5.1 Diversity & inclusion</p> <p>5.2 Health & safety</p>	<p>6. Corporate Governance</p> <p>6.1 Board independence & diversity</p> <p>6.2 ESG reporting mechanisms</p> <p>7. Corporate Behaviour</p> <p>7.1 Anti-bribery & corruption and whistle blowing</p> <p>7.2 Cyber security & data privacy</p> <p>7.3 Tax Transparency</p> <p>7.4 Policy Availability</p>

Directors' report continued

Operating and financial review continued

ESG report continued

Environmental

1. Climate Change & Action

1.1 Climate risks and opportunities (TCFD)

We are signed up as a supporter of TCFD and are steadily implementing the recommendations of the TCFD in terms of how we analyse and report climate risk. This approach helps us identify our exposure to climate-related risks and identify appropriate actions to mitigate these risks. In taking this risk-based approach we seek to understand what impact Breville is having on the climate, as well as how climate changes can impact the sustainability of our business with a specific focus on the following:

- i. How climate risks and opportunities impact the type of products we design and produce
- ii. How consumer and society expectations present both risks and opportunities to our business growth
- iii. How the impact of living with climate change impacts our business

TCFD Goal: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

Breville's primary strategy is the design and development of the world's best small kitchen appliances and the distribution of these on a global scale. The type of products we choose to design and distribute is undeniably impacted by climate change considerations – both empirically based and those influenced by opinions of our consumers and stakeholders.

One of the biggest potential risks and opportunities presented by climate change relates to stakeholder expectations, especially consumers, who will increasingly purchase products based on a specific product's environmental credentials or a company's or brand's environmental and ESG credentials. We believe that these informed choices will increasingly and materially impact sales and profitability of the Group. This therefore strategically impacts the type of products we develop, how they are packaged, how energy efficient they are as well as how we communicate this to retailers and consumers.

This risk analysis informs our new product development (NPD) which is a core part of our growth strategy. We have already made good progress in designing, engineering, and providing our customers with more energy efficient options (see ThermoJet on page 23). Furthermore, our design and engineering teams look to optimise the strength and weight of the materials we use to reduce material consumption, identify alternative recyclable materials and engineer repairability into products to delay and reduce the end-of-life impact of appliances. Our packaging teams are committed to reducing our environmental footprint by minimising unnecessary packaging and using 100% recyclable materials.

Climate related risks and opportunities are inter-twined with our strategic product development and packaging cycle.

TCFD Goal: Disclose how the organisation identifies, assesses, and manages climate-related risks.

Breville has an enterprise-wide risk mapping and mitigation process led by the Audit and Risk committee that includes climate risks. Given their importance, climate risks are treated as enterprise level risks. Risks are identified through a granular bottom-up process via each territory and function and are then prioritised through a top-down review by the CEO, CFO and Board. Climate change is an amplifier for several of our other material business risks. As such, we recognise the potential impacts of climate change as both environmentally and financially material potentially impacting the attractiveness of our offerings as well as our capability to manufacture, store and transport our products.

The key risks, impact, mitigants and opportunities are categorised in alignment with the TCFD recommendations below:

Directors' report continued

Operating and financial review continued

ESG report continued

1.1 Climate risks and opportunities (TCFD) cont'd

Type of risk	Description of risk	Risk mitigation measures	Opportunities
<p>TCFD category: Transition – reputation risk</p> <p>Internal assessment: High</p> <p>Business area: Strategic</p> <p>Timeframe: Ongoing</p>	<p>ESG – Initiatives and communication</p> <p>There is a risk that Breville will not meet consumer, employee, and investor expectations for increased climate responsibility and disclosure.</p> <p><i>Potential financial impact</i></p> <ul style="list-style-type: none"> • Reduced sales arising from reputational impact • Reduced employee attraction and retention • Reduction in capital availability 	<p>Increase our level of emission reduction activity, including:</p> <ul style="list-style-type: none"> • Product Design – materials • Product Design – repairability • Product Design – energy efficiency • Product Design – recyclable packaging <p>Accurate, complete, and reliable emissions measurement and target setting. Scope 1 and scope 2 followed by scope 3</p> <p>Communicate effectively to our consumers, investors and other stakeholders</p> <p>Upgrading our disclosure to better reflect our existing progress including TCFD disclosure and future adoption of ISSB framework</p>	<p>Increase the attractiveness of the Breville Group to consumers, employees and investors.</p> <p><i>Potential financial impact</i></p> <ul style="list-style-type: none"> • Sustained or increased sales • Benefits to employee satisfaction resulting in lower turnover and higher productivity • Increased access to capital due to higher ESG investor ratings
<p>TCFD category: Transition – market risk</p> <p>Internal assessment: Medium risk</p> <p>Business area: Strategic</p> <p>Timeframe: Ongoing</p>	<p>Innovation and technological advantage</p> <p>From a technology perspective in the transition to a low carbon economy there is a risk / opportunity that new materials, power sources or designs emerge that gives a technological or cost advantage to, or, over competitors</p> <p><i>Potential financial impact</i></p> <ul style="list-style-type: none"> • Reduced revenue from losing our premium product differentiation • Cost disadvantage if cheaper new materials are not adopted • Expensive research and development (R&D) expenditures required to catch up if left behind on new and alternative technologies 	<ul style="list-style-type: none"> • R&D spending and quality – As a primary risk mitigant the quantum of investment in R&D has been increased over the last five years to create a sustainable business. Focus on emerging sustainable materials continues e.g., corrugated cardboard and moulded paper pulp vs. moulded EPS. • Project Forever – a specific deep dive R&D project was completed in FY23 identifying a myriad of opportunities for BRG to participate more fully in the opportunities presented by the circular economy. The findings will increasingly inform our NPD process and ESG priorities • Innovation pipeline – The Breville new product development (NPD) process uses an innovation funnel to progress projects. Use of sustainable materials and repairability increasingly informs sales estimates and the commercial assessments of potential projects via use of LCA for new products. 	<p>Clear opportunity to innovate and develop new low-emission products to improve our competitive position and capitalise on shifting consumer and producer preferences.</p> <p>Existing examples include our ThermoJet heater technology.</p> <p><i>Potential financial impact</i></p> <ul style="list-style-type: none"> • Increased demand for goods and services due to shift in consumer preferences and cost advantage from early adoption of new materials

Directors' report continued

Operating and financial review continued

ESG report continued

1.1 Climate risks and opportunities (TCFD) cont'd

Type of risk	Description of risk	Risk mitigation measures	Opportunities
<p>TCFD category: Physical – chronic risk</p> <p>Internal assessment: Medium risk</p> <p>Business area: Operational</p> <p>Timeframe: Ongoing</p>	<p>Supply risks</p> <p>Chronic climate risks like drought or repeated flooding heightens risk of availability of parts and materials to the supply chain or interrupted production</p> <p><i>Potential financial impact</i></p> <ul style="list-style-type: none"> • Reduced revenues from lower sales/output • Increased insurance premiums and potential for reduced availability of insurance on assets in “high-risk” location 	<ul style="list-style-type: none"> • Operations and logistics (including S&OP, Inventory planners etc.) teams are working to give forward demand visibility to suppliers to secure parts and materials well in advance to protect against interruptions. • Alternative Supply: qualifying suppliers in alternative geographies is a slow but effective way to mitigate this risk. A Mexico manufacturing plant was commissioned in FY23. • Inventory in Market: increased holding of finished product inventory in market reduces spasmodic vulnerability to non-supply of parts 	<p><i>Potential financial impact</i></p> <ul style="list-style-type: none"> • Increased reliability and diversity of supply chain and ability to operate under various conditions
<p>TCFD category: Physical – acute risk</p> <p>Internal assessment: Medium risk</p> <p>Business area: Operational</p> <p>Timeframe: Ongoing</p>	<p>Business interruption</p> <p>After a disruptive event such as climate-amplified extreme weather events (fire, flood/water damage, major earthquake), which may result in structural collapse of buildings, etc.</p> <p>In some regions inventory is held in a single location, heightening the potential disruption of an event.</p> <p><i>Potential financial impact</i></p> <ul style="list-style-type: none"> • Reduced revenue from decreased production capacity or lost stock • Increased capital costs (e.g., damage to facilities) 	<ul style="list-style-type: none"> • Globally Diverse operations – wide geographic spread provides a hedge against unexpected disruption in one territory. Dual warehouses in bigger markets such as USA mitigate against in country disruption. • Supply planning – We hold inventory in our country distribution centres and our retail partners hold stock, providing some buffer against disruption to supply. • Business interruption insurance • Physical Diligence sprinkler and fire extinguishers / blankets at our sites are regularly inspected and maintained. Supplier sites are reviewed as part of supplier audit program. An independent audit relating to fire safety and emergency response is completed at both office spaces and warehouses every three years. 	<p>Low obsolescence risk associated with Breville products due to long life cycle allows extra inventory to be held as a cost-effective buffer against this risk of disruption due to an acute climate event</p> <p><i>Potential financial impact</i></p> <ul style="list-style-type: none"> • Increased market valuation through demonstrated supply chain resilience • Opportunity to gain market share if competitor supply chain is interrupted

TCFD Goal: Disclose the organisation's governance around climate-related risks and opportunities.

The Board's Audit & Risk Committee formally oversees all risks and opportunities facing the Group, and climate change was explicitly added to Breville's material risks register in FY20 and has been managed every year since.

Given the importance of the sustainability agenda, the Board established a Board Sustainability Committee in FY21 directly responsible for leading and co-ordinating current and emerging ESG risks and opportunities. The committee is chaired by Mr Peter Cowan, independent non-executive Director and ex-country Chairman of FMCG multinational, Unilever – a leader in sustainable business practices. Board members Ms Kate Wright, Ms Sally Herman, and Mr Dean Howell complete the committee.

Directors' report continued

Operating and financial review continued

ESG report continued

1.1 Climate risks and opportunities (TCFD) cont'd

The Board Sustainability Committee is responsible for overseeing and monitoring the appropriateness and effectiveness of the Company's sustainability initiatives. Within the group the leadership of key initiatives with the agenda are taken by individual functions including quality, operations, design, engineering, HR, Finance, corporate secretarial, legal and HSE.

The Group CFO and General Legal counsel are standing invitees to the Board Sustainability Committee.

TCFD Goal: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Breville is committed to accurately and comprehensively measuring and reducing its carbon footprint across scope 1, 2 and 3 emissions (including in-use energy consumption).

Reduction in the total metric tonnes of carbon emitted with a net zero target for scope 1 and scope 2 by 2025 and an ongoing reduction in scope 3 will be our primary measure of progress.

Scope 3 measurement and targeting is complex, but undoubtedly it is where the biggest impact can be made. The majority of scope 3 emissions arise from consumer usage of the appliances as well as materials used in construction, both of which need to be modelled on a product-by-product basis using LCA. This process is progressing well but is not complete for all SKUs. Once we are confident on the comprehensive and robust measurement of scope 3 emissions, we will publish actuals alongside time bound reduction targets. Notwithstanding this we are progressing key emission reduction programs and are measuring their progress across our product range as we are confident that they will drive down our overall emissions (e.g. the use of ThermoJet energy efficient espresso heaters).

Breville Lead and Lag Emissions Metrics and Targets

Key Areas	Metric	Target	FY23 Status
Scope 1 & Scope 2 emissions	MT CO ₂ eq	Net Zero by 2025	On track 1121 MTCO ₂ eq emitted in FY23. A 22% reduction on FY22 with significant progress in use of solar, energy efficient lighting and green energy.
Scope 3 emissions	MT CO ₂ eq	Drive key reduction initiatives whilst comprehensive measurement is progressed	On track Implementation of SCSS emission tracking software based on comprehensive LCA is on track for full implementation in FY24.
Energy Efficiency	% of espresso machines using ThermoJet or equivalent technology which is 2.5x more energy efficient than a thermoblock and 6.6x more energy efficient than a boiler	75% of machines sold in 2028	On track 52% of machines sold in FY23 use ThermoJet. 66% of new machines launched in FY23 use ThermoJet as do 71% of new machines under development.
Waste Generation	KG waste produced and % recycled	65% to be recycled by 2026	On track 53% recycled in FY23 and total tonnage of waste maintained despite return to work for most office staff in FY23.
Packaging	% Reusable, recyclable or compostable	100% by 2025	On track Sustainable Brown box initiative launched. Roll out globally will deliver target by 2025.

Directors' report continued

Operating and financial review continued

ESG report continued

1.2 Carbon Emissions – Measurement and target reductions

Breville is committed to methodically and markedly reducing its total carbon footprint wherever it occurs in the business or across the product lifecycle.

This starts with comprehensive measurement of our cradle-to-grave footprint, namely scope 1, 2 and 3 emissions including in-use emissions.

We have implemented and are populating SpheraCloud® Corporate Sustainability software (SCSS herein) to measure and track enterprise-wide emissions allowing credible and trackable targets to be set. The package also supports the modelling of MT CO₂ eq reductions from proposed initiatives to allow impact-based prioritisation to occur.

Scope 1 and 2 Emissions

Scope 1 and 2 emissions for all Breville Group sites, including electricity, gas and water usage, along with petrol usage for fleet cars, is now captured at a granular level, aggregated and reported. The 3 years leading up to this reporting period were used to determine a credible baseline to allow targets to be set. The resulting data provided the Breville Group with the confidence to commit to reach **Net Zero Emissions** for Scope 1 and 2 in our sites and operations by 2025.

Although scope 1 and 2 emissions make up a small minority of our total impact, it is important that we commit to rapidly driving these emissions directly within our hands to net zero.

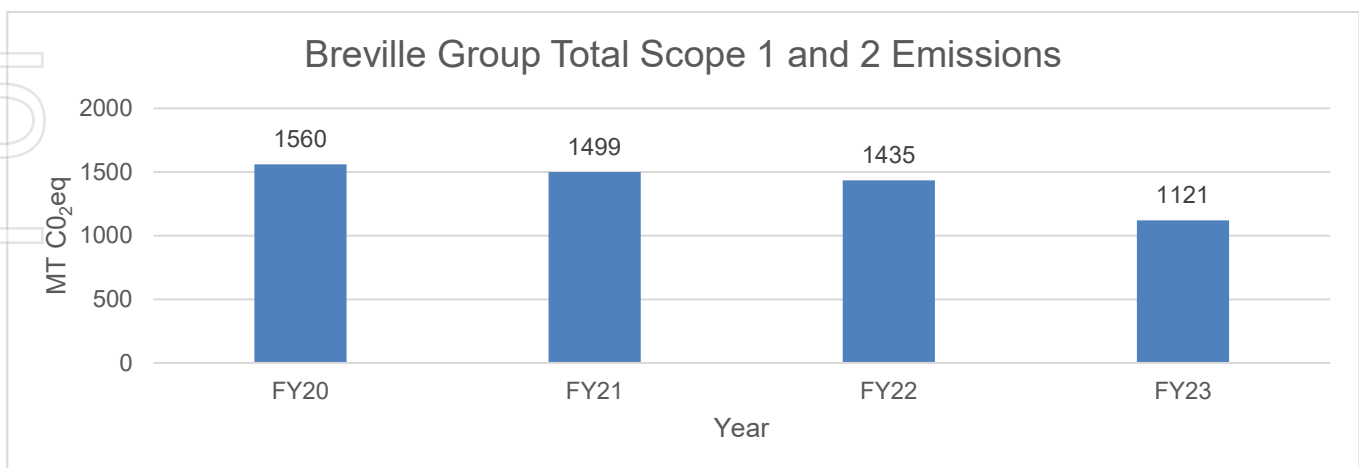
Key initiatives to drive emission reductions include:

- Electrification and use of renewable electricity including use of solar in key locations;
- Energy efficiency initiatives including optimised lighting and sensors; and,
- Defining an offset strategy for unavoidable emissions.

A review of FY22 scope 1 and 2 emissions showed that the majority of our emission impact was a result of operations in APAC, notably our Global headquarters and R&D facility with a total of 79 percent of emissions emerging from this centre. This finding drove our initiative planning for FY23, where we focussed on reducing emissions at our Global headquarters in Alexandria, Sydney.

In FY23 we were able to facilitate the installation of rooftop solar panels and a complete lighting fit out to remove existing fluorescent globes and replace them with more efficient LED lighting to reduce on site electricity usage. We furthermore moved to ensure the remainder of electricity usage at this site was powered by green energy. The combination of these achievements has allowed the Alexandria office to be carbon neutral in electricity usage, decreasing the total scope 1 and 2 emissions in APAC by 59 percent from FY22. Our next step in this area will be to complete the same initiatives at our other scope 1 and 2 locations. FY23 was also the first year we have seen a manufacturing site be included in our scope 1 and 2 emissions, following the purchase of Italian brand 'Lelit'. While this could have caused a dramatic increase in our total emissions, we are pleased to announce that Lelit operates using green energy, meaning this acquisition has had little effect on our total carbon footprint.

Overall scope 1 and 2 emissions reduced by 21.89 % in FY23 vs FY22 to 1121 MT CO₂eq. and we remain confident of achieving our zero net emissions target by FY25.



Directors' report continued

Operating and financial review continued

ESG report continued

1.2 Carbon Emissions – Measurement and target reductions cont'd

Scope 3 Emissions

The majority of BRG's emissions footprint is produced from activities not owned, or directly controlled by Breville, such as third-party manufacturing, third-party logistics as well as the electricity consumed by our products in consumers' hands ("in-use" emissions) and the impact of materials used in constructing our appliances.

These scope 3 emissions are also being captured and measured in SCSS by:

- Aggregating emissions data from manufacturing and logistics partners;
- Capturing transportation volumes and resultant emissions impact;
- Using LCA Lifecycle Analysis of key products to model energy in-use emissions by unit by year; and,
- Using LCA Lifecycle Analysis and BOM (bill of materials) to model the impact of materials and packaging used in our appliances and the end-of-life impact by unit.

To ensure as much objectivity and accuracy as possible in the LCA estimation process Breville engaged the Sustainable Manufacturing and Life Cycle Engineering Research Group at UNSW to conduct a LCA on one of our best-selling coffee machines, the Breville Barista Touch (BES880). This involved a detailed assessment of the emissions profile of the materials used in its production, the manufacturing process, transport, household usage and end-of-life disposal. UNSW conducted a cradle-to-grave assessment (not just cradle-to-gate), to provide us with a comprehensive emissions profile over the full life of the product.

The findings of this detailed study are now being flexed for the different technical specifications and BOMs (bills of material) of our other key products and will be loaded into SCSS to allow us to quantify our current carbon footprint per product sold and to measure the forecast change in our carbon footprint as mix and volumes change and as we implement new materials or energy efficient components.

LCA modelling will estimate an average expected impact per product. For example, the actual in "use-phase" emissions of a product will vary with both the frequency of use and the electricity source in the country where the product is operated. Here we model an average expected life span, frequency of usage and average electricity source to calculate the scope 3 impact of in use power. The impact of a product will then be applied to the total units sold in the year to determine the total scope 3 emissions.

Starting in FY24, all new products in development will be subject to a LCA prior to production start. This will ensure that sustainability (including materials used and repairability) are explicitly taken into consideration during the design phase. Alongside new products, certain existing products will also have a LCA completed to estimate total scope 3 emissions and opportunities for reduced footprint.

This process is involved and complex, and once we are confident that it is both comprehensive and robust, we will publish actuals alongside annual reduction targets. We estimate to be ready to publish our scope 3 emissions in our FY24 ESG report.

Key Scope 3 Emissions Reduction Opportunities

- The LCA performed for BRG by UNSW found that the majority of scope 3 emissions impact arises firstly, from the materials used in production and secondly, through "use-phase" power usage once a product is in a consumer's home and thirdly from transport and packaging.

Informed by these results we have focussed on reducing emissions by improving the energy efficiency of our products, applying sustainable design principles to our NPD process and accelerating sustainable packaging adoption.

1.3 Energy Efficiency

Enhancing energy efficiency in the "use-phase" is a key ESG opportunity.

We assess our current energy efficiency performance through the use of the Swiss Energy Ratings label across our key appliances to monitor the relative energy efficiency of our range (star rating is currently not available for small domestic appliances). Breville also voluntarily tests its products against the European Union's Ecodesign Directive (Directive 2009/125/EC), which sets ecological requirements for energy use.

We use this testing regime globally as a substitute for the 'star rating' for energy efficiency, which is only available for large appliances e.g., fridges and washing machines.

Directors' report continued

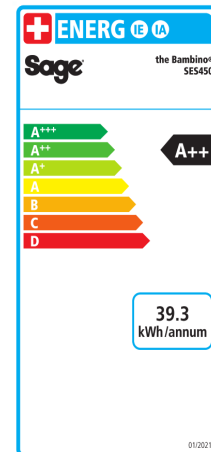
Operating and financial review continued

ESG report continued

1.3 Energy Efficiency cont'd

All Breville products are also designed to comply with the EuP (Energy using Products) requirements set by the European Union. This means that products without a screen must use half a watt or less in stand-by mode. Products with a screen must use one watt or less in stand-by mode and switch off before a maximum of 30 minutes.

ThermoJet – a significant innovative impact on reducing CO₂ emissions



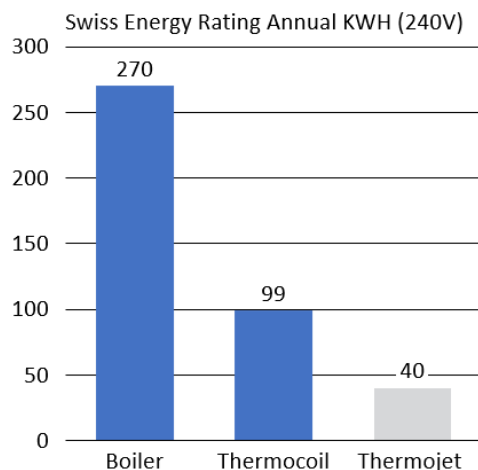
In terms of key energy saving initiatives, Breville is proud to have jointly pioneered the ThermoJet heating system in its espresso machines addressing the major energy usage in a typical espresso machine – delivery of hot water and steam. Traditional espresso machines are one of the highest energy consuming products in the small kitchen appliances world due to the need to heat up and keep a body of water at temperature, traditionally done using metal boilers. The alternative to boilers, thermocoils, still require the heating of blocks of aluminium to transfer energy, a process that consumes significant amounts of energy.

It was with this in mind that Breville helped pioneer a printed thick film heater for coffee makers (ThermoJets) that heats up instantly and delivers precise temperature control using a fraction of the energy of traditional methods. We believe that this is one of the more significant climate-friendly innovations in small kitchen appliances in the last decade and it forms a key part of our path to reduce our in-use energy consumption. The technology scores an A rating in Swiss Energy Ratings for energy savings compared to a B or C rating for thermocoils and a D rating for boilers.

Key Facts

Breville espresso machines fitted with a ThermoJet heater:

- Use approximately 2.5 times less total energy during normal use than a thermocoil machine and 6.6 times less energy than a typical machine using a boiler*
- Save between 50 to 200 (KWH) per coffee machine vs. a thermocoil or traditional boiler machine respectively*



*as estimated by the Swiss Energy certification labs, an independent body set up to test and report on appliance energy consumption.

Directors' report continued

Operating and financial review continued

ESG report continued

1.3 Energy Efficiency cont'd

Breville has embraced this energy efficient technology:

- Doubling the number of machines sold using a ThermoJet from FY20 to FY23 reaching over 600,000 in FY23;
- Increasing the percentage of Breville coffee machines using ThermoJet from 43% in FY20 to 52% in FY23 and reducing the proportion of Breville coffee machines using Boilers to 4.9% in FY23 from 5.9% in FY20;
- Two out of the three new Breville coffee machines launched in FY23 use a ThermoJet and 71% of new models currently under development are slated to use a ThermoJet;
- Based on units sold in FY20-23 the adoption of the ThermoJet technology has saved approximately 861 million kilowatt hours (KWH) of lifetime electricity used against an equivalent range of thermocoil machines or 3.432 billion kilowatt hours (KWH) against a range of traditional boiler machines. Both estimates are based on typical annual consumer usage and a 7-year lifecycle; and,
- The carbon footprint of electricity generation varies greatly from country to country, but assuming that 0.386 kgs of Co2 was generated per KWH (sourced from US Energy Information Administration) Breville's transition to ThermoJet heaters over FY20-23 is calculated to have saved between 332,601 and 1,326,143 metric tonnes of Co2 over the lifetime of the machines sold.

A significant and innovative contribution to our energy efficiency and emissions reduction journey.

Looking forward Breville remains committed to have at least 75% of our coffee machines using ThermoJet or equivalent technology by 2028.

1.4 Sustainable design, reparability and end of life

Our LCA highlighted an emissions reduction opportunity from reducing key material usage, notably plastics and metals, in the design and construction of our products. Our design and engineering teams are continually working to optimise the strength and weight of materials used in our key machines to reduce material consumption whilst maintaining desired quality, using Finite Element Analysis (FEA), Computational Fluid Dynamics (CFD), Design for Manufacturing studies (DFM), as well as Failure Mode and Effect Analysis tools (FMEA).

To complement this approach, our R&D team completed the discovery phase of its Forever Project with the objective of identifying the most impactful activities Breville could undertake to materially reduce the per unit carbon impact (Scope 3 emissions) of the products it designs and engineers. This phase of the project was undertaken by the strategic business unit of Design and Innovation known as Deepdive, which is responsible for many of the innovations in our award-winning products. The primary consideration of the project was to examine how circular economy principles could deliver sustainable outcomes for the environment whilst delivering elevated customer experiences and ongoing strong commercial growth. The project resulted in a detailed paper containing several promising avenues that will be shortlisted and reviewed during FY24 for priority, investment, and action.

Material usage can also be reduced by extending the lifecycle of our products. Breville already sells key spare parts, filters, and cleaners for our most popular appliances to help extend their lifecycle. Baratza goes further, with its grinders explicitly designed to be user repairable. The 'don't dump it, fix it' program has a wide range of spare parts available for purchase and instructional videos on YouTube to support repair at home and even rebuilds. This approach is mirrored in the newly acquired Lelit business with reparability a key part of the brand identity and driver of consumer choice. In core Breville ranges a 'serviceability index,' has been introduced, to track and encourage reparability as a design criterion in new products.

1.5 Sustainable packaging

Packaging materials constitute an estimated 6 percent of our materials climate change impact. It is an important area to our employees, our consumers and other stakeholders and an area in which we are making rapid and significant progress. We are a decade-long member of the Australian Packaging Covenant Organisation (APCO) and as such have entered into a voluntary agreement to reduce the impact of packaging on the environment. In FY23 our comprehensive packaging audit was extended to include all new SKUs to support the rapid roll out of key developments in recyclable packaging across all existing as well as new products as soon as they are available.

Breville's key sustainable packaging commitments are:

- All packaging to be reusable, recyclable or compostable by 2025 (aligned to APCO target);
- Removal of expanded polystyrene (EPS) from consumer packaging by July 2025 (a target set by the National Plastics Plan); and,
- Removal of non-essential packaging (on-going target) for example the combination of shipper and inner display box.

Baratza led the way with the release of a 'one box' design or "beautiful brown box" combining retail and shipping boxes in the launch of the Vario+ and Vario W+.

Directors' report continued

Operating and financial review continued

ESG report continued

1.5 Sustainable packaging cont'd

In 2023 Breville developed and launched the company-wide Sustainable Brown Box initiative which will see the company adopt best-in-class sustainable packaging practices. The goal is to reduce our packaging footprint by moving to a recyclable brown box, the complete removal of expanded polystyrene (EPS), and minimal use of internal soft plastics. In addition, the new brown box will carry simplified on-pack communications with the rollout of a new Product Information and Sticker Strategy. This strategy will allow Breville to streamline a sustainable packaging supply chain for Breville's three theatre, multi-region production.

Breville will globally adopt a recycled and recyclable cardboard box with standard offset printing in two water-based inks, accompanied by a recyclable printed sticker. This approach will replace the non-recyclable cardboard box with standard offset printing in full CMYK colour with added spot UV plastic highlights and a matte plastic coating. Internally, a protective polystyrene foam had been historically used to protect the product from damage during transit and storage. Moving forward, protective recycled and recyclable moulded paper pulp and or corrugated cardboard will be used to protect the product.

Sustainable Packaging Initiative		
	Legacy Package	Sustainable Package
Inks	Full CMYK	Recyclable 2x Water-Based
Printing	Standard Offset	Standard Offset
Process	Spot UV Plastic Highlights Matte Plastic Coating	Recyclable Printed Sticker
Insert	Expanded Polystyrene Foam	Recyclable, Recycled Molded Pulp Recyclable, Recycled Corrugated Cardboard

The Sustainable Brown Box Initiative will also deliver substantial efficiencies to the packaging supply chain thereby reducing waste and impact. For example, historically packaging development for four regional versions in nine languages would require 800hrs+ in initial development and another 100hr+ in revision resulting in waste and multiple in-market versions. By comparison, the new strategy will require 20hrs to produce the one box, two-branded versions, and three sticker variations with minimal translation thereby greatly reducing waste and ultimately a single version in-market.

In FY24 all new product releases for all markets will be EPS free. They will instead use corrugated cardboard and or moulded paper pulp. In addition, new product releases in all markets will use the sustainable brown box and sticker approach. For legacy products, a global rollout roadmap is being defined, starting with ANZ, where most legacy products will be ready to order from September 2023 (brown box and EPS-free).

The Company remains confident with the national APCO commencement EPS-free July 2025 deadline and is satisfied with the progress towards similar deliverables in key overseas markets.



- Full CMYK colour printing
- Standard offset printing
- Process Spot UV plastic highlights
- Matte plastic coating
- Protective polystyrene foam
- 4 regional versions



- 2x water-based printing inks
- Standard offset printing
- Process recyclable printed sticker
- Recycled & recyclable cardboard
- Recycled & sustainable protective pulp
- 2 brand versions

Directors' report continued

Operating and financial review continued

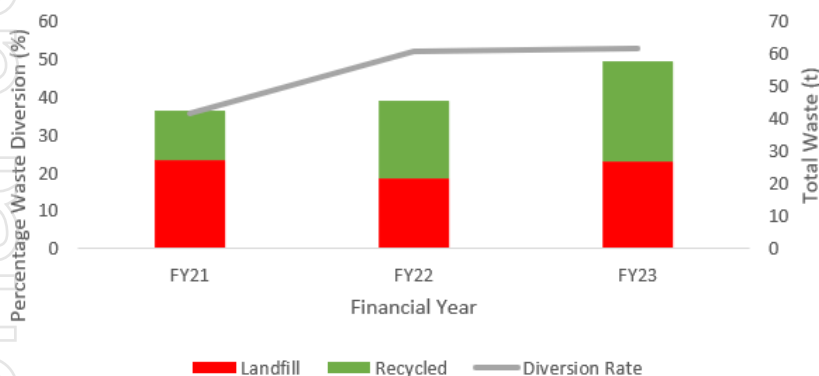
ESG report continued

1.6 Waste diversion

All recyclable waste streams generated at our Sydney headquarters and global R&D centre (except general waste) are diverted from landfill. This means that our co-mingled recycling, organic, paper and cardboard, e-waste, and expanded polystyrene (EPS) waste are all disposed of in a sustainable way. Soft plastics remains an area of challenge and one where we continue to look for a recycling partner.

During FY23, Breville produced a total of 57.7 tonnes of waste, 30.6 tonnes (or 53%) of which was recycled. As we adapt to the post-covid environment, we have seen a significant increase in the number of staff attending our offices and expected an increase in the amount of waste produced on-site. Our FY23 goal was to ensure the amount of waste being diverted from landfill did not increase despite the return-to-office impact. We were able to meet this goal, with an increase on waste diversion from 52 percent in FY22 to 53 percent in FY23.

Total Waste Produced at Global Head Quarters and R&D Centre from FY21 to FY23 with Diversion Percentage



Social

2. Product quality and safety including product recall

Breville's reputation with consumers for innovative, high quality and safe products underpins our sustainable growth.

To protect this hard-earned reputation Breville adheres to rigorous quality standards during design and production and has clear consumer focussed protocols for Product recalls.

Breville has a comprehensive quality regime to ensure that its products are safe and compliant with all labelling requirements. In addition to fulfilling all compliance and regulatory standards on product safety in our various markets, we implement additional safety requirements that exceed our legislative obligations. This means our products are safer than the average small domestic kitchen appliance.

Rigorous safety standards are a critical marker of our approach to product development. For example, in approving all new products we use the European Union's Rapid Exchange of Information System (RAPEX) analysis to estimate 'severity of harm' and the related 'probability of occurrence of harm' for any particular failure point of a product. This allows us to better understand the impact of potential product failures on our customer base and how to rectify/design these out of the product before they occur.

The Group also maintains a rigorous Quality Assurance and Control program for our products.

This includes Pre-Shipment Inspection (PSI) of products before they leave the factory, as well as System and Process audits. A zero-tolerance approach to quality and safety within the Quality Assurance and Control programs gives us a high degree of confidence that the products shipped and sold to customers are free from safety-related defects. Our quality team is in our partners' factories daily qualifying the manufacturing processes and products before shipment.

Our General Manager Quality also monitors all returns and warranty claims, as well as any specific customer complaints, to identify and rectify any quality issues and identify any trends in quality. These are reported to the CEO and CFO monthly or immediately in the case of a serious issue.

Directors' report continued

Operating and financial review continued

ESG report continued

2. Product quality and safety including product recall cont'd

Customer safety is a non-negotiable core responsibility of the Group.

For any alleged or actual injury to a consumer sustained through the use of one of our products, we follow the ACCC guidelines for mandatory reporting, as well as equivalent bodies in our other markets. If our customer care team receives a claim that a product has caused an injury requiring third party medical treatment, we lodge it with the ACCC within two days of notification. If later investigations show that treatment did *not* result from product failure, we contact the ACCC, and the report is rescinded.

Product failures caused by the manufacturing process or components are treated on a case-by-case basis. If a pattern is identified, we contact the regulator that issued the approval certificate or the ACCC to discuss further.

Product recall

If potential for harm, arising from a Breville product, is identified, then a recall protocol is triggered and recall procedures appropriate in each territory are started. These are accompanied by a vigorous all channel consumer communications approach.

As a result of our quality and safety standards and reassurance regime Breville has not had to trigger a product recall for over 6 years. The last product recall was on 7 November 2016.

All historic product recalls remain online on key websites and can be viewed at:

- <https://kambrook.com.au/pages/recall>
- <https://www.breville.com/au/en/support/Recall.html>
- <https://www.productsafety.gov.au/recalls>

3. Ethical sourcing – Human rights and modern slavery

Ethical procurement

The Group conducts its business in a socially responsible manner. This includes upholding consistently high ethical standards in our procurement decisions and processes. The consumer facing nature of Breville, and the importance of this issue to our stakeholders in maintaining our reputation, and therefore sustainable sales, ensures that this is a high focus issue within our operations.

Our Ethical Sourcing Policy sets out our requirements for our manufacturing partners and sub-contractors including compliance with the protection of human rights, all local and international labour and employment laws, and generally ensuring a safe and fair work environment.

All our supplier's sign and are held accountable to adherence with this policy. Ensuring compliance with the policy, and the highest ethical standards, is the responsibility of our Chief Operating Officer, who also owns the overall commercial relationship with suppliers, supported by our General Manager Quality who has frequent touch points and interaction with the suppliers via their QA team and procedures.

Human rights & modern slavery

Breville respects and upholds the Universal Declaration of Human Rights through its sound business activities. Our suppliers, bound by our Ethical Sourcing Policy, are required to do likewise in order to partner with us. This includes upholding the following human rights in their operations:

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

The Group's Code of Conduct (for employees) is animated by the same principles. In addition, Breville is bound by the requirements of the Australian Modern Slavery Act 2018 (Cth), the United Kingdom's Modern Slavery Act (2015) and the California Transparency in Supply Chain Act 2010. Our Modern Slavery Act Statement, is published on our website and the Australian government platform. The actions we are taking to identify and address modern slavery and human trafficking risks in our operations and supply chains described above ensures that our Ethical sourcing policy is adhered to.

Directors' report continued

Operating and financial review continued

ESG report continued

3. Ethical sourcing – Human rights and modern slavery cont'd

Human rights & modern slavery cont'd

The Group's products are largely manufactured in the Shenzhen area of southern China, with long-term manufacturing partners, many of whom we have partnered with for well over 20 years. Our long-term relationships with our partners are collaborative in terms of bringing innovation projects to commercialization, which fosters a close understanding of each other's businesses. We represent a significant part of our manufacturing partners' business, giving us influence over expected standards. We attempt to give our suppliers good visibility of future volumes and pricing to avoid any business constraints that may encourage poor behaviour. Our portal allows suppliers to view future POs (purchase orders) by SKU for a rolling one year, giving the suppliers good visibility and adequate lead time to scale production up and down, including the scheduling of labour. In addition, fair pricing is continuously monitored throughout the fiscal year by watching currency, commodities, and capacity utilization. The nature of our manufacturing, requiring high end, well trained and skilled assembly, rather than low skilled transitory labour, reduces the likelihood of any serious non-adherence including no tolerance violations such as forced or child labour issues. There is, however, no complacency on this risk. Our frequent onsite visits give us visible reassurance that standards are being adhered to in practice, which we then systematically confirm by independent audits.

We regularly visit our partners' plants and get visible reassurance of how the plants are run. Our engineering teams make frequent visits to the plants during the commercialisation phase on innovation projects. Our Chief Operating Officer and teams normally make plant visits 3-4 times per annum to review operational plans and, critically, our quality assurance teams make plant visits on a weekly basis to quality assess and release production batches. We have consulted with IAST (Investors against slavery and trafficking) and are working on a simple awareness and training program to increase the effectiveness of these visits in identifying potential human rights issues even if that is not the primary purpose of the visits. The advantage being that these visits are both frequent, and at times, unscheduled.

To support our regular internal observations Breville commissions SMETA Audits (Sedex Member Ethical Trade Audits) conducted by AACs (Affiliate Audit Companies) which comprehensively cover four pillars: labour standards, health and safety, the environment and business ethics.

In 2018, we set a target to increase the number of audits performed annually from 5 to 10. In FY23 Breville independently audited 12 of our manufacturing partners.

Sedex membership also gives us access to any audit performed by the organisation, whether we commissioned it or not. Out of our 95 current suppliers, 70 representing 95 percent of our supplier spend are connected to the Sedex platform and have performed a self-assessment during the last year which we can access and review.

Detailed audit reports and findings are received and reviewed by our General Manager Quality and COO. The severity of any non-compliance, and hence rating of the vendor is completed, and any that do not meet our internal 'baseline' standard are placed into a 'below standard' category and actively monitored until the non-compliance is addressed. A zero-tolerance matter such as modern slavery would result in us severing the relationship immediately.

In FY23 although there were specific areas for improvement no supplier rated 'below standard', and there were no zero tolerance violations.

FY2023 Sedex Audit Scorecard

FY23 Audits	12	
Zero tolerance issues	0	<i>No zero tolerance issues identified.</i>
Critical issues	9	<i>6 overtime / workings hours related; 2 record keeping; 1 fire inspection.</i>
Other issues	182	<i>Range of medium to low level issues.</i>
Total issues raised	191	

All finished goods we are selling under Breville/Sage brands in the European Union, UK, and South Korea comply with European RoHS legislation banning substances of concern. Furthermore, the Group ensures all parts and materials in Breville/Sage products meet the food contact safety/REACH requirements.

Directors' report continued

Operating and financial review continued

ESG report continued

4. Community relations

4.1 Community engagement

Breville recognises that the health and wellbeing of the communities we serve is directly correlated to our ongoing viability and success as a business. In FY23, we partnered with various not-for-profit organisations on a range of initiatives designed to make our communities fairer, kinder, and stronger. Projects included:

- STEPtember Program – a month long global program which encouraged employees to exercise each day, with proceeds going to the Cerebral Palsy Alliance (Breville matched donations made by employees).
- Heritage Awareness Months (US & Canada) – information shared with employees each month to celebrate and acknowledge the contribution of various ethnic and traditionally marginalised groups in US and Canadian history.
- International Women's Day – Breville sponsored a panel discussion run by Future Women, celebrating first nations women in Australia. The event profiled our Aboriginal Culinary Journey collection and the curator of the range, Alison Page was a member of the panel. The panel was recorded and broadcast on the ABC's 'Speaking Out' program.
- Reconciliation Week - to mark National Reconciliation Week, Breville invited our staff to an event run by our Partner UTS on Voice, Treaty and Truth, as an in-depth discussion on 'the voice to Parliament' as part of our commitment to educating our team on the coming Referendum.
- Clean Up Australia Day – in conjunction with people across Australia, Breville employees volunteered their time to cleaning up the Corporate Park within which Breville is located.
- Future Careers – FY23 saw the Breville Group undertake several programs where current employees engaged with young people who have an interest in the areas in which we operate. These include the 'Guluwa Engineering and IT Experience', a week-long program for Indigenous high school students to discover the opportunities that a degree in engineering or technology can provide, 'Girls Big Day Out', an event sponsored by Breville where young women in their later years of high school that are in engineering clubs attend a networking event and learn about the life of an engineer at Breville, and 'Launch Your Career: Creative Industries', an event that allowed current university students and alumni to network with Breville employees.
- Oz Harvest Food Drive - Breville organised an office food drive in support of Oz Harvest. Oz Harvest aims to keep food out of landfill and instead, to direct it to feed people in need in our local community. We received a higher contribution than expected and Oz Harvest were appreciative of the generosity shown by our Alexandria based employees.
- Our Big Kitchen - the Australian Finance Team volunteered at 'Our Big Kitchen', a charity that cooks and packages fresh meals for people in need across Sydney. In total, 200 meals were delivered to needy people on the day.

Breville's engagement with its community explicitly excludes affiliation to any political cause, and Breville does not make any political donations.

4.2 Reconciliation Action Plan (RAP) and an Aboriginal Culinary Journey collection (ACJ)



In FY23 we continued our efforts on reconciliation and engagement with the Aboriginal and Torres Strait Islander communities within Australia via our RAP and continued to launch the Aboriginal Culinary Journey (ACJ) collection in Europe and the USA.

Breville's first 'Reflect' Reconciliation Action Plan received official endorsement from Reconciliation Australia in March 2022 and now guides our reconciliation initiatives. Our progress is guided by an Advisory Council of elders and community stakeholders that provides the Breville RAP Working Group with advice and information on equity issues facing Aboriginal and Torres Strait Islander communities.

Directors' report continued

Operating and financial review continued

ESG report continued

4. Community relations cont'd

4.2 Reconciliation Action Plan (RAP) and an Aboriginal Culinary Journey collection (ACJ) cont'd

More information on these initiatives, and our Reconciliation Action Plan, can be found on the Breville Group Corporate website.

An Aboriginal Culinary Journey collection (ACJ)

On the 26 May 2022 we launched a world first partnership between First Nations People and the National Museum of Australia to create products for the heart of the home that celebrate contemporary design and reflect 65,000 years of ongoing Australian Indigenous culture. A decade in the making, an Aboriginal Culinary Journey combines ancient stories with the best of contemporary design, with Breville's profits from the sale of the range donated to three key charity partners to create opportunities for Indigenous Australians.

Donation of 100% of Profits to support Indigenous Australians

In FY23, we are pleased to report the sale of over 2,500 pieces from the collection and the distribution of \$354,904 to our nominated charity partners, who are the beneficiaries of 100% of our profits from the sale of the Aboriginal Culinary Journey range worldwide.

Half of the funds have been used to support the National Indigenous Culinary Institute's work, creating employment opportunities for aspiring Aboriginal and Torres Strait Islander chefs, and the 'Indi-Kidi Program' by the Moriarty Foundation, which aims to support better childhood nutrition and share Indigenous Food Culture. The other half has been used to create scholarships at the University of Technology Sydney, creating pathways for employment in engineering, technology, and design.

The first of the scholarships will be awarded to students in August this year and will remain open for application until they are awarded. Currently we have 3 fully funded scholarships with UTS and have committed to internship positions within Breville to support the student's transition from study to work.

The profits earned are donated in quarterly increments commencing September 2022, and Breville has absorbed all other overhead costs associated with advertising, marketing, and administration relating to the sale of the products. For further information on our how profits are calculated or to learn more about our charity partners please visit our website.

Royalties were also paid to the artists that collaborated with us on the collection.

Global Tour

Following the successful Australian launch, we embarked on a global tour with the National Museum of Australia to exhibit the collection in cultural institutions and Australian High Commissions and Embassies in London, Berlin, Brussels and Washington DC. The range was also showcased at high profile press events and distributed in premium retailers all over Europe and the USA including Harrods, KaDeWe and Bloomingdales, bringing prominence to Aboriginal storytelling, and profiling indigenous art and culture to the world.

65,000 Years of Design

As an Australian company, we are proud to share these stories belonging to the world's oldest living culture and weave them together with our own 90 years of innovation. More than just a collection of products, an Aboriginal Culinary Journey is an invitation to immerse yourself in a deep and vibrant culture, and we're honoured to provide a platform to bring these art objects into the homes of our consumers around the world.

5. Employee wellbeing

Working to ensuring that our workplace is a safe, inclusive, and encouraging environment for all employees is core to our growth and sustainability as an organisation.

5.1 Diversity and inclusion (D&I)

Breville's approach to D&I is informed by its Diversity & Inclusion Charter published on our corporate website. The Charter was drafted under the guidance of our Diversity & Inclusion Committee, incorporating over 60 employees as active members, which showcases diversity in all of its forms. This includes, but is not limited to, diversity of gender, age, origin, race, cultural heritage, language, sexual orientation, and location.

Directors' report continued

Operating and financial review continued

ESG report continued

5. Employee wellbeing

5.1 Diversity and inclusion (D&I) cont'd

We recognise the moral imperative of supporting a diverse and inclusive work force and promoting diversity of attributes. We will not tolerate any form of discrimination with regard to personal traits such as:

- religion, creed, race, ethnicity, national origin, ancestry, cultural background, language, and citizenship status;
- gender, sexual identity or preference;
- marital status;
- age;
- psychological and physical capability or disability;
- education and experience level;
- socio-economic status;
- family situation and background;
- military or veteran status; and
- political belief and worldview.

We maintain that diversity includes differences in perspectives, thoughts, interests, and ideas; and that inclusion means ensuring that all employees are valued, heard, recognised, engaged, and involved at work, and have opportunities to collaborate, contribute, and grow professionally in line with our business needs. Diversity and inclusion are the result of respect, valuing others and caring about the lives we touch through the people we employ, the customers who enjoy our products, and the societies in which we operate.

One way in which the Breville team strives to inspire diversity is through initiatives aimed at enhancing gender balance including:

- representation of women on the Board;
- representation of women in Senior Executive roles including succession planning;
- issuance of the Breville equal opportunity statement to recruiting agencies;
- explicit requirement of recruiting agencies to provide a gender balance of suitable, qualified, shortlisted candidates for interview; and,
- flexible working arrangements where operationally appropriate.

We are confident that superior business performance results from a business culture that is open-minded, accepting and conscientious about protecting and promoting these interests. For example, diversity and inclusion can lead to better outcomes for customers, wherein we are able to deliver improved value to the populations we serve; greater innovation and valuation resulting from eclectic ideation; and a more attractive, enriching, and supportive environment for employees.

Our Diversity & Inclusion program provides continual recognition and activities in order to promote our ideals. Recent initiatives have included:

- Respect in the Workplace Training - Breville launched the 'Respect in the Workplace' (Respect) training video to all employees globally. The training addressed; the behaviours described as bullying, harassment, discrimination, and victimisation, the risks and consequences which can arise from transgressions and the importance of eliminating these behaviours from Breville's workplace; and how an employee should escalate any concerns and how Breville would handle these.
- International Women's Day - Breville celebrated International Women's Day by hosting a workshop run by the NGO, 'Ladies Finance Club'. Key topics included investing, budgeting, and managing debt. Ladies Finance Club aim to empower women to take greater control of their financial futures through financial education.
- Internal Community Events - featured speakers, and events and communications oriented toward recognition and learning opportunities with respect to significant cultural milestones (e.g. *International Women's day, Men's Health Week, NAIDOC week, Diwali and Pride week*).
- Breville complies with the (Australian) Workplace Gender Equality Act, which requires the submission of an annual report on gender diversity practices and metrics. Globally in FY23, our Board was 33 percent female and the percentage of women across the organisation was 45 percent. The percentage of women in managerial roles was 37 percent, up from 36 percent in FY22 with senior and executive roles at 35 percent, up from 34 percent in FY22.

While we do not maintain specific quotas for individual facets of diversity, we continue to apply principles of equity and social justice to achieve equal employment opportunities for talented individuals of all backgrounds and cultures. We celebrate achievements and we endeavour to enable continued improvement.

Our approach to Board diversity is detailed in Section 6.1 below.

Directors' report continued

Operating and financial review continued

ESG report continued

5. Employee wellbeing cont'd

5.2 Health, Safety and Wellbeing

Ensuring a healthy and safe workplace is foundational to our ongoing success as a growing business, and we strive for continuous improvement and consistency in our wellbeing and safety practices.

A Group Health, Safety and Environment (HSE) Advisor oversees our global HSE systems, procedures, and compliance. In addition, a Workplace Health & Safety Committee (WHSC) routinely reviews the Group's health and safety standards, rules, and procedures, providing updates as needed. The Board receives monthly updates on key incidents and safety initiatives as well as safety KPIs.

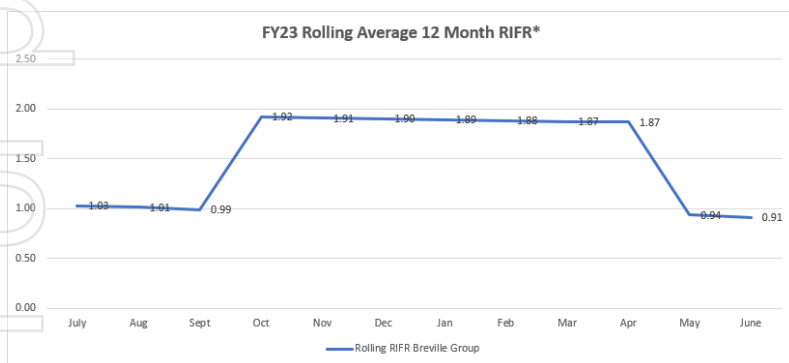
The Breville Group has an internal health and wellbeing program, branded 'Nourish'. The Nourish team organise several initiatives for employees throughout the year, examples of these include;

- STEPtember - Breville Group employees from around the world, again participated in the STEPtember challenge. Employees were encouraged to form teams and walk, swim, ride or spin their way to 10,000 steps each day. Employee registration costs were covered by Breville|Sage and over 200 Breville|Sage employees participated globally. This resulted in a combined stepping total of over 31 million steps with \$18,500 being raised through employee sponsorship.
- RUOK? - RUOK? Is a day where we are encouraged to check in on one another. This year Nourish organised guest speaker Stacey Copas to speak with employees on the theme of resilience while sharing her inspirational story. Over 300 employees participated in this event.
- Breville|Sage Day – An annual event where all employees are given a device-free day to spend time with their friends and family.
- Summertime Hours – An initiative where employees are able to extend their hours Monday through Thursday, allowing them to have an early finish on a Friday.
- Mental Health First Aiders - As part of Breville's commitment to the mental health of our employees, Breville invited interested employees to apply to be trained in mental health first aid. This was through providers accredited by Mental Health First Aid Australia. We now have 9 trained employees who are able to assist employees when required.

In terms of supporting an employee focussed management of work life balance Breville offers:

- *Flexible Work Policy* – allowing employees a greater choice around work locations and hours including numerous part time roles.
- *Technology* – which is leveraged to support a choice of work locations and to protect personal time with meeting recordings and do not disturb periods.
- *Paid Parental Leave* – Breville introduced 12 week paid parental leave in countries where this is not provided by the state.

In FY23, Breville employees worked a total of 2,355,998 hours, and there were two recordable injuries in that time, one occurring in APAC and the other in EMEA. One of the incidents was a lost time accident, so our FY23 LTIFR is one. Safety performance in terms of LTIR and RIFR are reported and reviewed with the Board on a monthly basis.



* Reportable Injuries per million hours worked

Directors' report continued

Operating and financial review continued

ESG report continued

6. Corporate Governance

Breville is committed to the highest standards of Corporate Governance and delivers this through culture, demonstrated behaviours and policy.

6.1 Board independence & diversity

Breville maintains a majority independent Board and is steadily evolving its Board composition to benefit from diversity in all its forms including gender, skill set, experience, ethnicity, and residency.

As previously announced the Group was committed to adding diversity, both geographic and skill set, to its Board. Given that 85% of the Group's revenue in FY23 was outside of Australia, priority was given to adding highly credentialed, non-Australian-based, Directors.

In August 2021, the CEO Jim Clayton joined the Board as Managing Director. In June 2022 Mr Tim Baxter joined the Board bringing specific experience of leading a consumer products business on a global scale and geographic and nationality diversity to the Board. Mr Baxter is the first non-Australian-based Director the group has appointed. Along with Mr Clayton, Mr Baxter's appointment increases the number of North Americans on the Board to two, or 25%. In April 2023 Ms Tuula Ryttilä, who is based in Finland, joined the Board increasing the number of internationally based Directors and bringing specific experience of consumer facing technology to the Group.

For eleven months of FY22, 29% of the Board were women (Sally Herman and Kate Wright). This percentage reduced to 25% when Tim Baxter joined the Board in June 2022. In FY23, when Tuula Ryttilä joined the Board (April 2023) the percentage reverted to 33%.

Breville will continue to look for opportunities to promote an effective, diverse, and inclusive Board and senior leadership team, including with respect to gender, background, ethnicity, professional experience, and geographic location. For an outline of the relevant skills, experience and expertise held by each director in office at the time of writing, please refer to pages 6 and 7 of the Directors report.

Our Chair Tim Antonie is non-independent due to his affiliation with a major shareholder. Lawrence Myers was appointed Deputy Chair in August 2022: he is the lead independent director and chairs the Audit and Risk Committee (ARC). The People, Performance, Remuneration and Nominations Committee (PPRNC) and the ARC are 100% independent.

Dean Howell is considered an independent director by the Group, despite his fifteen-year Board tenure. In Breville's view, Mr Howell's tenure is mitigated by the fact that the current management team has been in place for approximately eight years, which is eight years after Mr Howell took up his Board role, and Mr Howell's track-record of independent and impartial decision-making.

6.2 Internal ESG reporting mechanisms

Given the importance of the sustainability agenda, the Board established a Board Sustainability committee in FY21 to enhance oversight and focus on sustainability strategies, policies and programs throughout the Group.

The committee is chaired by Peter Cowan, independent non-executive director and ex-country Chair of FMCG multinational, Unilever – a leader in sustainable business practices. Sally Herman, Kate Wright and Dean Howell also sit on the committee. The Group CFO and General Legal Counsel and all Board Members are standing invitees to committee meetings. The agenda and minutes of the Sustainability committee are presented to and reviewed at subsequent Board meetings.

The Board Sustainability committee itself receives periodic updates from the company Sustainability Committee, the Reconciliation Action Plan (RAP) Committee as well as from business functions including quality, design, engineering, HR and WHS. The Board PPRNC Committee formally oversees and reviews all HSE and Diversity and Inclusion related topics, including company-wide safety targets and performance along with updates on diversity initiatives. The Board's Audit & Risk Committee formally oversees all risks and opportunities facing the Group, and climate change was explicitly added to Breville's material risks register in FY20 and has been developed every year since.

7. Corporate Behaviour

A key focus of the Breville Board is to instil and encourage a positive corporate culture across the Group that values honesty, openness and integrity. This is reinforced through policies, a demonstrated risk appetite including zero tolerance issues and visible leadership on key issues.

During FY23, Breville embarked on a comprehensive review of the company values. Recognising our significant growth over recent years, we saw the need to realign our core values with our strategic direction and growing employee base. This initiative allowed us to engage with employees, customers and partners, gathering insights that guided us in refining our core values to better reflect the essence of our organisation.

Directors' report continued

Operating and financial review continued

ESG report continued

7. Corporate Behaviour cont'd

These updated values are represented in the acronym, **CREATE**,

We are **CONSUMER-FOCUSED**: We place consumer needs first, creating exceptional products and services that elevate daily life.

We are **RESILIENT**: We embrace challenges as chances to learn, grow, and leave our mark on the world.

We strive for **EXCELLENCE**: We redefine the game with cutting-edge products and services that surpass expectations.

We are **AGILE**: We proactively adapt to market demands and trends, staying ahead of the curve.

We are one **TEAM**: We draw strength from our diversity in collaborating across boundaries in achieving shared goals.

We are **EMPOWERED**: We can all make a tangible difference by fostering autonomy, trust, and accountability.

7.1 Anti-bribery, corruption, and whistleblowing

Honesty, integrity, and trust are considered integral to the Group ethos, its products, and its brands. The standards of behaviour expected across the Group are laid out in the Corporate Conduct Policy.

Conduct associated with bribery and corruption is a 'zero tolerance' issue and unacceptable under all circumstances. 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 regarding dealing with outside parties.

These policies prohibit all 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.

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.

Our whistleblowing procedure and policy ensures the safety and appropriate protection from recrimination for any employee reporting a breach of the corporate conduct policies.

7.2 Cyber security & data privacy

The ongoing hybrid working conditions continue to provide enhanced prospects for cyber criminals, who have enjoyed more potential vulnerabilities to exploit. With cyber-crime-for-profit at an all-time high, Breville has responded by ramping up investment in its cybersecurity capabilities and strengthening the team further to protect and support both staff and key assets for the organisation.

The Technology Services team continues to strengthen our Cybersecurity and Privacy programs globally, including continuing work aligning to the NIST Cybersecurity & Privacy frameworks with focus on continuous improvement to increase our overall maturity. Establishment of additional cross-organisational governance bodies supporting both Cybersecurity & Privacy programs have also been implemented to provide additional focus in these critical areas.

On the security front, many normal operational activities were completed throughout the year including rounds of penetration testing, vulnerability assessments, PCI Audits and external reviews of some of our key environments to assess their ongoing security readiness. We have continued to enhance our ongoing security operations capabilities in terms of observability, threat intelligence, protections, incident management & response.

A ransomware cyber simulation exercise was conducted with the Board and senior executives and was facilitated by one of our key partners in the cybersecurity space. This exercise provided a real-world scenario that allowed for in depth exploration and discussion on how we would respond to this type of event. As a result of the simulation some updates to our ransomware response playbook were made to further strengthen the processes that have been established previously.

Additional to this all Breville staff have completed mandatory annual cybersecurity awareness training with specific security training for our software development teams globally. The team continue to test overall security awareness via planned phishing campaigns which assist us to identify weaknesses / reinforce training and behaviours.

With respect to personal data, our privacy platform (OneTrust) continues to play a key role in our ongoing operational ability to map data relationships across our systems and to meet the ongoing compliance obligations around the world. This platform allows us to track and respond to privacy queries from consumers and partners and act accordingly. We have continued to evaluate additional modules that may be appropriate to ensure our ongoing compliance obligations can be met.

Breville has cyber insurance in place. No claims have been made to date.

Directors' report continued

Operating and financial review continued

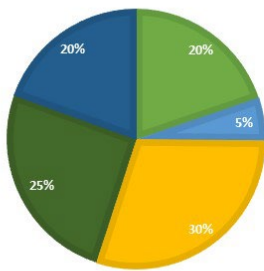
ESG report continued

7. Corporate Behaviour cont'd

7.3 Tax transparency and governance

Breville takes a low risk, high compliance, high transparency approach to its global tax affairs, contributing significantly to the communities in which it operates. During FY23, Breville paid A\$216.3m in taxes globally comprising a significant amount of indirect taxation as well as corporate income tax.

TOTAL TAX PAID (\$216.3M) BY TAX TYPE FY23

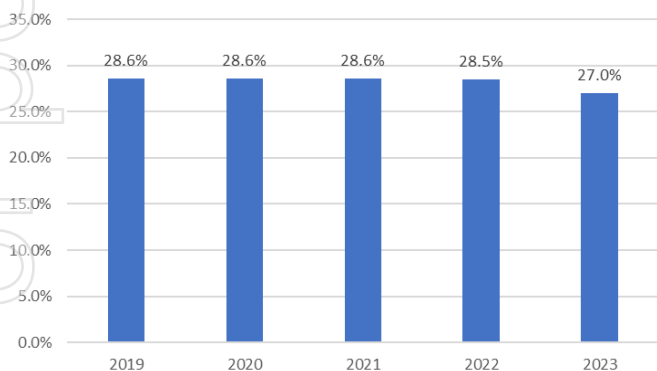


■ Corporate income tax
 ■ Duty
 ■ PAYG/PAYE/salary withholding
 ■ Employer/payroll taxes
 ■ Net GST/VAT or Sales Tax

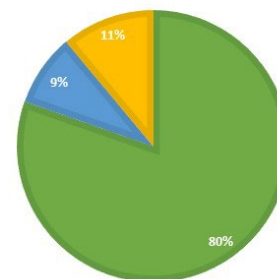
The Board has oversight over our tax risk management framework and sets the Group's tax risk tolerance and level of justification required for tax positions. Tax risks are monitored by the Board, with assistance from the ARC. The global tax function oversees our tax approach across all territories ensuring a uniform approach and compliance with the framework in line with the Board's agreed tax risk appetite.

With IP largely generated and housed in Australia, and long-established variable licence and service fee agreements in place between countries, the majority of the Group's profits are repatriated and taxed in Australia, resulting in a Group effective corporate tax rate of 27.0%, well above the global minimum tax rate of 15% under the OECD Pillar Two model rules. The global tax function oversees our tax approach across all territories ensuring a uniform approach and compliance with the framework in line with the Board's agreed tax risk appetite.

Effective Tax Rate



CORPORATE INCOME TAX PAID (\$43.1M) BY REGION FY23



■ APAC ■ Americas ■ EMEA

Directors' report continued

Operating and financial review continued

ESG report continued

7. Corporate Behaviour cont'd

7.4 Policy availability

Breville's suite of policies on both governance and behaviours are reviewed, and refreshed, on a rolling annual basis.

The policies are publicly available in the corporate governance section of the company's website (www.brevillegroup.com)

- *Board charter*
- *Audit and risk committee charter*
- *People, performance, remuneration and nomination committee charter*
- *Sustainability committee charter*
- *Code of conduct*
- *Corporate Values*
- *Anti-bribery and corruption*
- *Whistleblower Protection Policy*
- *Ethical sourcing policy*
- *Modern Slavery statement*
- *Diversity & inclusion policy*
- *Share trading policy*
- *Continuous disclosure policy*
- *Selection and appointment of Directors*
- *Criteria for assessing independence of Directors*
- *Shareholder communications policy*
- *Minimum shareholding guideline policy*
- *Workplace gender equality agency report*
- *Sustainability Policy*
- *Reconciliation Action Plan*

Directors' report continued

Operating and financial review continued

Risk management

The company's risk management approach is discussed in the corporate governance statement on page 61.

Dividends

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

	Cents per ordinary share	\$'000
Final FY23 dividend declared:	15.5	22,131
Dividends paid in the year:		
Interim FY23 dividend paid	15.0	21,417
Final FY22 dividend paid	15.0	21,417

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 currently plans to hold its Annual General Meeting (AGM) in person on 8 November 2023.

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 13 September 2023 (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 18 October 2023 (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	Unvested Rights
T. Antonie	43,791	-
L. Myers	163,000	-
T. Baxter	-	3,562
J. Clayton	277,903	498,894
P. Cowan	11,055	-
S. Herman	47,484	1,781
D. Howell	140,000	-
T. Ryttilä	-	-
K. Wright	21,859	-

Directors' report continued

Remuneration report (audited)

The Directors are pleased to present the Group's Remuneration Report for the financial year ended 30 June 2023, which has been prepared in accordance with section 300A of the Corporations Act 2001 and has been audited by PwC as required by section 308(3c) of the Corporations Act 2001.

1. Introduction and key issue overview

Business performance and shareholder returns

Breville Group (BRG), led by Jim Clayton and the executive team, has delivered sustained, sector-leading performance over the 5 years (from July 1, 2018 to June 30, 2023), doubling the size of the business and delivering outstanding shareholder returns. The market capitalisation of the Group increased by \$1.34bn or 88% over this 5-year period.

Explicitly, from FY18 to FY23, BRG's revenue has grown by 129%, EBIT by 98% and NPAT by 88%, whilst the share price has increased by 72%, outperforming the ASX 200 index (which grew 16% over the same 5-year period).

During this 5-year period the Group has also successfully increased its geographic diversification, with Global Product segment sales made outside of Australia increasing to 85% (from 79% in FY18). The Americas now accounts for 55% of Global sales, Europe 22% and Asia 8%. This successful geographic diversification has underpinned the consistency of business performance.

In FY23, despite facing challenging consumer conditions that have seen peers in the kitchen appliance industry decline in sales and profits, BRG outperformed its competitive set to grow revenue by 4.2%, EBIT by 10.0% and NPAT by 4.2% whilst the BRG share price appreciated by 10.8% against the ASX 200 index gain of 9.7%.

In FY23 BRG gave, and met guidance, which was above consensus.

Financial Highlights to June 2023	1 Year	5-year CAGR *
Group revenue increased to A\$1.479b	+4.2%	+17.8%
Group EBIT increased to A\$172.0m	+10.0%	+14.6%
Group EPS increase to 77.2c	+1.7%	+11.4%
Share price increased to A\$19.94 on June 30 th 2023	+10.8%	+11.4%
Market Cap increased to \$2.85b	+\$340m	+\$1.340bn

*CAGR: compound average growth rate from FY18-FY23. Note market capitalisation increase is shown as an absolute \$ increase.

Managing Director and CEO Remuneration

Jim Clayton joined Breville as CEO in July 2015 and joined the Board as Managing Director on 18th August 2021.

As the above financial performance summary illustrates, Mr Clayton has proven himself to be a transformative and high performing CEO who has delivered outstanding shareholder returns over a sustained period. He continues to set, and is executing, a winning strategy for the Group against a range of significantly larger global competitors.

During 2021 the Board negotiated and reset Mr Clayton's remuneration package to secure his on-going leadership of the Group for the benefit of shareholders. The package was developed through external benchmarking against both ASX peers and international kitchen appliance groups, as well as other high growth companies, to be a competitive remuneration package to both retain, and reward, a high performing international CEO. Given that 85% of the Group's Global Segment revenue is now outside of Australia, and with Breville's increasing global complexity, particular weight was given to international peers in designing an appropriate package. The package was pegged at the bottom 25th percentile of the international peer group, reflecting the larger scale of a number of the international peers, and in the top quartile of ASX80-130 peers which is considered appropriate given Mr Clayton's long tenure and track record of delivery.

During the second half of 2021, the Board undertook extensive shareholder consultation, talking with approximately 75% of the share register by value, to discuss the proposed package, the process undertaken and its rationale. Shareholders expressed overwhelming support for Mr Clayton's leadership and strong support for securing his services through the enhanced package.

The reset package was finalised, signed, and announced on 5th October 2021 with the details of the change laid out in the FY22 remuneration report. Importantly, the contract includes a 12-month notice period and a non-compete of 12 months making it more difficult for competing groups to successfully poach Mr Clayton.

Directors' report continued

Remuneration report (audited) continued

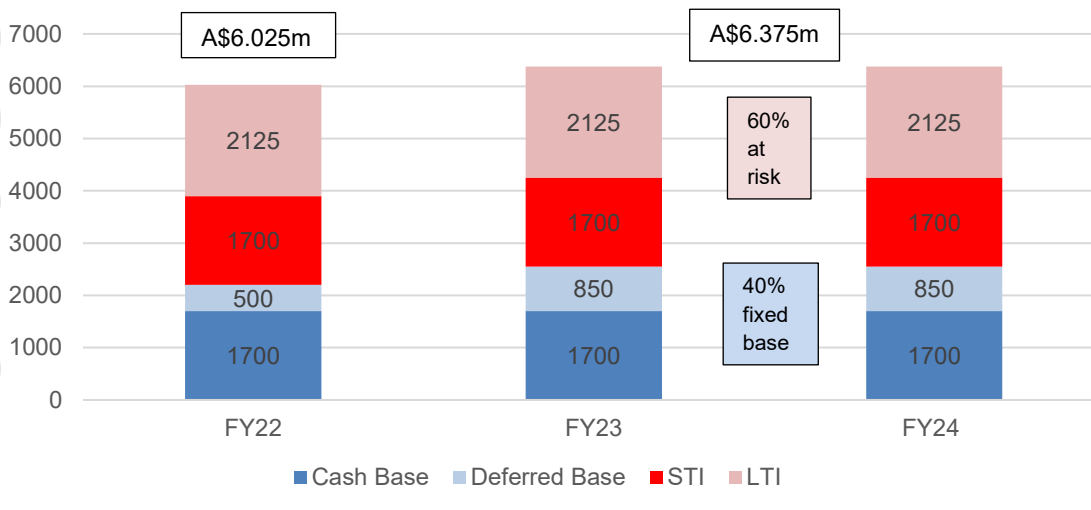
1. Introduction and key issue overview continued

40% of the available package is delivered in base pay, in cash and fixed deferred remuneration rights, with 60% at risk pay in the form of STI cash and LTI performance rights.

Mr. Clayton's total available package increased from \$2.814m to \$6.375m from July 1st 2018 to July 1st 2023, an increase of 126%, during the period when revenue of the Group grew 127%, market capitalisation increased by A\$1.34bn and the share price increased 72%.

As part of the negotiated package, Mr Clayton's deferred rights increased by \$350k in FY23, as signalled in the FY22 remuneration report and approved by shareholders at the November 2022 AGM. No increase in Mr Clayton's package is planned for FY24.

CEO total available remuneration package



Total effective remuneration as reported in Table 6 in FY23 of A\$5.6m is below FY22 at \$5.8m mainly due to a lower STI payout of 58.2% vs. 100% in pcp and a smaller movement in leave balances, partially offset by higher accounting expense of LTI and deferred remuneration rights arising from fair valuing of rights.

As of 30 June 2023, Mr Clayton held 498,894 unvested share rights, subject to various performance and service criteria that may vest in his favour in the future with potential value of \$9,947,946 (based on 30 June 2023 share price of \$19.94).

New performance and deferred remuneration rights to be issued to the CEO in FY24 will be issued subject to shareholder approval at the AGM in November 2023.

KMP group and remuneration

The strong performance of the Group over the last 5 years has been led by both Mr Clayton and the executive team.

As flagged above, and in the FY22 Remuneration Report, an independent benchmarking study was commissioned by the Board to assess the competitiveness of KMP and executive packages, as well as their relativity to the CEO package. Existing packages were benchmarked against 64 ASX listed peers of a similar size to Breville (for Australian based roles) and against this group plus 16 listed US based peers for international roles.

The total remuneration of each role was benchmarked against the 50th percentile of the peer group. Comparisons varied role by role, but broadly speaking the existing Breville packages were just above the bottom quartile and 20% below the 50th percentile of the peer group. Using the 50th percentile as the target package, and also looking at relativity to CEO package, overall increases of 10-20% in base pay were identified and implemented for KMPs and other executives. The individual executives were given a choice of taking their increase either as cash base pay or as deferred remuneration rights.

Following the grant of these increases the Executive KMP remuneration FY23 split is ~71% fixed and ~29% at risk (~64% and ~36% in prior year).

No further change to executive KMP packages is planned in FY24.

Directors' report continued

Remuneration report (audited) continued

1. Introduction and key issue overview continued

No change to Non-Executive Director remuneration was made in FY23.

The Group has 12 individuals reported as KMPs with the authority and responsibility for planning, directing, and controlling the key activities of the Group. Tuula Rytälä joined the Board in April 2023, increasing the number of non-executive KMPs to eight.

In addition to non-executive Board members, the list of executives classed as KMPs was reviewed in FY23 and revised to comprise the Group CEO, Group CFO, Global CMO and Global CPO.

The latter two are included given the strategic criticality of product development and go-to-market execution for an innovative product company. The maturing of the underlying infrastructure and supply chain processes led to the decision to group the COO with other executives, rather than as a KMP.

Incentive Outcomes for FY23

1. STI award 58.2%

STI for FY23 will be awarded at 58.2% of potential (pcp 100%). The Group met guidance and exceeded consensus EBIT, however, under the Group scheme, STI is only funded after target EBIT has been delivered in full. The design of the scheme ensures that shareholders are rewarded first. In FY23 target EBIT was set at \$172m representing 10% growth over the pcp (and the top end of guidance given in Feb 23). A pre-STI EBIT of \$182.7m was achieved, so \$10.7m was funded and awarded to management. This represents 58.2% of the maximum possible award.

2. LTI vesting 92.5%

Two tranches of LTI performance rights were tested at 30 June 2023 and will vest at an average of 92.5% in August 2023:

- Tranche 3 of the FY20 scheme was measured with a 4-year TSR of 24%. This put the Group at 19th out of 56 peers (8 having delisted during the period) and at the 67th percentile of relative TSR. On the agreed vesting schedule, with 100% vesting for top-quartile performance, 50% for mid-quartile and a straight-line pro rata in between, the 67th percentile triggered vesting at 85.1%.
- The single tranche of the FY21 scheme will vest at 100% following the exercise of discretion by the Board to recognise outstanding absolute and relative business performance during the three years to June 2023 giving an overall vesting of LTI at 92.5%.

This is the first time the Board has exercised discretion on any incentive awards, except to reduce STI to zero at the start of the Covid period – June 2020 – to protect shareholders.

Targets set for this tranche were an absolute TSR gain of 25% for 100% vesting and 15% TSR for 50% vesting.

The LTI target for FY21 was set in June 2020, the height of Covid uncertainty. In setting the LTI targets, the Board took into account the extreme volatility in asset prices and the unprecedented uncertain outlook for the global economy. With this backdrop, the Board selected an absolute TSR gateway and specifically approved the exercise of discretion in favour of the LTI recipients in the event that the absolute gateways were not achieved but management delivered strong and superior performance in the long-term interests of shareholders.

To ensure shareholders were fully informed as to the Board's LTI determinations for the FY21 single tranche, the FY20, FY21 and FY22 remuneration reports specifically addressed this matter. Extracts are set out below.

- **FY20** "The Board is aware that it may need to exercise discretion to equitably reward management's performance given the expected turbulence in the upcoming 3-year performance period".
- **FY21** "Board discretion is likely to be used to properly judge team performance against the actual trading environment".
- **FY22** "In this environment it was difficult to call an appropriate absolute TSR target so the need for potential Board discretion in deciding appropriate vesting was explicated flagged for this tranche of rights".

As expected, extreme multiple volatility was experienced over the three-year period.

In the first 18 months the multiples of consumer discretionary stocks expanded and Breville's share price increased by over 40%. Multiples then contracted severely before partially growing again in the final year. While Breville's NPAT increased by 72.3% over the three years to June 2023, multiple contraction yielded an overall price decline of (12.4)% over the 3-year measurement period and a TSR of (8.5)%. The absolute TSR gateways were not achieved.

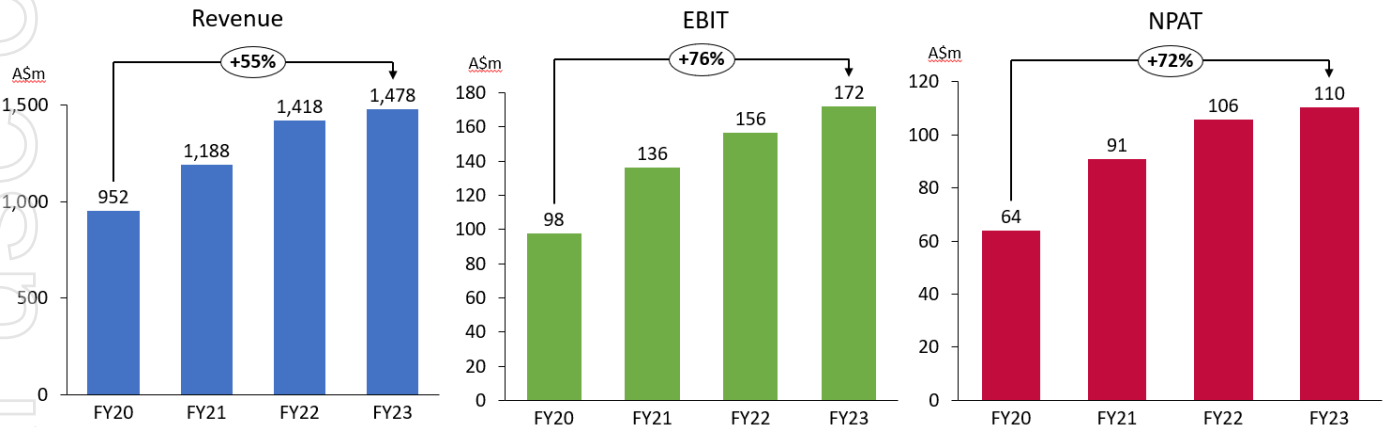
Directors' report continued

Remuneration report (audited) continued

1. Introduction and key issue overview continued

In determining whether the Board would exercise its foreshadowed discretion, the Board has undertaken a detailed assessment of Breville's absolute and relative performance over the period from July 2020 to June 2023, including engaging the services of an investment bank to assist in completion of the analysis.

In the three years to June 2023 Breville's absolute performance was outstanding with revenue up 55%, EBIT up 76% and NPAT up 72%. Despite the volatile global retail and economic environment, including trading through the Covid cycle, annual budget EBIT targets were achieved in each year.



This was achieved whilst continuing to invest in the medium-term growth drivers of the business.

- Annual investment in NPD, marketing and Technology increased by \$77.4m compared to FY20;
- Geographical expansion continued including entering France, Spain, Portugal, Italy, Poland, Mexico, and South Korea;
- Investment in manufacturing diversification commenced (Mexico site);
- Breville acquired and successfully integrated Baratza and Lelit, deepening the Company's position in coffee; and,
- A solutions offering and offensive was developed in both the Coffee and Cooking segments.

Breville is very well positioned as we enter FY24 with: a strong NPD pipeline and Go-To-Market plan; further penetration of recently entered geographies; continued globalisation of Lelit and Baratza; and the exciting launch of our new solutions offensive in the first half of the year.

To understand Breville's relative performance the Board, with the assistance of an investment bank, selected 3 listed peer groups for comparison – key competitors, key customers and high growth companies with substantial international sales.

- Key competitors - Listed international kitchen and appliance companies (De'Longhi, Groupe SEB, Hamilton Beach, Whirlpool, Newell Brands, Traeger and Electrolux)
- Key customers - Listed international and Australian retailers (Williams-Sonoma, Best Buy, Bed Bath and Beyond, JB Hifi, Ceconomy, Harvey Norman, Currys, and Myer)
- High growth international companies - (Yeti, TWE, Dominos, Cochlear, A2Milk, and ARB)

Breville outperformed all but one company in the comparator set (whose share price actually declined 16% over the period) and substantially outperformed all 3 peers groups in both revenue and profit growth.

This was achieved whilst continuing to invest in the medium-term growth drivers of the business: NPD, Marketing and Technology; developing a solutions offensive; acquiring and integrating Baratza and Lelit; geographically expand entering France, Spain, Portugal, Italy, Poland, Mexico, and South Korea; and enhancing portfolio diversification.

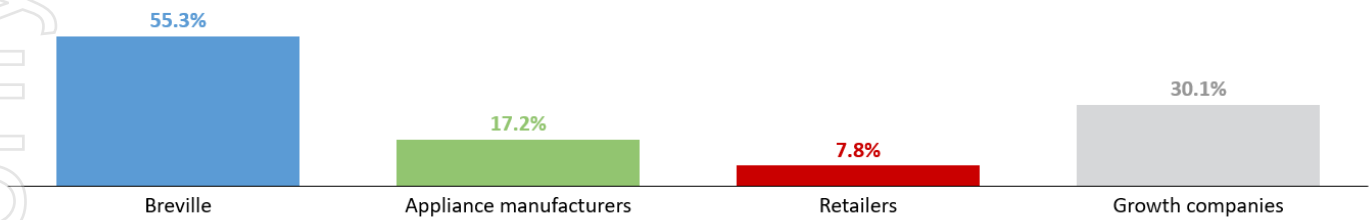
The Board believes that this outstanding performance, combined with the continued investment in these growth initiatives during the Covid period, has been in the long-term interest of shareholders and warranted the exercise of its discretion to vest a portion of the performance rights in favour of management.

Directors' report continued

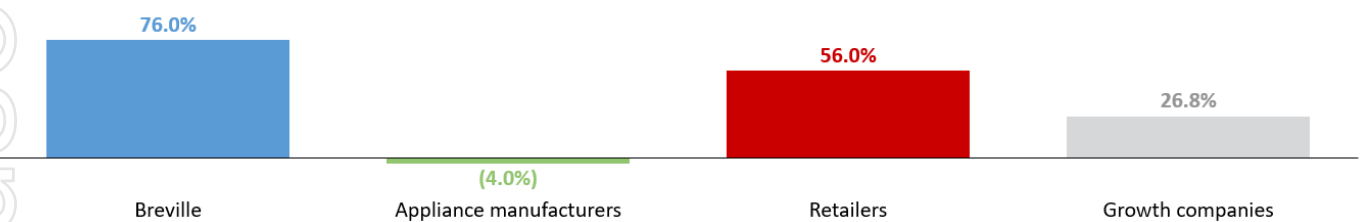
Remuneration report (audited) continued

1. Introduction and key issue overview continued

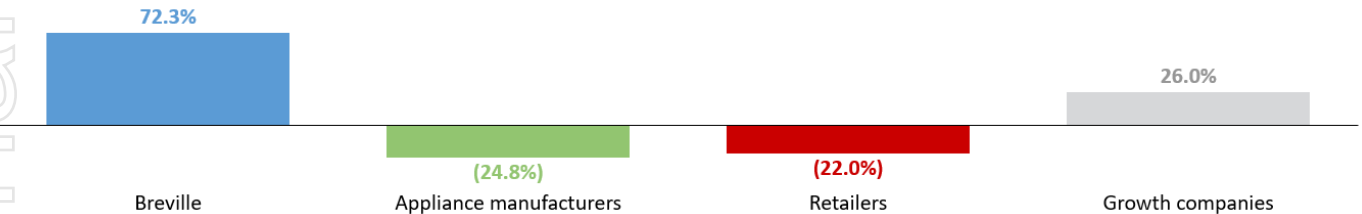
3 Year Sales growth (%)



3 Year EBIT growth (%)



3 Year NPAT growth (%)



* Source: Publicly reported performance of listed companies compiled and compared by independent investment bank in July 2023.

Benchmarked companies: De Longhi, Groupe SEB, Hamilton Beach, Whirlpool, Newell Brands, Traeger, Electrolux, Williams-Sonoma, Best Buy, Bed Bath and Beyond, JB Hifi, Ceconomy, Harvey Norman, Currys, Myer, Yeti, TWE, Dominos, Cochlear, A2Milk, and ARB.

The very strong relative outperformance against peers was then judged by the Board to warrant a 100% vesting of this tranche resulting in an overall 92.5% vesting of LTI performance rights. This reflected the Board's recognition of management's superior performance and the importance of rewarding and retaining Breville's high performing team.

This is the first time that the Board has exercised discretion in favour of management on any incentive awards and was based on unprecedented circumstances.

In response to the continuing uncertainty during the Covid pandemic the Board moved LTI targets for the FY22 and FY23 LTI grants to internal performance gateways. For FY24 the Board has selected a balanced set of metrics, including relative TSR, PBT growth and strategy implementation.

FY24 targets

1. STI FY24

FY24 STI award will be 80% based on achievement of an EBIT target and 20% based on delivery of an inventory target.

The scheme will again only be funded once the EBIT target set by the Board has been achieved, with funding coming from over achievement of this EBIT target.

Given the seasonal nature of the sales profile, the Group has historically chosen to give guidance with 1H results in February and not before. In keeping with this stance STI targets for FY24 will be fully disclosed on measurement and award in the Remuneration report FY24.

Directors' report continued

Remuneration report (audited) continued

1. Introduction and key issue overview continued

FY24 targets cont'd

2. LTI FY24

The FY24 LTI scheme will reintroduce the Board's preferred LTI measure of relative TSR combined with two other targets to capture business performance and delivery of the Group's strategic priorities.

The vesting of FY24 LTI performance rights will be judged in June 2026 based on three separate criteria:

- 50% of rights will vest based on relative TSR performance and the achievement of an absolute positive TSR gateway. Half of the rights will vest if the Group TSR is in the top 50% of the peer group, and all of the rights will vest if Group TSR is in the top quartile of the peer group, with a straight-line pro rata between these points. The peer group will comprise 112 listed companies made up of the ASX200 less miners and banks (107 companies) plus 5 international competitors in the kitchen appliance sector.
- 30% of performance rights will vest based on achievement of 3-year business performance targets with the unifying measure of PBT (profit before tax) chosen as the best measure of performance over a 3-year period. 50% of this tranche will vest based on achieving a minimum PBT target, 100% for reaching a maximum target and straight-line interpolation between these points. The minimum target will represent reasonable growth over FY23, and the maximum target will represent the Board's view of good growth, judged against the current and expected economic backdrop. The targets will also be adjusted for any significant impact arising from a change in accounting standards or acquisitions during the measurement period. For reasons of commercial confidentiality, the specific targets will be disclosed in arrears in the FY26 Remuneration Report.
- 20% of rights will vest based on the level of progress against key strategic priorities as judged by the Board. Zero rights will vest for limited progress, 20% for good progress and a sliding scale between these two. Evaluation of the progress achieved will be based on both quantitative and qualitative measures in the following strategic priority areas:
 - Sustained investment in the growth drivers of the business measured as an increasing percentage of revenue invested in New Product Development, Go-to-Market, Technology Services and Solutions over the three-year period;
 - Progress with alternative sourcing to China measured as the volume of products sourced outside of China (e.g., Mexico);
 - Continued geographic diversification measured as an increasing % revenue made outside of UK, USA, Canada, Australia and New Zealand;
 - Acceleration of the solutions agenda largely measured in qualitative terms on the success of key initiatives launched; and,
 - Progress on the sustainability agenda including reduction in the Group's emissions footprint driven by increasing the energy efficiency of products (measured as percentage of espresso machines using Thermojets with target of 85% set by 2025); recyclability of packaging (measured as % of range using fully recyclable packaging); the achievement of net zero scope 1 and 2 emissions by 2025; and, the full measurement and improvement of scope 3 emissions including LCA by 2024. Progress on repairability and recyclability of products will also be assessed.

The use of 3 targets is intended to deliver a balanced view of business progress, with the largest weighting being for improvement in direct shareholder returns.

2. Key management personnel (KMP)

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

As noted in the overview above the executives deemed KMPs were reviewed in FY23 and narrowed to those central to the operation and growth of an innovative product and solutions company, namely Group CEO, Group CFO, Global CMO (Global Go-to-Market Officer) and Global CPO (Global Product Officer).

Directors' report continued

Remuneration report (audited) continued

2. Key management personnel continued

Table 1: Key management personnel (KMP)

Name	Position	Term as KMP
Non-Executive Directors		
Tim Antonie	Non-Executive Chair	Full Year
Lawrence Myers	Non-Executive Deputy Chair / Lead Independent Director ^{(a),(d)}	Full Year
Tim Baxter	Non-Executive Director	Full Year
Peter Cowan	Non-Executive Director ^(e)	Full Year
Sally Herman	Non-Executive Director ^(f)	Full Year
Dean Howell	Non-Executive Director ^{(b),(d),(f)}	Full Year
Kate Wright	Non-Executive Director ^{(c),(b),(f)}	Full Year
Tuula Ryttilä	Non-Executive Director	Appointed 1 st April 2023
Executive Directors		
Jim Clayton	Managing Director & Group Chief Executive Officer	Full Year
Executives		
Scott Brady	Global Product Officer	Full Year
Martin Nicholas	Group Chief Financial Officer	Full Year
Cliff Torng	Global Go-to-Market Officer	Full Year

^a Chair of Audit and Risk Committee

^b Member of Audit and Risk Committee

^c Chair, Performance Remuneration and Nominations Committee (PPRNC)

^d Member of PPRNC

^e Chair of Sustainability Committee

^f Member of Sustainability Committee

3. Remuneration Framework

The People, Performance, Remuneration and Nominations Committee (PPRNC) reviews and recommends executive and employee remuneration arrangements each year within a framework 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. In FY22 a study was commissioned to benchmark key executive packages against peer companies as well as reviewing their relativity to the CEO package. This was used to implement specific package changes in FY23 to facilitate both reward and retention of a high performing team.

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 include domestic and international peers, depending on the role being evaluated.
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.

Directors' report continued

Remuneration report (audited) continued

3. Remuneration Framework continued

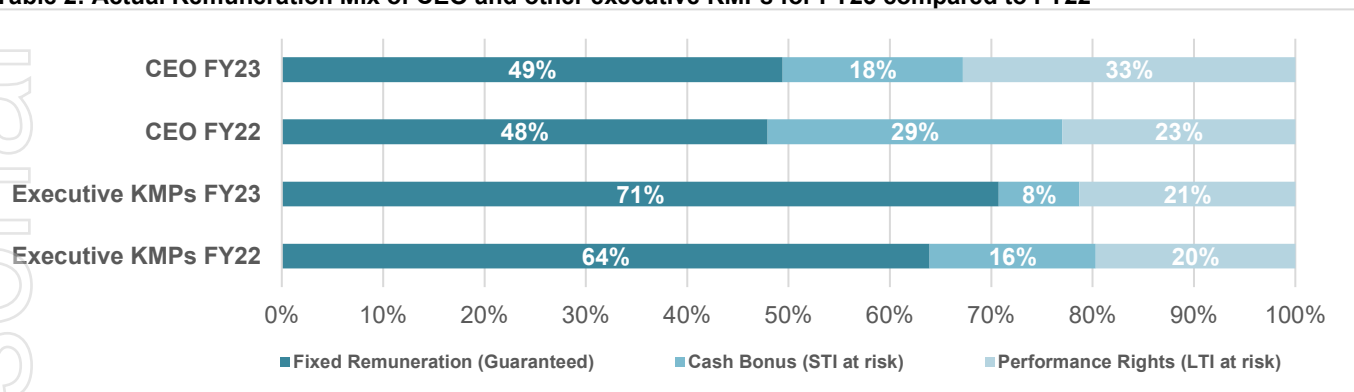
In implementing its remuneration framework and ensuring proper oversight, the committee:

- sets compensation to motivate and retain a high performing global team in line with shareholder interests;
- encourages an increasing level of executive shareholdings, in excess of minimum shareholding guidelines;
- aligns interest of shareholders and executives via increasing use of share-based payments;
- retrospectively discloses all performance hurdles and calculation of award and payments made to ensure transparency;
- encourages increased variability of pay linked to short and long-term performance;
- rewards sustained long-term performance, not just single year peak performance;
- utilises measurable and shareholder relevant targets; and,
- retains Board discretion over the level of any award.

In establishing the remuneration arrangements each year, the Board and PPRNC specifically reviews the proportion of the fixed compensation and variable compensation (potential short-term and long-term incentives) that the executives are achieving. The Board aims to ensure the appropriate mix of fixed to variable remuneration, and specifically share-based and longer-term performance-related remuneration.

The actual remuneration mix for FY23 and FY22, based on statutory remuneration Tables 6 and 7, is shown in Table 2 below. The change in FY23 vs. FY22 largely reflects the lower STI awarded in FY23. The weight of the available potential package for the CEO remains 40:60 fixed to variable and for other executive KMPs 58:42.

Table 2: Actual Remuneration Mix of CEO and other executive KMPs for FY23 compared to FY22



- **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.
- **Termination Provisions** – Contracts include notice periods are 12 months for the CEO and 3-6 months for other KMPs. Amounts payable on termination vary from statutory entitlements to 12 months of fixed pay plus accrued leave balances. Any LTI performance rights not vested at the date of termination are 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. Specific termination arrangements, as part of the CEO's package, were proposed and approved by shareholders at the November 2021 AGM.
- **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 PPRNC is responsible for assessing performance against KPIs and recommending the STI and LTI to be awarded each year to the Board. To assist in this assessment, the Committee receives detailed reports on performance from management that are based on independently verifiable, and in most cases, audited data. An external specialist is always used to calculate and report on actual and relative TSR performance 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.

Directors' report continued

Remuneration report (audited) continued

4. Linking remuneration to performance

The Group's remuneration principles and framework aims 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 used in Executive KMP incentive plans – EBIT, PBT, revenue growth and TSR – are measurable, verifiable, and well aligned to shareholder value creation.

- **Group Revenue** - A measure of the Group's success at growing the scale and scope of our operations. An auditable IFRS measure of marketplace success.
- **EBIT** - Earnings before interest and tax 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. EBIT is preferred to EBITDA given the strategic importance of investment in new product development and associated amortisation costs.
- **PBT** – Profit before tax is EBIT after accounting for the financing costs of the business and is also 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, and in a period where the Group has a level of debt, it is an alternative to EBIT.
- **TSR** - Total Shareholder Return is a measure of share price appreciation, and dividends paid, expressed as a % of the opening share price. The Group measures both its own absolute TSR and its relative TSR, which compares the Company against a defined group of peers.

Table 3 below shows the Group's revenue, profit and TSR 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 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Group Revenue	652.3	760.0	952.2	1,187.7	1,418.4	1,478.6
Revenue Growth	7.7%	17.5%	25.3%	24.7%	19.4%	4.2%
Revenue CAGR (5 Year)						17.8%
Group EBIT	86.9	97.3	97.7	136.4	156.4	172.0
EBIT Growth	10.0%	12.0%	0.4%	39.6%	14.6%	10.0%
EBIT Growth CAGR (5 Year)						14.6%
NPAT	58.5	67.4	63.9	91.0	105.7	110.2
Earnings per share (cents)	45.0	51.8	48.8	65.8	75.9	77.2
EPS Growth	15.2%	15.2%	(5.8)%	34.8%	15.4%	1.7%
EPS Growth CAGR (5 Year)						11.4%
Total dividends per share (cents)	33.0	37.0	41.0	26.5	30.0	30.5
Share price at 30 June (\$)	11.62	16.36	22.76	29.87	17.99	19.94
Share Price Change	-	40.8%	39.3%	31.2%	(39.8%)	10.8%
5 Year share price change CAGR						11.4%
One Year TSR	-	43.8%	41.5%	32.6%	(38.8%)	12.4%
5 Year TSR						86.1%

Average STI as % Maximum Opportunity	78.0%	76.0%	0%	100%	100%	58.2%
Percentage of Executive LTI performance rights that vested/will vest related to schemes maturing in the year *	100%	100%	100%	100%	91.9%	92.5%

* FY18-FY22 LTI percentage vesting were all tested on relative TSR (100% for top quartile; 50% for second quartile), a standard objective test, validated by an independent party.

Directors' report continued

Remuneration report (audited) continued

4. Linking remuneration to performance continued

Performance against Targets

STI

- The Group FY23 STI paid out at 58.2% of maximum based on achieving an audited EBIT of \$172.0m (10% growth), having funded 58.2% of STI, against a target for FY23 of \$172.0m set in June 2022. The target was based on 10% growth against the expected FY22 EBIT. \$172m was also the top end of the guidance range of \$165-\$172m given with 1H23 results in February 2023. The design of the STI scheme acts as buffer against any volatility in performance, post guidance, helping the group give, and reliably deliver, guidance.
- The Group's FY24 STI plan has a financial EBIT target based on a targeted EBIT growth from FY23 and an inventory target. The specific targets and actuals will be retrospectively disclosed as a part of the FY24 remuneration report. Again, no STI is awarded until the target EBIT is met. Once it is met, the STI pool is funded until full, at which point reported EBIT may be further increased.

LTI

Two tranches of LTI were tested as of 30 June 2023 and will vest in August 2023 with an average vesting of 92.5%.

- Tranche 3 of the FY20 scheme was measured with a 4-year absolute TSR of 24%, putting the Group at 19th out of 56 peers and thus at the 67th percentile of relative TSR. Being between the 50th and 75th percentile this tranche vested at 85%.
- The single tranche of the FY21 scheme was vested at 100% after the exercise of Board discretion as detailed on page 40 above.
- Average vesting across the two tranches measured was 92.5%.
- TSR of the Group, and peers, was calculated by an independently commissioned expert.

5. Executive remuneration - detailed elements

There are four key components in executive remuneration:

- Fixed Cash Remuneration
- Fixed Deferred Remuneration Rights
- Short Term Performance Incentive (STI)
- Long Term Performance rights (LTI)

i) Fixed Cash Remuneration

Executives receive their fixed cash remuneration in the form of cash, car allowance, health insurance, annual leave benefits, long service leave benefits and superannuation. Fixed cash remuneration is reviewed annually by the PPRNC, and in the case of the CEO, the Board. The Committee considers company and individual performance, relevant comparative market compensation and internal relativities. Breville increasingly competes in a global market for talent and employs both Australian and international executives. The Group regularly benchmarks both domestically, and internationally, when reviewing suitability of remuneration.

Details of fixed cash remuneration by KMPs are shown in the remuneration Tables 6 and 7.

Remuneration component	Purpose & execution	FY23 outcomes
Fixed Cash remuneration	<p>Aims to provide competitive salary, including superannuation and non-monetary benefits, to attract and retain a high performing team.</p> <p>Fixed cash remuneration is reviewed annually, with outside assistance where needed, and set with reference to:</p> <ul style="list-style-type: none"> • Size and complexity of role • Market benchmarks (domestic & international) • Experience, skills and competencies 	<ul style="list-style-type: none"> • CEO Fixed Cash remuneration remained at \$1.7m as detailed in the explanatory memorandum in the November 2022 AGM. • Other executive KMPs were awarded increases in base salary in FY23 as a result of a benchmarking study and relativity to the CEO package. The KMPs had the option to take the increase as fixed cash pay or in the form of fixed deferred remuneration rights.

Annual leave and long service leave benefits shown in Table 6 and 7 reflect the movement in accrued benefit owing to the individual in accordance with accounting standards. If leave balances increase, or if base salary increases are implemented, then accrued benefits increase.

Directors' report continued

Remuneration report (audited) continued

5. Executive remuneration - detailed elements continued

ii) Fixed Deferred Remuneration Rights

Fixed deferred remuneration rights are a core part of fixed base remuneration delivered in the form of share rights as opposed to cash. As with cash, fixed pay remuneration is only earned, and vests, when the period of service is completed. It is not part of at-risk remuneration or performance incentives.

The number of rights granted is calculated as the deferred base salary amount for a year divided by the relevant value of shares in the Company using a 20-trading day trailing volume weighted average price (VWAP) at the time that the grant is agreed. The rights only vest if the service period is completed. Because the number of rights issued is calculated at the VWAP on the date of issue, any appreciation or depreciation of share price during the service period is to the effective benefit, or detriment, of the executive versus taking a fixed cash base pay amount. This aligns shareholder and management interests in achieving sustained share price appreciation.

For example, currently the CEO and KMPs will receive a lower effective base reward than if they had opted for cash for the tranches of fixed deferred remuneration rights issued in FY22. If the share price can be increased before the rights vest the executives can increase their effective fixed remuneration, just as shareholders also gain from share price appreciation.

The accounting value of fixed deferred remuneration rights grants for which compensation is included in the remuneration tables 4, 6 and 7 is shown in table 11. Under AASB 2 accounting, although the rights relate to future periods of employment service, part of the cost is recognised in the current period.

Remuneration component	Purpose & execution	FY23 outcomes
Fixed Deferred remuneration rights	<p>Delivers fixed remuneration to the executive in the form of an annual grant of deferred rights.</p> <p>Supports the retention of high performing international executives over sustained periods and may prove particularly effective as an incentive and retention tool in times of increased share price volatility.</p> <p><u>Conditions</u></p> <ul style="list-style-type: none"> Upon completion of a specific period of employment service (the service condition) the rights will vest and convert into fully paid ordinary shares in the Company. 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. 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. No disposal restrictions apply to the shares received when the rights have vested. <p><u>CEO Fixed Deferred Remuneration</u></p> <p>A new tranche of CEO rights is granted annually to ensure that 5 years of annual rights are ahead of the CEO at any time. Each tranche vests once the specified period of service has been completed.</p> <p>The number of rights granted in each tranche is calculated as a deferred remuneration amount divided by the VWAP 20 days prior to the end of the previous financial year. From FY22 forward the annual deferred remuneration value is set at \$850,000.</p> <p>An additional year's tranche of rights, vesting in FY28, will be proposed for shareholder approval at the Nov 2023 AGM.</p> <p><u>KMP Fixed Deferred Remuneration</u></p> <p>In FY23 KMPs were given the option to take all or a portion of their fixed cash salary increase in the form of fixed deferred remuneration rights. To take this option the executive had to commit to forgoing a base cash pay element for four years and receiving four separate grants of rights vesting at 4 individual year ends. The number of rights granted in FY23 represented four years of the cash salary amount forgone with the total number of rights calculated as that amount of forgone cash remuneration divided by the relevant 20-day VWAP at the time that the grant was agreed. Vesting will only occur once the required period of service has been delivered.</p>	<p><u>CEO Fixed Deferred Remuneration</u></p> <p>New tranches of CEO rights were issued after approval by shareholders at the 2022 AGM.</p> <ul style="list-style-type: none"> A new grant equivalent to \$850,000 was issued vesting on completion of service through to 25 August 2027. The issue of these rights was approved by shareholders at the 2022 AGM. In FY23 29,940 of fixed deferred remuneration rights vested and 46,296 of fixed deferred remuneration rights were granted to the CEO. <p><u>KMP Fixed Deferred Remuneration</u></p> <ul style="list-style-type: none"> In FY23 KMPs who opted to take their salary increase in this form were issued with four new tranches of rights in lieu of a fixed cash increase in salary. In FY23 9,053 fixed deferred remuneration rights vested, and 70,808 rights were granted. <p>For accounting purposes, a fair value is determined on the rights of these shares and expensed over the full vesting period so part of the costs for future periods are recognised in the current period.</p>

Directors' report continued

Remuneration report (audited) continued

5. Executive remuneration - detailed elements continued

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

Year of Issue	Conditions	Fair value right at Grant date \$	Number outstanding 30 June 2023	Number outstanding 30 June 2022
FY20	- Issued for nil consideration			
	- Exercise price is \$0			
	- Issue price of \$16.70			
	- Participant (Jim Clayton) must complete the service period between:			
	<ul style="list-style-type: none"> • 26 August 2019 – 25 August 2020 • 26 August 2020 – 25 August 2021 • 26 August 2021 – 25 August 2022 • 26 August 2022 – 25 August 2023 • 26 August 2023 – 25 August 2024 	\$16.70 \$16.70 \$16.70 \$16.70 \$16.70	- - - 29,940 29,940	- - 29,940 29,940 29,940
- 60% vested as of 30 June 2023				
FY21	- Issued for nil consideration			
	- Exercise price is \$0			
	- Issue price of \$22.41			
	- Participant (Jim Clayton) must complete the service period between:			
	<ul style="list-style-type: none"> • 25 August 2024 – 25 August 2025 	\$19.60	22,311	22,311
	- 0% vested as of 30 June 2023			
FY22	- Issued for nil consideration			
	- Exercise price is \$0			
	- Issue price of \$28.98			
	Jim Clayton must complete the service period between:			
	<ul style="list-style-type: none"> • 26 August 2022 – 25 August 2023 • 26 August 2023 – 25 August 2024 • 26 August 2024 – 25 August 2025 • 26 August 2025 – 25 August 2026 	\$29.28 \$28.91 \$28.54 \$28.17	12,077 12,077 12,077 29,330	12,077 12,077 12,077 29,330
	- 0% vested as at 30 June 2023			
	Executive KMPs must complete the service period between			
	<ul style="list-style-type: none"> • 26 August 2021 – 25 August 2022 • 26 August 2022 – 25 August 2023 • 26 August 2023 – 25 August 2024 • 26 August 2024 – 25 August 2025 • 26 August 2025 – 25 August 2026 	\$27.21 \$26.87 \$26.52 \$26.18 \$25.85	- 13,581 20,370 30,555 45,834	9,053 13,581 20,370 30,555 45,834
	- 8% vested as of 30 June 2023			

Directors' report continued

Remuneration report (audited) continued

5. Executive remuneration - detailed elements continued

Table 4: Fixed Deferred Remuneration included in Remuneration Tables 6 and 7 cont'd

Year of Issue	Conditions	Fair value right at Grant date \$	Number outstanding 30 June 2023	Number outstanding 30 June 2022
FY23	- Issued for nil consideration - Exercise price is \$0 - Issue price of \$18.36 Jim Clayton must complete the service period between: <ul style="list-style-type: none"> 26 August 2026 – 25 August 2027 	\$18.57	46,296	-
	- 0% vested as of 30 June 2023 Executive KMPs must complete the service period between <ul style="list-style-type: none"> 26 August 2022 – 25 August 2023 26 August 2023 – 25 August 2024 26 August 2024 – 25 August 2025 26 August 2025 – 25 August 2026 	17.97	17,702	-
		17.66	17,702	-
		17.44	17,702	-
		17.18	17,702	-
	- 0% vested as of 30 June 2023			

iii. Short term performance incentives (STI)

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

Remuneration component	Purpose & execution	FY23 outcomes
Short term incentives (STI)	<p>Aims to reward and incentivise executives and employees for achieving in-year company targets and is paid in cash. A pre-STI EBIT target is set by the Board in advance of the financial year. Until this pre-STI EBIT is exceeded no STI is awarded.</p> <p>If pre-STI EBIT exceeds the pre-STI target, the STI pool is funded until the maximum pool is reached. Shareholders are rewarded before any STI is awarded.</p> <p>The maximum pool is calculated as the sum of maximum STI dollar opportunities for each eligible participant.</p> <p>The CEO has a maximum STI opportunity of 100% of Fixed cash remuneration, other KMPs 35% and other staff are in a range of 5-35%.</p> <p>Once a pool is awarded it is distributed based on each individual's achievement of their individual targets.</p> <ul style="list-style-type: none"> The CEO and other KMPs are targeted on Group EBIT and additionally in FY24 an inventory target. Regional Presidents and teams have Group EBIT and Regional EBIT targets and in FY24 inventory targets. Product Development teams have Group EBIT and GM\$ from new-to-market product targets. Functional Teams have Group EBIT (in FY24 inventory) and specific deliverables, e.g., timing of implementation of key targets, or HSE targets. <p>Following finalisation of the annual audit, the PPRNC recommends the amount of STI to be paid to the Group CEO for Board approval. The PPRNC seeks and approves recommendations on other individual pay outs from the Group CEO.</p> <p>The level of STI pay out always remains at the discretion of the Board. As recently as FY21 the Board opted to withhold STI during the COVID Pandemic.</p>	<ul style="list-style-type: none"> In June 2022 a FY23 pre STI EBIT target of \$172m was set. A guidance EBIT range of \$165m-\$172m was given with the 1H23 results in February 2023. The Group achieved EBIT of \$172.0m having funded 58.2% of the potential STI pool.

Directors' report continued

Remuneration report (audited) continued

5. Executive remuneration - detailed elements continued

iv) Long term performance incentives (LTI)

The Group operates an annual LTI program available to executives and other employees that grants performance rights that fully, or partially, vest into shares on the achievement of clearly defined medium-term targets.

LTI grants to participants (excluding the CEO) are recommended by the CEO to the PPRNC. This recommendation, together with a recommendation by the PPRNC of an LTI grant to the CEO, is then put to the Board for approval. Performance conditions for the 3 years ahead are agreed at the same time taking into account what the Board considers to be the most effective means of incentivising management to deliver sustained enhancement of shareholder value in the context of the existing environment.

Under AASB 2 accounting, although the share rights relate to future specific periods of employment, part of the cost is recognised in the current period.

Remuneration component	Purpose & execution	FY23 outcomes
<p>Long term incentives (LTI)</p>	<p>Aims to reward and incentivise executives to deliver sustained shareholder value over multiple periods.</p> <p>Annual performance right grants are made to the CEO, KMPs and other managers based on a percentage of their fixed cash remuneration, ranging from 10% for employees to 65% for KMPs and 125% for the CEO.</p> <p>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.</p> <p>The number of rights vesting in favour of the individual depends on the delivery of set performance metrics agreed each year.</p> <p><u>Conditions</u></p> <ul style="list-style-type: none"> Upon satisfaction of the performance hurdles, the performance rights will vest into fully paid ordinary shares in the company. All unvested performance rights automatically lapse upon a participant ceasing employment unless otherwise determined by the Board. Participants do not receive distributions or dividends on unvested performance rights. The number of rights vesting is guided by the achievement of performance metrics, but the Board retains absolute discretion on the number of rights that vest. To make the scheme globally tax efficient (reflecting different timing of taxation) there are no disposal restrictions after vesting, notwithstanding that any trading in shares is, at all times, subject to the Company's share trading policy. 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. <p><u>Performance Metrics</u> Performance metrics are agreed and set each year to govern the potential vesting of the performance rights.</p>	<p><u>In-Year grants</u></p> <ul style="list-style-type: none"> In FY23 the CEO received a LTI performance rights grant of 125% of Fixed Cash Remuneration or equivalent to 115,741 performance rights. The issue of these rights was approved at the AGM 10 November 2022. Other KMP's received a grant of up to 65% of fixed cash remuneration or equivalent to 61,248 performance rights. <p><u>In-Year LTI Vesting</u> During FY23 63,347 rights vested in the CEO's favour under the schemes below, and 42,815 rights vested in favour of the other KMPs.</p> <p><u>FY19 Performance rights</u></p> <ul style="list-style-type: none"> 34,100 shares vested to the CEO and 24,000 to other KMPs as part of the third tranche of the FY19 performance-based grant. 100% of the potential rights in the tranche vested based on 3-year positive TSR of 70% which was above the 75th percentile of the peer Group. <p><u>FY20 Performance rights</u></p> <ul style="list-style-type: none"> 29,247 shares vested to the CEO and 18,815 to other KMPs as part of the second tranche of the FY20 performance-based grant. 83.8% of the potential rights in the tranche vested based on 2-year positive TSR of 15% which was in the 66th percentile of the peer Group. <p><u>FY24 Vesting</u> In FY24 it is expected that in August 2023:</p> <ul style="list-style-type: none"> - 85.1% of the third tranche of FY20 performance rights will vest based on a 3-year positive TSR of 24%, putting the Group at the 67th percentile on relative TSR. - 100% of the single tranche of FY21 performance rights will vest based the exercise of Board discretion (see page 40).

Directors' report continued

Remuneration report (audited) continued

5. 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 2023	Number outstanding 30 June 2022
FY19 Performance based LTI rights	<p>Issued for nil consideration.</p> <ul style="list-style-type: none"> - Exercise price is \$0. - Term of two to four years with vesting as follows, each representing 33% of the total number of performance rights: <ol style="list-style-type: none"> Total shareholder return (TSR) from 30 June 2018 to 30 June 2020 applying both an Absolute Test and a Relative Test. Total shareholder return (TSR) from 30 June 2018 to 30 June 2021 applying both an Absolute Test and a Relative Test. Total shareholder return (TSR) from 30 June 2018 to 30 June 2022 applying both an Absolute Test and a Relative Test. <p>100% vested as of 30 June 2023.</p>	<p>\$7.07</p> <p>\$6.81</p> <p>\$6.58</p>	-	65,700
FY20 Performance based LTI rights	<p>Issued for nil consideration.</p> <ul style="list-style-type: none"> - Exercise price is \$0. - Term of two to four years with vesting as follows, each representing 33% of the total number of performance rights: <ol style="list-style-type: none"> Total shareholder return (TSR) from 30 June 2019 to 30 June 2021 applying both an Absolute Test and a Relative Test. Total shareholder return (TSR) from 30 June 2019 to 30 June 2022 applying both an Absolute Test and a Relative Test. Total shareholder return (TSR) from 30 June 2019 to 30 June 2023 applying both an Absolute Test and a Relative Test. <p>66% vested as of 30 June 2023.</p>	<p>\$6.51</p> <p>\$6.81</p> <p>\$7.06</p>	57,350	114,700
FY21 Performance based LTI rights	<p>Issued for nil consideration.</p> <ul style="list-style-type: none"> - Exercise price is \$0. - Term of three years with vesting based on Absolute Test of total shareholder return (TSR) from 30 June 2020 to 30 June 2023. - Minimum 0% and maximum 100% TSR targets set with straight line pro-rating between these two. - Potential Board discretion in deciding appropriate vesting was explicitly flagged given volatile environment in which original TSR targets were set. <p>0% vested as of 30 June 2023 (nil lapsed).</p>	\$14.69	131,058	131,058
FY22 Performance based LTI rights	<p>Issued for nil consideration.</p> <ul style="list-style-type: none"> - Exercise price is \$0. - Term of three years with vesting based on meeting a minimum EBIT CAGR growth target and Sales CAGR. - If threshold EBIT CAGR is met then 50% vesting is achieved. - To achieve higher than 50% vesting a Sales 3-year CAGR must exceed a minimum target. - To achieve 100% vesting a maximum target must be achieved - Sliding scale set between these 2 points. <p>- KMPs (Grant Date 6th October 2021) - Jim Clayton (Grant Date 11th November 2021, post shareholder approval)</p> <p>0% vested as of 30 June 2023 (nil lapsed).</p>	<p>\$25.96</p> <p>\$28.91</p>	112,129	112,129
FY23 Performance based LTI rights	<p>Issued for nil consideration.</p> <ul style="list-style-type: none"> - Exercise price is \$0. - Term of three years with vesting based on EBIT growth delivery. - If threshold positive EBIT growth is met then 50% vesting is achieved. - If target EBIT growth is met then 100% vesting is achieved. - Sliding scale set between these 2 points. <p>- KMPs (Grant Date 21st October 2022) - Jim Clayton (Grant Date 10th November 2022, post shareholder approval)</p> <p>0% vested as of 30 June 2023 (nil lapsed).</p>	<p>\$17.44</p> <p>\$19.13</p>	176,989	-

Directors' report continued

Remuneration report (audited) continued

6. Non-executive Director remuneration

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

The remuneration 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 Chair of a Board committee recognising the additional time commitment required by the Director to facilitate the running of the committee.

The Group's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by general meeting. The aggregate remuneration of \$1,800,000 per year was approved by shareholders at the annual general meeting held in November 2021.

The remuneration of non-executive Directors for the year ended 30 June 2023 is detailed in Table 6 on page 54.

Remuneration component	Purpose & execution	FY23 outcomes
Non-executive Director fees	<p>Aims to attract, reward, and retain high calibre Directors suitable for a fast-growing international business.</p> <p>Each Director receives a fee or base remuneration as a Director of the Group with an additional fee for acting as Chair or Chair of a Board committee recognising the additional time commitment required.</p> <ul style="list-style-type: none"> Non-Executive Director remuneration is reviewed annually within the aggregate remuneration pool of \$1,800,000 approved by the AGM held in November 2021. <p>Directors are entitled to defer a cash salary in lieu of Breville share rights to encourage Board stock ownership.</p> <p>Participation is voluntary. A participant can elect how much of their salary they would like to exchange for share rights. The election must be performed by the 1st of December ahead of the vesting period of 1st of January to the 31st of December. Rights issued are determined based on a VWAP for the period 20 days commencing on the 15th February 2023.</p> <p>Rights vest following the completion of the service period and are issued on a pro-rata basis based on service period.</p>	<ul style="list-style-type: none"> Main Board Chair Fee: equivalent to \$350,000 p.a. inclusive of superannuation. Main Board Member Fee: equivalent to \$145,000 p.a. inclusive of superannuation. Lawrence Myers receives an additional \$40,000 p.a. for his role as Deputy Chair. Board Committee Chair Fee: equivalent to \$30,000 p.a. inclusive of superannuation. Board subcommittees including the Audit and Risk Committee (ARC), the People Performance Remuneration and Nominations Committee (PPRNC) and the Sustainability Committee. Lawrence Myers chairs the ARC; Kate Wright chairs the PPRNC; Peter Cowan Chairs the Sustainability committee. Tuula Ryttilä was appointed as a non-executive Director effective 1st April 2023. The total fees paid in FY23 of \$1,422,016 represents 79% of the shareholder approved aggregate remuneration of \$1,800,000. Two Directors elected to defer a portion of their salary in exchange for rights for the period 1st January 2023 – 31st December 23. The issued number of rights was determined based on VWAP of \$20.36 for the period 15th February 2023 – 14th March 2023.

Directors' report continued

Remuneration report (audited) continued

7. Statutory remuneration tables

Table 6: KMP remuneration for the year ended 30 June 2023

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 FY23.

	Salary & fees	Other	Superannuation	Leave entitlements	Fixed deferred remuneration Rights	Subtotal	Cash Bonuses (STI)	Performance Rights (LTI)	Total	Fixed Remuneration	STI	LTI
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	%
Non-executive directors												
T. Antonie - Chair	322,500	-	27,500	-	-	350,000	-	-	350,000	100%	0%	0%
L. Myers - Deputy Chair	194,570	-	20,430	-	-	215,000	-	-	215,000	100%	0%	0%
T. Baxter	109,247	-	-	-	59,929	169,176	-	-	169,176	100%	0%	0%
P. Cowan	158,371	-	16,629	-	-	175,000	-	-	175,000	100%	0%	0%
S. Herman	115,016	-	12,107	-	29,964	157,087	-	-	157,087	100%	0%	0%
D. Howell	131,222	-	13,778	-	-	145,000	-	-	145,000	100%	0%	0%
K. Wright	158,333	-	16,667	-	-	175,000	-	-	175,000	100%	0%	0%
T. Rytälä	35,753	-	-	-	-	35,753	-	-	35,753	100%	0%	0%
Subtotal Non-executive Directors	1,225,012	-	107,111	-	89,893	1,422,016	-	-	1,422,016	100%	0%	0%
J. Clayton - Managing Director	1,672,500	-	27,500	129,269	924,678	2,753,947	989,400	1,827,795	5,571,142	49%	18%	33%
Other key management personnel												
S. Brady	668,281	9,644	27,500	69,879	244,752	1,020,056	122,220	326,873	1,469,149	69%	8%	22%
M. Nicholas	547,500	-	27,500	952	566,725	1,142,677	117,128	313,190	1,572,995	73%	7%	20%
C. Torng	568,870	-	27,500	10,608	374,036	981,014	113,054	302,126	1,396,194	70%	8%	22%
Subtotal Executives	3,457,151	9,644	110,000	210,708	2,110,191	5,897,694	1,341,802	2,769,984	10,009,480	59%	13%	28%
Totals	4,682,163	9,644	217,111	210,708	2,200,084	7,319,710	1,341,802	2,769,984	11,431,496	64%	12%	24%

Directors' report continued

Remuneration report (audited) continued

7. Statutory remuneration tables continued

Table 7: KMP Remuneration for the year ended 30 June 2022

	Salary & fees	Other	Superannuation	Leave entitlements	Fixed deferred remuneration Rights	Subtotal	Cash Bonuses (STI)	Performance Rights (LTI)	Total	Fixed Remuneration	STI	LTI
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	%
Non-executive directors												
T. Antonie - Chair	249,764	-	24,976	-	-	274,740	-	-	274,740	100%	0%	0%
L. Myers - Deputy Chair	190,573	-	19,057	-	-	209,630	-	-	209,630	100%	0%	0%
P. Cowan	159,091	-	15,909	-	-	175,000	-	-	175,000	100%	0%	0%
S. Herman	131,818	-	13,182	-	-	145,000	-	-	145,000	100%	0%	0%
D. Howell	131,818	-	13,182	-	-	145,000	-	-	145,000	100%	0%	0%
K. Wright	159,091	-	15,909	-	-	175,000	-	-	175,000	100%	0%	0%
T. Baxter	11,918	-	-	-	-	11,918	-	-	11,918	100%	0%	0%
S. Fisher - Retired	123,785	-	12,379	-	-	136,164	-	-	136,164	100%	0%	0%
Subtotal Directors	1,157,858	-	114,594	-	-	1,272,452	-	-	1,272,452	100%	0%	0%
J. Clayton	1,672,500	-	27,500	352,114	748,836	2,800,950	1,700,000	1,343,241	5,844,191	46%	30%	24%
<i>Other key management personnel</i>												
S. Brady	542,500	30,000	27,500	27,622	197,902	825,524	210,000	257,330	1,292,854	63%	16%	20%
M. Nicholas	547,500	-	27,500	37,553	189,652	802,205	201,250	245,738	1,249,193	63%	17%	20%
M. Payne	554,046	37,032	-	12,602	173,776	777,456	203,113	233,890	1,214,459	63%	17%	20%
C. Tornig	527,500	-	27,500	24,262	183,047	762,309	194,250	236,543	1,193,102	63%	17%	20%
Subtotal Executives	3,844,046	67,032	110,000	454,153	1,493,213	5,968,444	2,508,613	2,316,742	10,793,799	54%	24%	22%
Totals	5,001,904	67,032	224,594	454,153	1,493,213	7,240,896	2,508,613	2,316,742	12,066,251	59%	21%	20%

Directors' report continued

Remuneration report (audited) continued

7. Statutory remuneration tables continued

Table 8: KMP STI cash bonuses awards in FY23 and FY22 and LTI performance rights vesting in FY23

Name	STI Cash bonuses			Share-based LTI performance base compensation vesting in FY23		
	Financial Year	% Earned	% Forfeited	Financial Year Granted	% Vested	% Forfeited
J. Clayton	2023	58.2%	41.8%	2020	83.8%	16.2%
	2022	100%	0%	2019	100%	0%
S. Brady	2023	58.2%	41.8%	2020	83.8%	16.2%
	2022	100%	0%	2019	100%	0%
M. Nicholas	2023	58.2%	41.8%	2020	83.8%	16.2%
	2022	100%	0%	2019	100%	0%
C. Tornø	2023	58.2%	41.8%	2020	83.8%	16.2%
	2022	100%	0%	2019	100%	0%

Table 9: KMP shareholdings

Ordinary shares held* in Breville Group Limited (number)

30 June 2023	Balance at 1 July 2022	On exercise of rights	Net change other ^(a)	Balance at 30 June 2023
Directors				
T. Antonie	43,791	-	-	43,791
T. Baxter	-	-	-	-
L. Myers	133,000	-	30,000	163,000
P. Cowan	10,968	-	87	11,055
S. Herman	42,484	-	5,000	47,484
D. Howell	140,000	-	-	140,000
K. Wright	21,859	-	-	21,859
T. Rytälä	-	-	-	-
Executive Director				
J. Clayton	231,616	93,287	(47,000)	277,903
Other KMP				
S. Brady	105,000	18,277	(48,140)	75,137
M. Nicholas	24,150	17,453	(5,650)	35,953
C. Tornø	114,085	16,138	(25,400)	104,823
Total^(b)	866,953	145,155	(91,103)	921,005

* Held directly, indirectly, or beneficially.

(a) All equity transactions with KMP 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) ~0.6% of total share capital is owned by KMPs (~0.6% in FY22).

Directors' report continued

Remuneration report (audited) continued

7. Statutory remuneration tables continued

Table 9: KMP shareholdings (continued)

Ordinary shares held* in Breville Group Limited (number)

30 June 2022	Balance at 1 July 2021	On exercise of rights	Net change other ^(a)	Balance at 30 June 2022
Directors				
T. Antonie	43,791	-	-	43,791
T. Baxter	-	-	-	0
L. Myers	100,000	-	33,000	133,000
P. Cowan	10,968	-	-	10,968
S. Herman	42,484	-	-	42,484
D. Howell	140,000	-	-	140,000
K. Wright	21,764	-	95	21,859
Executive Director				
J. Clayton	180,443	130,740	(79,567)	231,616
Other KMP				
S. Brady	171,716	21,800	(88,516)	105,000
M. Nicholas	41,185	15,800	(32,835)	24,150
C. Tornig	119,785	19,800	(25,500)	114,085
Total	872,136	188,140	(193,323)	866,953

(a) All equity transactions with KMP have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

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	Expiry Date	Exercise price	Fair value per performance right at grant date (\$)	Vested and exercised 30 June 2023	Number of Rights
FY19 Performance based	11 Sep 18 (a)*	3 Oct 22	0.00	6.58	Yes	46,600
FY20 Performance based	11 Oct 19 (b)*	2 Oct 23	0.00	7.06	-	57,350
FY21 Performance based	7 Sep 20 (c)*	1 Oct 23	0.00	14.69	-	131,058
FY22 Performance based	6 Oct 21 (d)*	1 Oct 24	0.00	25.96	-	38,803
FY22 Performance based	11 Nov 21 (d)*	1 Oct 24	0.00	28.91	-	73,326
FY23 Performance based	21 Oct 22 (e)	1 Oct 25	0.00	17.44	-	61,248
FY23 Performance based	10 Nov 22 (e)	1 Oct 25	0.00	19.13	-	115,741

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

- (a) 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.
- (b) 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.
- (c) One tranche with an absolute total shareholder return hurdle (TSR) applying an absolute test.
- (d) One tranche with an EBIT CAGR gateway and max and min revenue CAGR target.
- (e) One tranche with a target EBIT growth %.

Directors' report continued

Remuneration report (audited) continued

7. Statutory remuneration tables continued

Table 11: Fixed Deferred remuneration rights holding of KMPs

The terms and conditions of each grant of rights issued as deferred remuneration affecting remuneration of KMPs in this financial year or future reporting years are as follows:

	Grant Date	Expiry Date	Exercise price	Fair value at grant date (\$) (Note 19)	Vested and exercised 30 June 2023	Number of rights
Jim Clayton	29 Jan 20	3-Oct-22	0.00	16.70	Yes	29,940
Jim Clayton	29 Jan 20	2-Oct-23	0.00	16.70	-	29,940
Jim Clayton	29 Jan 20	1-Oct-24	0.00	16.70	-	29,940
Jim Clayton	7 Sep 20	3-Oct-25	0.00	19.60	-	22,311
Other KMPs	5 Oct 21	3-Oct-22	0.00	27.21	Yes	9,053
Other KMPs	5 Oct 21	2-Oct-23	0.00	26.87	-	13,581
Other KMPs	5 Oct 21	1-Oct-24	0.00	26.52	-	20,370
Other KMPs	5 Oct 21	3-Oct-25	0.00	26.18	-	30,555
Other KMPs	5 Oct 21	3-Oct-26	0.00	25.85	-	45,834
Jim Clayton	11 Nov 21	3-Oct-23	0.00	29.28	-	12,077
Jim Clayton	11 Nov 21	2-Oct-24	0.00	28.91	-	12,077
Jim Clayton	11 Nov 21	1-Oct-25	0.00	28.54	-	12,077
Jim Clayton	11 Nov 21	3-Oct-26	0.00	28.17	-	29,330
Other KMPs	21 Oct 22	2-Oct 23	0.00	17.97	-	17,702
Other KMPs	21 Oct 22	1-Oct 24	0.00	17.66	-	17,702
Other KMPs	21 Oct 22	1-Oct 25	0.00	17.44	-	17,702
Other KMPs	21 Oct 22	1-Oct 26	0.00	17.18	-	17,702
Jim Clayton	10 Nov 22	1-Oct 27	0.00	18.57	-	46,296
NED	1 Dec 22	28-Feb 24	0.00	20.15	-	5,343

Table 12: Unvested Performance and Fixed Deferred Remuneration Rights holdings of KMPs

	Balance 30 June 2022	Granted as remuneration ^(a)	Vested and exercised	Other ^(b)	Balance 30 June 2023
30 June 2023					
T. Baxter	-	3,562	-	-	3,562
S. Herman	-	1,781	-	-	1,781
J. Clayton	435,797	162,037	(93,287)	(5,653)	498,894
Other KMP					
S. Brady	96,469	21,242	(18,277)	(1,263)	98,171
M. Nicholas	92,358	69,377	(17,453)	(1,206)	143,076
C. Torng	88,448	41,437	(16,138)	(1,166)	112,581
	713,072	299,436	(145,155)	(9,288)	858,065

(a) Performance rights granted during the year are subject to performance hurdles and remaining in employment until the date of vesting.

(b) Includes forfeitures and lapses.

	Balance 30 June 2021	Granted as remuneration ^(a)	Vested and exercised	Other ^(b)	Balance 30 June 2022
30 June 2022					
J. Clayton	427,650	138,887	(130,740)	-	435,797
Other KMP					
S. Brady	63,403	54,866	(21,800)	-	96,469
M. Nicholas	55,578	52,580	(15,800)	-	92,358
C. Torng	57,498	50,750	(19,800)	-	88,448
	604,129	297,083	(188,140)	-	713,072

(a) Performance rights granted during the year are subject to performance hurdles and/or remaining in employment until date of vesting.

(b) Includes forfeitures and lapses.

Directors' report continued

Remuneration report (audited) continued

8. LTI Relative TSR Peer group appendix

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

ASX Code	Company	Sector
A2M	The a2 Milk Co Ltd	Consumer Staples
ALG	Ardent Leisure grp Ltd	Consumer Discretionary
ALL	Aristocrat Leisure Ltd	Consumer Discretionary
ALQ	ALS Ltd	Industrials
ALX	Atlas Arteria Ltd	Industrials
ARB	ARB Corp Ltd	Consumer Discretionary
ASB	Austal Limited	Industrials
AZJ	Aurizon Holdings Ltd	Industrials
BAP	Bapcor Ltd	Consumer Discretionary
BGA	Bega Cheese Ltd	Consumer Staples
BKL	Blackmores Ltd	Consumer Staples
BXB	Brambles Ltd	Industrials
CGC	Costa Group Holdings Ltd	Consumer Staples
COL	Coles Group Ltd	Consumer Staples
CTD	Corporate Travel Management Ltd	Consumer Discretionary
CWY	Cleanaway Waste Management Ltd	Industrials
DMP	Domino's Pizza Enterprises Ltd	Consumer Discretionary
DOW	Downer EDI Ltd	Industrials
EHL	Emeco Holdings	Industrials
ELD	Elders Ltd	Consumer Staples
FLT	Flight Centre Travel Group Ltd	Consumer Discretionary
GEM	G8 Education Limited	Consumer Discretionary
GNC	GrainCorp Ltd	Consumer Staples
GUD	GUD Holdings Ltd	Consumer Discretionary
GWA	GWA Group Limited	Industrials
HVN	Harvey Norman Holdings Ltd	Consumer Discretionary
IEL	IDP Education Ltd	Consumer Discretionary
ING	Inghams Group Ltd	Consumer Staples
IPH	IPH Ltd	Industrials
IVC	InvoCare Ltd	Consumer Discretionary
JBH	JB Hi-Fi Ltd	Consumer Discretionary
MMS	Mcmillan Shakespeare	Industrials
MND	Monadelphous Group Ltd	Industrials
MTS	Metcash Ltd	Consumer Staples
NEC	Nine Entertainment Co Holdings Ltd	Communication Services
NWH	NRW Holdings Ltd	Industrials
NWS	News Corp	Communication Services
OML	Ooh! Media Limited	Consumer Discretionary
PMV	Premier Investments Ltd	Consumer Discretionary
QAN	Qantas Airways Ltd	Industrials
QUB	Qube Holdings Ltd	Industrials
RWC	Reliance Worldwide Corp Ltd	Industrials
SEK	SEEK Ltd	Communication Services
SGR	The Star Entertainment Grp Ltd	Consumer Discretionary
SIQ	Smartgroup Corporation	Industrials
SKC	Skycity Ent Group Limited Foreign Exempt NZX	Consumer Discretionary
SSM	Service Stream	Industrials
SUL	Super Retail Group Ltd	Consumer Discretionary
SVW	Seven Group Holdings Ltd	Industrials
SXL	Southern Cross Media	Consumer Discretionary
TAH	Tabcorp Holdings Ltd	Consumer Discretionary
TCL	Transurban Group	Industrials
TWE	Treasury Wine Estates Ltd	Consumer Staples
WEB	Webjet Ltd	Consumer Discretionary
WES	Wesfarmers Ltd	Consumer Discretionary
WOW	Woolworths Group Ltd	Consumer Staples

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 (ARC) and the People, Performance, Remuneration and Nominations Committee (PPRNC) and the Sustainability Committee, was as follows:

	Full Board	Audit & Risk (ARC)	People, Performance, Remuneration & Nominations (PPRNC)	Sustainability Committee
Number of meetings	12	5	4	3
T. Antonie	11 (b)	5	4	1
L. Myers	12	5 (b)	4 (a)	0
J. Clayton	12	5	4	0
T. Baxter	11	4	2	0
P. Cowan	11	5	4	3 (b)
S. Herman	12	4	3	3 (a)
D. Howell	11	4 (a)	4 (a)	3 (a)
K. Wright	12	5 (a)	4 (b)	3 (a)
T. Rytälä (c)	3	0	0	0

Notes

- (a) A member of the relevant committee. All board members are invited to attend the committee meetings.
 (b) Designates the current chair of the Board or committee.
 (c) Tuula Rytälä appointed Director on 1st April 2023 – 100% attendance after appointment.

Committee membership

As of the date of this report, the Company had an ARC and PPRNC and a Sustainability 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 ARC are L. Myers (chair), D. Howell and K. Wright.
- The current members, as at the date of this report, of the PPRNC are K. Wright (chair), D. Howell and L. Myers.
- The current members, as at the date of this report, of the Sustainability Committee are P. Cowan (chair), K. Wright, S. Herman and D. Howell.

All Chairs and members of the ARC and PPRNC committees are independent.

Indemnification of Directors and Officers

The Directors and officers of the company are indemnified by the Company against losses or liabilities that 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. The Group's commitment to sustainability including environmental initiatives is outlined in pages 16-36 of the Directors' Report.

Directors' report continued

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support the principles of good corporate governance. The Company's corporate governance statement is on page 61.

Performance rights

Unissued shares

As of the date of this report there were 2,408,673 potential unissued shares under the performance rights, fixed deferred remuneration share rights and NED schemes (2022: 1,687,103). Refer to note 19 of the financial report for further details of the performance rights outstanding and fixed deferred remuneration share rights. Neither performance right holders, nor fixed deferred remuneration share rights holders, have any right by virtue of the rights to participate in any share issue of the Company.

Lapse of unvested performance rights

During the year 38,822 unvested performance rights lapsed following the cessation of employment of employees or executives and 25,082 unvested performance rights lapsed as a result of performance hurdles not being met. (2022: 101,606 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 131 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 2023. This auditor's declaration forms part of this Directors' report.

Non-audit services

During the financial year ended 30 June 2023 the Company's auditor, PwC, provided non-audit services to Breville Group entities. Details of the amounts paid to the auditor PwC for the provision of non-audit services during the year ended 30 June 2023 are set out in note 22 on page 126. These services primarily relate to tax compliance and advisory services.

For FY23, the ratio between audit and non-audit fees is 1.2 to 1.0.

A significant portion of the non-audit fees associated with taxation and accounting advisory services in FY23 are non-recurring in nature relating to renewal of the APA, intercompany agreement renewal and new reporting requirements (transfer pricing).

In accordance with the recommendation from the ARC, 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 ARC, 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 ARC 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 that significantly affected or may affect the operations of the consolidated entity.

Signed in accordance with a resolution of Directors.



Timothy Antonie
Chair

Sydney
21 August 2023

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 (4th Edition)'.

The ASX principles that have been adopted are outlined below.

The Company's corporate governance practices throughout the year ended 30 June 2023 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.

- Board charter
- Audit and risk committee charter
- People, performance, remuneration and nomination committee charter
- Sustainability committee charter
- Code of conduct
- Corporate Values
- Anti-bribery and corruption
- Whistleblower Protection Policy
- Ethical sourcing policy
- Modern Slavery statement
- Diversity & inclusion policy
- Share trading policy
- Continuous disclosure policy
- Selection and appointment of Directors
- Criteria for assessing independence of Directors
- Shareholder communications policy
- Minimum shareholding guideline policy
- Workplace gender equality agency report
- Sustainability Policy
- Reconciliation Action Plan

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

Director	Appointed	Term in Office	Qualifications	Non-executive	Independent	Last elected
Timothy Antonie (Chair)	2013	10 years	BEcon	Yes	No	2020
Lawrence Myers (Deputy Chair and Lead Independent Director)	2013	10 years	B.Acct, CA, CTA	Yes	Yes	2021
Timothy Baxter	2022	1 year	BS	Yes	Yes	2022
Jim Clayton	2021	2 years	BBA, Finance, JD	No	No	N/A
Peter Cowan	2018	5 years	Other	Yes	Yes	2021
Sally Herman	2013	10 years	BA, GAICD	Yes	No	2022
Dean Howell	2008	15 years	FCA, CTA	Yes	Yes	2020
Kate Wright	2016	7 years	BA	Yes	Yes	2022
Tuula Ryttilä	2023	0 years	MSc	Yes	Yes	-

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

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

Corporate governance statement continued

Breville maintains a majority independent Board and has been steadily evolving its Board composition to benefit from diversity in all its forms including gender, skill set, experience, ethnicity, and geography.

Following the addition of Mr Tim Baxter in June 2022, Ms Tuula Ryttilä joined the Board in April 2023 bringing specific skills in digital technology and its application to consumer goods as well as becoming the Group's first European based Director. Ms Ryttilä appointment follows the previously announced intent to identify an additional independent director as part of the Board's evolution to match and support the Group's geographic, product and, solutions expansion.

Ms Ryttilä is an accomplished senior executive, with 30 years' experience across the consumer technology and product sector in technologies, digitisation and product management. Ms Ryttilä brings an international perspective having worked across Europe, North America, Asia and Africa rising to the position of Global CMO at Nokia, where she worked for 15 years, and subsequently for 9 years at Microsoft with global responsibility for Microsoft Digital Stores. Her most recent focus has been on driving global business model change and customer experience optimisation. Ms Ryttilä has detailed insight into product roadmaps, product development, consumer insights as well as experience with global go-to-market strategies and e-commerce and is a valuable addition to the Board.

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 including the annual budget, monitoring the achievement of those goals and establishing a sound system of risk oversight and management. The Board regularly reviews 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, experience and skill set and any potential conflicts of interest.

During FY23 the Board appointed Ms Ryttilä via an extensive international search for a Director possessing the specific digital, consumer technology and product management skill set that would complement the skill set of the current Board. This strategic skill set is viewed as critical to help ensure Breville's solutions orientated strategy is successfully leveraged and executed to its full potential.

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 and induction program 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.

Diversity policy

The Company is an equal opportunity employer and values differences such as gender, age, sexuality, culture, disability and, ethnicity. 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 in the corporate governance section and is subject to periodic review, and may be changed by resolution of the Board.

Diversity policy objectives

The objectives and actions set by the Board in accordance with the diversity policy, and progress towards achieving them, including gender balance, are as follows:

- A target gender balance of at least 40% of either gender in managerial and executive roles and approximately 30% for the Board: Breville is constantly striving to improve its gender balance and has done so in all categories in FY23, with women on the Board now presenting 33%, the percentage of women in managerial roles was 37%, up from 36% in FY22 with senior and executive roles at 35%, 1% higher than FY22. The percentage of women across the organisation remained at 45%;
- Promoting a safe workplace free from harassment or discrimination of any kind: training and education programs which included topics on unconscious bias, harassment, bullying, victimisation and discrimination were repeated during the year;
- Explicit requirement of recruiting agencies to provide a gender balance of suitable, qualified, shortlisted candidates for interview continued during the year;
- Representation of women trained in recruitment and on selection panels: the process to train additional women in these skills continued during the year;
- Enhancing the gender balance in career development in senior and managerial roles;
- Continued flexible working arrangements where operationally appropriate: Breville's policies on Flexible Work and Paid Parental leave along with its technology set up activity support the choice of work locations and timing of work.

Corporate governance statement continued

Principle 1: Lay solid foundations for management and oversight continued

Diversity policy objectives continued

The proportion of women employees in the company at 30 June 2023 is shown in the below table.

	30 June 2023	30 June 2022
Women on the Board ¹	33%	25%
Women in senior and executive roles ²	35%	34%
Women in managerial roles ³	37%	36%
Women in company	45%	45%

¹ The number of women on the Board is 3. Following the appointment of Tuula Ryttilä the percentage of women on the Board increased to 33%.

² The senior and executive role measure 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 PPRNC. 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 monthly 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 governance section.

Evaluating the performance of the Board

The Chair of the Board 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 Chair to the Board following the assessment.

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 be effective and 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 eight non-executive Directors and one executive Director. The Directors' report, on pages 6 and 7, outlines the relevant skills, experience and expertise held by each Director in office at the date of this report. The Board annually assesses if there is a need for its existing Directors to undertake professional development to ensure they perform their role effectively.

Corporate governance statement continued

Principle 2: Structure the Board to be effective and add value continued

Board composition continued

In accordance with good corporate governance, where the Chair 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 Chair and representing the Board as the lead independent Director when the Chair is unable to do so because of his non-independent status.

As the Chair is not an independent Director, the Board appointed Mr Myers as its lead independent Director. Mr Myers was appointed as Deputy Chair in FY22.

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 Tim Baxter, Mr Peter Cowan, Mr Dean Howell, Mr Lawrence Myers, Ms Kate Wright and Ms Ryttilä are independent Directors. Mr Dean Howell's independence was explicitly reviewed in light of his tenure with the Group, and this was reconfirmed given his track record of independent opinion, and action, and the fact that the executive team was substantially changed over the last 8 years. Thus, Mr Howell's tenure in working with this current leadership team is no longer than many other members of the Board.

The following Directors are not classified independent Directors:

- Mr Timothy Antonie (non-executive Chair) is a non-executive Director of Premier Investments Ltd, a substantial shareholder of the company;
- Ms Sally Herman (non-executive Director) is a non-executive Director of Premier Investments Ltd, a substantial shareholder of the company; and,
- Mr Jim Clayton (Managing Director) in his dual role as Chief Executive Officer is not considered independent.

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 Chair is required, which will not be unreasonably withheld.

Induction and continuing professional development

Newly appointed Directors participate in an extensive induction program. This includes the provision of information relevant to their role as a listed company Director, and briefings with other Directors and key members of management on the Group's strategy, operations, structure and material risks. Directors are also encouraged to undertake ongoing professional development to develop and maintain the skills and knowledge required to perform their role effectively.

Board committees

The Board has established the ARC, the PPRNC, and the Sustainability Committee to assist in the execution of its duties and to allow the detailed consideration of complex issues. The composition of these committees is shown on page 59. The ARC and PPRNC comprises only independent Directors. The Sustainability Committee is chaired by an independent, non-executive Director and has only non-executive membership.

Corporate governance statement continued

Principle 3: Instil a culture of acting lawfully, ethically, and responsibly

Values

The culture and values of the group are led by the Board and supported by policy and procedure, underpin the ethical and responsible behaviour expected by all Directors and employees of the Group. The Company undertook an extensive refresh of its values and published these in FY23. These can be found under the "About" section within the Company's website brevillegroup.com.

Code of conduct

The Board has formally adopted a code of conduct ("code") for all Directors and employees. 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.

Whistleblower, anti-bribery and corruption policies

The Group has an anti-bribery and corruption 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 regarding dealing with outside parties.

The policy prohibits all 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.

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. Breaches of the whistleblower and anti-bribery and corruption policy are reported to the Board via the Group CFO.

Principle 4: Safeguard integrity of corporate reports

Audit and risk committee

The Board has an ARC, 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 and the integrity and accuracy of corporate reports. 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 ARC.

Among its responsibilities, the ARC:

- ensures that Company accounting policies and practices are in accordance with current and emerging accounting standards;
- reviews all financial statements 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 and a bi-annual review of the risk register and risk matrix.

Composition of committee

The members of the ARC as at the date of this report are:

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

The Directors' report, on page 59, outlines the number of ARC meetings held during the year and the member's attendance at those meetings. It also outlines the qualifications of ARC members on pages 6 and 7.

There is an open invitation for Board members and the Group CEO, company secretaries, Group CFO to attend the ARC; the external auditors and any other persons considered appropriate may attend meetings of the ARC by invitation by the Chair. 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 ARC is structured so that it:

- is comprised of 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.

Corporate governance statement continued

Principle 4: Safeguard integrity of corporate reports continued

Audit and risk committee cont'd

In accordance with the council's recommendation 4.2 the Group CEO and Group CFO provide 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.

Periodic disclosures that are not subject to external audit are reviewed and presented to the Board for approval and are subject to rigorous internal review prior to publication.

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 under the corporate governance section.

Materials used for investor and analyst briefing purposes are made public via ASX announcements prior to the briefing.

The Board approves all material market announcements before release. Any new, or substantive, analyst presentations are released on the ASX Market Announcements Platform.

Principle 6: Respect the rights of security holders

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 and all governance information are available on the corporate governance section of the Company's website.

The Company aims to facilitate effective communication with shareholders in a number of ways, including through:

- the Annual General Meeting (AGM), which shareholders are encouraged to attend and participate in, including by exercising their voting rights and asking questions of the Chair and the Board and the external auditor. The Company ensures that all substantive resolutions at the AGM, or any other meeting of shareholders, are decided by a poll rather than a show of hands;
- an investor relations program, which includes scheduled and ad-hoc briefing sessions with investors, analysts and other stakeholders;
- the Breville Group website which provides up-to-date information about the Company, its governance framework and recent ASX announcements;
- publishing any communication material provided at investor conferences before they are presented, and
- notifications from the Company's share registry.

Electronic communication

Shareholders can elect to receive communications from the Company's share registry 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, climate, ethical conduct, brand, technology and product quality risks. The Company has embedded in its management and reporting systems a number of risk management controls.

These include:

- a bi-annual presentation of the risk register and risk matrix to the Board and the ARC identifying key risks, mitigants and the residual risk compared to Board risk appetite.
- policies and procedures for the management of financial risk and treasury operations including exposures to foreign currencies and movements in interest rates;
- annual strategic planning sessions;
- annual budgeting and monthly reporting systems for all businesses that enable the monitoring of progress against performance targets and the evaluation of trends;
- policies and procedures that enable management of the Company's material business risks; and
- guidelines and limits for approval, including capital expenditure, significant contracts, acquisitions and disposals, actual or contingent liabilities, borrowings and legal matters.

Corporate governance statement continued

Principle 7: Recognise and manage risk continued

Audit and Risk committee

The Company operates a twice yearly extensive self-assessment process, a companywide risk register review, as well as external audits. Management is responsible to the Board for the internal control and risk management systems and reporting to the Board on the effectiveness of the management of its material business risks. The ARC assists the Board in monitoring this function.

During FY23, the ARC directly undertook these duties and responsibilities and met five times during the year.

As referred to above, the ARC is composed of the following Directors as of the date of this report:

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

Sustainability Committee

The Sustainability Committee is responsible for assisting the Board in fulfilling its oversight responsibilities in relation to sustainability policies, strategies and programs of the Group. This responsibility includes reviewing, monitoring and making recommendations to the Board in relation to any material sustainability risks, including those associated with the execution of the Group's sustainability agenda, as well as the integrity of the Group's sustainability reporting.

The Sustainability committee is composed of the following Directors as of the date of this report:

- Mr Peter Cowan (Chair)
- Ms Sally Herman
- Ms Kate Wright
- Mr Dean Howell

The Sustainability committee comprises:

- an independent chair; and
- at least three members, all of whom are non-executive Directors.

For details on the number of meetings of the Sustainability Committee held during the year and the members' attendance at those meetings, refer to the Directors' report on page 59.

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.

Principle 8: Remunerate fairly and responsibly

People, Performance, Remuneration and Nominations Committee

The PPRNC is responsible for overseeing the remuneration and nomination of both key executive, and non-executive Board roles as well as the remuneration strategy for the Group.

The PPRNC is composed of the following Directors as of the date of this report:

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

In accordance with the council's recommendation 8.1, the PPRNC comprises:

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

The PPRNC is considered to be independent as of the date of this report.

For details on the number of meetings of the PPRNC held during the year and each members' attendance at those meetings, refer to the Directors' report on page 59.

The Company's policies for participants in equity-based remuneration schemes are published on its website. KMPs and recipients of equity-based remuneration and their associates, executives and staff are prohibited from entering transactions with options, hedging arrangements or other derivative products. All trading activity by KMPs and recipients of equity-based remuneration, and their associates, in relation to the Company's shares, requires formal sign off by the Company Secretary and/or the Chair of the Board.

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 38 to 58.

Equity based remuneration schemes and share trading

The securities trading policy details restrictions on the trading of shares received via equity-based remuneration schemes or otherwise acquired. All transactions by KMP's explicitly require Chair of the Board approval.

Consolidated income statement

For the year ended 30 June 2023

	Notes	Consolidated	
		30 June 2023 \$'000	30 June 2022 \$'000
Revenue	3(a)	1,478,554	1,418,437
Cost of sales	3(b)	(961,612)	(932,500)
Gross profit		516,942	485,937
Other income		778	405
Employee benefits expenses	3(e)	(183,066)	(158,530)
Premises and utilities expenses		(13,670)	(17,360)
Advertising and marketing expenses		(52,721)	(68,310)
Other expenses	3(d)	(50,100)	(55,317)
Earnings before interest, tax, depreciation & amortisation (EBITDA)		218,163	186,825
Depreciation and amortisation expense	3(c)	(46,142)	(30,464)
Earnings before interest & tax (EBIT)		172,021	156,361
Finance costs	3(f)	(21,699)	(8,844)
Finance income	3(f)	669	317
Profit before income tax		150,991	147,834
Income tax expense	4	(40,783)	(42,117)
Net profit after income tax for the year attributable to members of Breville Group Limited		110,208	105,717
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	13	77.2	75.9
Diluted earnings per share	13	76.6	75.3

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

Consolidated statement of comprehensive income

	Notes	Consolidated	
		30 June 2023 \$'000	30 June 2022 \$'000
Net Profit after income tax for the year		110,208	105,717
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation differences		26,986	19,361
Net change in fair value of cash flow hedges		(10,887)	21,940
Income tax on other comprehensive income	4	4,163	(7,650)
Other comprehensive income for the year, net of income tax		20,262	33,651
Total comprehensive income for the year is attributable to:			
Owners of Breville Group Limited		130,470	139,368
Total comprehensive income for the year attributable to owners of Breville Group Limited arises from:			
Continuing operations		130,470	139,368

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

Consolidated statement of financial position

As at 30 June 2023

	Notes	Consolidated	
		30 June 2023 \$'000	30 June 2022 \$'000
Current assets			
Cash and cash equivalents	5	84,155	168,256
Trade and other receivables	6	276,753	194,202
Inventories	7	439,633	445,884
Current tax receivables	4	4,366	2,464
Derivative financial instruments	16	14,200	23,987
Other financial assets	16	1,711	9,497
Total current assets		820,818	844,290
Non-current assets			
Property, plant and equipment	8	53,766	33,477
Deferred tax assets	4	29,112	13,684
Right-of-use assets	10	69,968	44,656
Intangible assets	9	399,028	241,047
Other financial assets	16	2,160	1,998
Total non-current assets		554,034	334,862
Total assets		1,374,852	1,179,152
Current liabilities			
Trade and other payables	6	261,336	292,272
Lease liabilities	10	19,777	12,172
Current tax liabilities	4	6,285	8,849
Borrowings	15	3,245	-
Provisions	6	29,699	29,482
Derivative financial instruments	16	1,430	330
Total current liabilities		321,772	343,105
Non-current liabilities			
Trade and other payables		-	9,770
Borrowings	15	202,200	172,349
Lease liabilities	10	55,272	37,643
Deferred tax liabilities	4	22,155	105
Provisions	6	3,794	1,763
Total non-current liabilities		283,421	221,630
Total liabilities		605,193	564,735
Net assets		769,659	614,417
Equity			
Equity attributable to equity holders of Breville Group Limited			
Issued capital	14	385,541	323,165
Reserves	14	39,337	13,845
Retained earnings		344,781	277,407
Total equity		769,659	614,417

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

Consolidated statement of changes in equity

For the year ended 30 June 2023

Consolidated	Notes	Issued capital \$'000	Foreign currency translation \$'000	Employee equity benefits reserve \$'000	Cash flow hedges \$'000	Retained earnings \$'000	Total \$'000
2023							
At 1 July 2022		323,165	7,540	(10,255)	16,560	277,407	614,417
Foreign currency translation reserve		-	26,986	-	-	-	26,986
Cash flow hedges		-	-	-	(10,887)	-	(10,887)
Income tax on items taken directly to equity	4	-	-	897	3,266	-	4,163
Total other comprehensive income for the year		-	26,986	897	(7,621)	-	20,262
Profit for the year ended		-	-	-	-	110,208	110,208
Total comprehensive income for the year ended		-	26,986	897	(7,621)	110,208	130,470
Transactions with owners in their capacity as owners:							
Dividends paid	12	-	-	-	-	(42,834)	(42,834)
Ordinary shares issued on acquisition of Lelit Srl, net of transaction costs	14(a)	55,703	-	-	-	-	55,703
Ordinary shares issued for Performance Rights Plan (LTI) and Fixed							
Deferred Remuneration Plan, net of transaction costs and tax	14(a)	6,673	-	(6,690)	-	-	(17)
Ordinary shares acquired by the Trustee of the Breville Group Performance							
Share Plan (LTI)	14(b)	(6,093)	-	-	-	-	(6,093)
Transferred to participants of the performance rights plan	14(b)	6,093	-	-	-	-	6,093
Share-based payments	3(e)	-	-	11,920	-	-	11,920
At 30 June 2023		385,541	34,526	(4,128)	8,939	344,781	769,659

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

Consolidated statement of changes in equity continued

For the year ended 30 June 2023

Consolidated	Notes	Issued capital \$'000	Foreign currency translation \$'000	Employee equity benefits reserve \$'000	Cash flow hedges \$'000	Retained earnings \$'000	Total \$'000
2022							
At at 1 July 2021		309,615	(11,821)	(3,916)	1,200	211,407	506,485
Foreign currency translation reserve		-	19,361	-	-	-	19,361
Cash flow hedges		-	-	-	21,940	-	21,940
Income tax on items taken directly to equity	4	-	-	(1,070)	(6,580)	-	(7,650)
Total other comprehensive income for the year		-	19,361	(1,070)	15,360	-	33,651
Profit for the year ended		-	-	-	-	105,717	105,717
Total comprehensive income for the year ended		-	19,361	(1,070)	15,360	105,717	139,368
Transactions with owners in their capacity as owners:							
Dividends paid	12	-	-	-	-	(39,717)	(39,717)
Ordinary shares issued for Performance Rights Plan (LTI) and Fixed Deferred Remuneration Plan, net of transaction costs and tax	14(a)	13,550	-	(13,576)	-	-	(26)
Ordinary shares acquired by the Trustee of the Breville Group Performance Share Plan (LTI)	14(b)	(12,626)	-	-	-	-	(12,626)
Transferred to participants of the performance rights plan	14(b)	12,626	-	-	-	-	12,626
Share-based payments	3(e)	-	-	8,307	-	-	8,307
At 30 June 2022		323,165	7,540	(10,255)	16,560	277,407	614,417

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

Consolidated statement of cash flows

For the year ended 30 June 2023

	Notes	Consolidated	
		30 June 2023 \$'000	30 June 2022 \$'000
Cash flows from operating activities			
Receipts from customers		1,474,092	1,458,572
Payments to suppliers and employees		(1,319,631)	(1,445,886)
Finance income received		669	353
Finance costs paid		(21,699)	(7,834)
Income tax paid		(43,177)	(47,358)
Net cash flows from (used in) operating activities	5(c)	90,254	(42,153)
Cash flows from investing activities			
Purchase of plant and equipment	8	(20,479)	(16,550)
Proceeds from sale of property, plant and equipment		44	42
Development of intangible assets	9	(32,764)	(26,142)
Acquisition of subsidiary, net of cash acquired	21(a)	(79,647)	-
Net cash (used in) from investing activities		(132,846)	(42,650)
Cash flows from financing activities			
Proceeds from borrowings	5(b)	399,471	284,989
Repayment of borrowings	5(b)	(387,212)	(116,068)
Equity dividends paid	12(a)	(42,834)	(39,717)
Principal elements of lease payments	10	(18,303)	(7,674)
Net cash (used in) from financing activities		(48,878)	121,530
Net (decrease) increase in cash and cash equivalents		(91,470)	36,727
Cash and cash equivalents at the beginning of the financial year		168,256	129,907
Net foreign exchange difference		7,369	1,622
Cash and cash equivalents at end of year	5(c)	84,155	168,256

The above Consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 30 June 2023

Note	Notes to the financial statements	Page
.	Key numbers	75
1	Summary of significant accounting policies	75
2	Operating segments	78
3	Revenue and expenses	79
4	Income tax	81
5	Cash and cash equivalents	84
6	Receivables, payables and provisions	86
7	Inventories	89
8	Property, plant and equipment	90
9	Non-current assets - intangible assets	92
10	Leases	95
11	Impairment testing of goodwill and intangibles with indefinite lives	97
.	Capital management	100
12	Dividends	100
13	Earnings per share	101
14	Issued capital and reserves	102
15	Borrowings	104
16	Financial risk management	106
17	Interests in other entities	111
18	Parent entity information	113
.	Further details	115
19	Share-based payments	115
20	Related party transactions	122
21	Business combination	124
22	Auditor's remuneration	126
23	Contingencies	126
24	Events occurring after the reporting period	127
25	Other accounting policies	127

Notes to the financial statements continued

For the year ended 30 June 2023

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 8 to 37. 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 and non-current other payables, 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) Compliance with IFRS

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.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 1. Summary of significant accounting policies continued

(d) Business combinations

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase. Further details are provided in note 21.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are presented in Australian dollar (\$), which is Breville Group Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(f) 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 11.

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 using a risk neutral methodology for non-market measures, the assumptions are detailed in note 19.

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 Company assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 1. Summary of significant accounting policies continued

(f) Significant accounting judgements, estimates and assumptions continued

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 quality initiatives, as well as parts and labour costs. The related carrying amounts are disclosed in note 6.

Allowance for uncollectible receivables

Estimation is required to assess the risk of probability weighted outcomes in determining an adequate level of provisions for uncollectible receivables. As required by accounting standards the Group considers past, current and future economic conditions. The Group uses a matrix based approach and groups its customers into different risk portfolios when measuring its expected credit losses.

(g) 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 25 of the financial report.

Notes to the financial statements continued

For the year ended 30 June 2023

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®, Baratza®, Lelit® 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.

(a) Segment results

Consolidated 2023	Consolidated					
	30 June 2023			30 June 2022		
	Global Product \$'000	Distribution \$'000	Total \$'000	Global Product \$'000	Distribution \$'000	Total \$'000
Segment revenue	1,279,224	199,330	1,478,554	1,178,560	239,877	1,418,437
Cost of sales	(808,656)	(152,956)	(961,612)	(749,800)	(182,700)	(932,500)
Gross Profit	470,568	46,374	516,942	428,760	57,177	485,937
GM%	36.8%	23.3%	35.0%	36.4%	23.8%	34.3%
EBIT			172,021			156,361
Finance income			669			317
Finance costs			(21,699)			(8,844)
Profit before income tax			150,991			147,834

(b) Segment revenue

Global Product	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Americas	701,232	605,012
EMEA	285,774	295,160
APAC	292,218	278,388
Total Global Product revenue	1,279,224	1,178,560

Distribution: Revenue generated from USA, Canada, Australia and New Zealand.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 3. Revenue and expenses

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
	Notes	
(a) Revenue		
Sale of goods	1,478,554	1,418,437
Total revenue	1,478,554	1,418,437
(b) Cost of sales		
Costs of inventories recognised as an expense	856,637	819,883
Costs of delivering goods to customers	60,478	64,238
Warranty expense	44,497	48,379
Total cost of sales	961,612	932,500
(c) Depreciation and amortisation expense		
Depreciation - right-of-use assets	18,239	7,876
Depreciation - property, plant and equipment	6,550	4,506
Depreciation - production tools	4,073	5,320
Amortisation - computer software	1,065	259
Amortisation - development costs	15,464	12,323
Amortisation - customer relationships	751	180
Total depreciation and amortisation expense	46,142	30,464
(d) Other expenses:		
Net foreign exchange (gain)/loss	(698)	185
Other product related costs	9,717	7,747
Information technology costs	19,074	19,702
Professional and administration costs	7,023	14,653
Other	14,984	13,030
Total other expenses	50,100	55,317
(e) Employee benefits expenses		
Wages & salaries, leave and other employee related benefits	151,512	127,609
Short term incentives	10,447	15,120
Defined contribution plan expense	9,187	7,494
Share-based payments expense	11,920	8,307
Total employee benefits expenses	183,066	158,530

Notes to the financial statements continued

For the year ended 30 June 2023

Note 3. Revenue and expenses continued

(f) Finance costs/income

	Notes	Consolidated	
		30 June 2023 \$'000	30 June 2022 \$'000
Finance costs paid or payable on borrowings and bank overdrafts:			
Interest and borrowing costs		17,559	7,265
Interest on lease liabilities		4,140	1,579
Finance costs		21,699	8,844
Finance income		(669)	(317)
Total net finance costs		21,030	8,527

Recognition and measurement

Sale of goods

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.

Employee benefits expenses

Employee benefits expenses increased by \$24,536,000 to \$183,066,000 from pcp \$158,530,000 due to the wages and salaries associated with headcount increases, largely related to additions in FY22.

Premises & Utilities expenses

Premises & utilities expenses include non-lease accounted warehouse and office costs, storage locations, utilities, repairs and maintenance costs.

Advertising and marketing expenses

Advertising and marketing expenses decreased by \$15,589,000 to \$52,721,000 from pcp \$68,310,000 as a series of marketing platform projects transitioned from the build phase to the less expensive run and maintain phase.

Finance costs/income

Borrowing costs are recognised as an expense when incurred. 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.

Finance costs increased by \$12,855,000 to \$21,699,000 from \$8,844,000 pcp largely due to increases in interest rates, elevated borrowings due to the acquisition of Lelit Srl and working capital requirements.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 4. Income tax

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000

The major components of income tax expense are:

Income statement

Current income tax

Current income tax charge	40,940	40,532
Adjustments in respect of current income tax of previous years	(2,001)	3,844

Deferred income tax

Relating to the origination and reversal of temporary differences	2,076	2,443
Adjustments in respect of deferred income tax of previous years	(232)	(4,702)

Total income tax expense reported in the income statement	40,783	42,117
--	---------------	---------------

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000

Deferred income tax related to items charged or credited directly to other comprehensive income

Employee equity benefits reserve	(897)	1,070
Net (loss)/gain on revaluation of cash flow hedges	(3,266)	6,580

Income tax (benefit)/expense reported in other comprehensive income	(4,163)	7,650
--	----------------	--------------

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:

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Profit before income tax	150,991	147,834
Tax at the Australian tax rate of 30.0% (2022 - 30.0%)	45,297	44,350
Adjustments in respect of income tax of previous years	(2,233)	(858)
Effect of different rates of tax on overseas income	(1,368)	(612)
Expenditure not allowable for income tax purposes	1,363	1,987
Share Based Payments	(3,638)	(2,499)
Other	1,362	(251)
Income tax expense reported in the income statement	40,783	42,117

Notes to the financial statements continued

For the year ended 30 June 2023

Note 4. Income tax continued**Deferred income tax**

Deferred income tax at 30 June relates to the following:

	Consolidated	
	Statement of financial position	
	30 June 2023	30 June 2022
	\$'000	\$'000
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Brand names	12,720	1,875
Development costs and production tools	19,082	22,068
Other intangibles	5,887	3,833
Cash flow hedge reserve	3,762	7,028
Accelerated depreciation for tax purposes	1,348	320
Other	194	-
Gross deferred income tax liabilities	<u>42,993</u>	<u>35,124</u>
Deferred tax assets		
Losses available for offset against future taxable income	2,044	1,630
Provisions and accruals	26,376	24,544
Employee benefits	8,048	8,756
Inventory	771	110
Employee equity benefits reserve	7,832	5,225
Leases	1,668	1,520
Other	3,211	6,918
Gross deferred income tax assets	<u>49,950</u>	<u>48,703</u>
Net deferred income tax assets	<u>6,957</u>	<u>13,579</u>
	Consolidated	
	30 June	30 June
	2023	2022
	\$'000	\$'000
Movement		
Opening Balance	13,579	17,365
Credit / (Charged) to income statement	(1,844)	2,259
Credit / (Charged) to equity	4,163	(7,650)
Acquisition of Lelit Srl	(7,003)	-
FX	(1,938)	1,605
Closing Balance	<u>6,957</u>	<u>13,579</u>

Notes to the financial statements continued

For the year ended 30 June 2023

Note 4. Income tax continued

Deferred income tax continued

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Current income tax		
Current tax receivables	4,366	2,464
Current tax liabilities	6,285	8,849

At 30 June 2023, there is no recognised or unrecognised deferred income tax liability (2022: \$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.

The Group has applied the exemption to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, which are income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD).

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.

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.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 4. Income tax continued

Recognition and measurement continued

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 18.

Note 5. Cash and cash equivalents

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Cash at bank and on hand	84,155	168,256

Notes:

- At 30 June 2023, the Group had available \$266,771,000 (2022: \$189,956,000) of undrawn committed borrowing and overdraft facilities in respect of which all conditions precedent had been met (see note 15).
- The fair value of cash and cash equivalents is \$84,155,000 (2022: \$168,256,000).

Cash and cash equivalents	84,155	168,256
Borrowings - Current	(3,245)	-
Borrowings - Non-current	(202,200)	(172,349)
Net (debt)/ cash	(121,290)	(4,093)

(a) Disclosure of financing facilities

Refer to note 15.

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.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 5. Cash and cash equivalents continued

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

Consolidated	Cash \$'000	Borrowings \$'000	Total \$'000
Net debt as at 1 July 2021	129,907	-	129,907
Cash flows	36,727	(168,921)	(132,194)
Foreign exchange adjustments	1,622	(3,428)	(1,806)
Net (debt)/ cash as at 30 June 2022	168,256	(172,349)	(4,093)
Cash flows	(91,470)	(12,259)	(103,729)
On Acquisition of Lelit Srl	3,289	(12,349)	(9,060)
Foreign exchange adjustments	4,080	(8,488)	(4,408)
Net (debt)/ cash as at 30 June 2023	84,155	(205,445)	(121,290)

(c) Reconciliation of net profit after tax for the year to net cash flows from operating activities

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Profit for the year	110,208	105,717
Non-cash adjustments:		
Depreciation and amortisation	46,142	30,401
Share-based payments	11,920	8,307
Other	304	18
Net exchange differences	(2,375)	248
Changes in assets and liabilities:		
Decrease/(increase) in:		
Trade receivables, prepayments and other receivables	(81,631)	(53,860)
Inventories	62,366	(222,380)
Other current assets	(1,142)	468
Non-current assets	(12,616)	(5,709)
(Decrease)/increase in:		
Current liabilities	(44,617)	97,855
Non-current liabilities	1,695	(3,218)
Net cash from/(used in) operating activities	90,254	(42,153)

Notes to the financial statements continued

For the year ended 30 June 2023

Note 6. Receivables, payables and provisions

Trade and other receivables

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Current assets		
Trade receivables from contracts with customers	253,216	182,166
Allowance for uncollectible receivables	(9,609)	(11,563)
Trade receivables, net	243,607	170,603
Prepayments and Other receivables	33,146	23,599
Total current trade receivables, prepayments and other receivables	276,753	194,202

Notes:

(a) Trade receivables are non-interest bearing and are generally on 30-60 day terms.

	Consolidated
	30 June 2023 \$'000
Carrying amount at the beginning of the year:	11,563
Provision	(2,367)
Utilised	(220)
Net exchange differences	633
Carrying amount at the end of the year:	9,609

At 30 June 2023 an ageing analysis of those trade receivables (net of allowance for uncollected receivables) are as follows:

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Current	235,866	163,960
31 – 60 days overdue	3,987	3,001
61+ days overdue	3,754	3,642
Trade receivables, net	243,607	170,603

Trade receivables (net) past due, but not impaired, amount to \$7,741,000 (2022: \$6,643,000). 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.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 6. Receivables, payables and provisions continued

Trade and other receivables continued

Notes: continued

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, or doubtful, receivables is calculated on a probability weighted measure of expected credit losses using historic, present and future economic conditions. 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 16.

Trade and other payables

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Current		
Trade and other payables - unsecured	261,336	292,272
Total current trade and other payables	<u>261,336</u>	<u>292,272</u>

Recognition and measurement

Current 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 16.

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Provisions		
Current		
Warranty and faulty goods	14,932	16,116
Employee benefits – annual leave	10,982	9,935
Employee benefits – long service leave	3,785	3,378
Other provisions	-	53
Total current provisions	<u>29,699</u>	<u>29,482</u>
Non-current		
Employee benefits - long service leave	3,794	1,763
Total non-current provisions	<u>3,794</u>	<u>1,763</u>

Notes to the financial statements continued

For the year ended 30 June 2023

Note 6. Receivables, payables and provisions continued

(a) Movements in provisions

Consolidated	Warranty and faulty goods \$'000	Employee benefits -annual leave \$'000	Employee benefits - long service \$'000	Other Provisions \$'000	Total \$'000
Carrying amount at the beginning of the year:					
Current	16,116	9,935	3,378	53	29,482
Non-Current	-	-	1,763	-	1,763
Total	16,116	9,935	5,141	53	31,245
Movement in provisions during the year:					
Amounts utilised during the year	(46,298)	(5,248)	(171)	(54)	(51,771)
Additional provisions made in the year	44,497	6,158	2,603	-	53,258
Net exchange differences	617	137	6	1	761
Net movement	(1,184)	1,047	2,438	(53)	2,248
Carrying amount at the end of the year:					
Current	14,932	10,982	3,785	-	29,699
Non-Current	-	-	3,794	-	3,794
Total	14,932	10,982	7,579	-	33,493

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. 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 the COVID pandemic related lock downs in various markets, the ability of consumers to make returns has been somewhat constrained. Returns have normalised as reflected in amounts utilised.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 6. Receivables, payables and provisions continued

Recognition and measurement continued

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.

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

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 2023 \$'000	30 June 2022 \$'000
Current assets		
Finished goods and materials	420,432	338,263
Stock in transit	19,201	107,621
Total inventories	<u>439,633</u>	<u>445,884</u>

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 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.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 8. Property, plant and equipment

Consolidated 2023	Property, plant and equipment \$'000	Production tools \$'000	Total \$'000
At the beginning of the year			
Cost or fair value	40,450	56,607	97,057
Accumulated depreciation	(31,010)	(32,570)	(63,580)
Net carrying amount	9,440	24,037	33,477
Reconciliation of the carrying amount:			
Carrying amount at the beginning of year	9,440	24,037	33,477
Additions	8,258	12,221	20,479
Additions from acquisition of Lelit Srl	8,002	-	8,002
Disposals	(157)	-	(157)
Depreciation charge	(6,550)	(4,073)	(10,623)
Net exchange difference	1,174	1,414	2,588
Carrying amount at the end of year	20,167	33,599	53,766
At the end of the year			
Cost or fair value	64,179	56,810	120,989
Accumulated depreciation and impairment	(44,012)	(23,211)	(67,223)
Net carrying amount	20,167	33,599	53,766

Consolidated 2022	Property, plant and equipment \$'000	Production tools \$'000	Total \$'000
At the beginning of the year			
Cost or fair value	35,230	44,761	79,991
Accumulated depreciation	(25,923)	(27,272)	(53,195)
Net carrying amount	9,307	17,489	26,796
Reconciliation of the carrying amount:			
Carrying amount at the beginning of the year	9,307	17,489	26,796
Additions	4,640	11,910	16,550
Disposals	(79)	(65)	(144)
Depreciation charge	(4,506)	(5,320)	(9,826)
Net exchange difference	78	23	101
Carrying amount at the end of year	9,440	24,037	33,477

Notes to the financial statements continued

For the year ended 30 June 2023

Note 8. Property, plant and equipment continued

Consolidated 2022	Property, plant and equipment \$'000	Production tools \$'000	Total \$'000
At the end of the year			
Cost or fair value	40,450	56,607	97,057
Accumulated depreciation	(31,010)	(32,570)	(63,580)
Net carrying amount	<u>9,440</u>	<u>24,037</u>	<u>33,477</u>

A summary of the policies applied to the Group's property, plant and equipment is as follows:

(a) Property, plant and equipment	
Internally generated / Acquired	Acquired
Recognition	Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end. An item of property, 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.
Useful lives	Finite
Depreciation method	Depreciation on plant and equipment is calculated on a straight-line basis over the estimated useful life of between 2 and 10 years. Depreciation on property is calculated on a straight-line basis over the estimated useful life or in line with local tax regulations.
Impairment test	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) Production tools	
Internally generated / Acquired	Acquired
Recognition	Production tools are manufacturing components including moulds, dies, jigs, gauges, cutting equipment and patterns that are used in conjunction with manufacturing equipment. The tools are specified, purchased and owned by Breville, although they are deployed in our manufacturing partners' plants. Production tools are stated at cost less accumulated depreciation and any accumulated impairment losses. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each year end. An item of production tooling 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.
Useful lives	Finite

Notes to the financial statements continued

For the year ended 30 June 2023

Note 8. Property, plant and equipment continued

Depreciation method	Depreciation on production tools is calculated on a straight-line basis over the estimated useful life of 5 years.
Impairment test	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.

Note 9. Non-current assets - intangible assets

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Development costs	66,720	54,573
Computer software	5,059	1,671
Customer relationships	1,301	401
Goodwill & Brand Names	325,948	184,402
Total intangible assets (net carrying amount)	399,028	241,047

Consolidated 2023	Development costs \$'000	Computer software \$'000	Customer relationships \$'000	Goodwill & Brand Names \$'000	Total \$'000
At the beginning of the year					
At cost (gross carrying amount)	148,850	2,244	1,835	184,402	337,331
Accumulated amortisation and impairment	(94,277)	(573)	(1,434)	-	(96,284)
Net carrying amount	54,573	1,671	401	184,402	241,047
Reconciliation of the carrying amount:					
Carrying amount at the beginning of year	54,573	1,671	401	184,402	241,047
Additions	28,514	4,250	-	-	32,764
Additions from acquisition of Lelit Srl	34	241	1,296	129,933	131,504
Disposals	(15)	(66)	-	-	(81)
Amortisation	(15,464)	(1,065)	(751)	-	(17,280)
Net exchange difference	(922)	28	355	11,613	11,074
Carrying amount at the end of year	66,720	5,059	1,301	325,948	399,028
At the end of the year					
Cost (gross carrying amount)	178,253	6,798	3,784	325,948	514,783
Accumulated amortisation and impairment	(111,533)	(1,739)	(2,483)	-	(115,755)
Net carrying amount	66,720	5,059	1,301	325,948	399,028

Notes to the financial statements continued

For the year ended 30 June 2023

Note 9. Non-current assets - intangible assets continued

Consolidated 2022	Development costs \$'000	Computer software \$'000	Customer relationships \$'000	Goodwill & Brand Names \$'000	Total \$'000
At the beginning of the year					
At cost (gross carrying amount)	122,140	1,771	1,835	175,056	300,802
Accumulated amortisation and impairment	(81,760)	(346)	(1,254)	-	(83,360)
Net carrying amount	40,380	1,425	581	175,056	217,442
Reconciliation of the carrying amount:					
Carrying value at the beginning of the year	40,380	1,425	581	175,056	217,442
Additions	25,637	505	-	-	26,142
Amortisation	(12,323)	(259)	(180)	-	(12,762)
Net exchange difference	879	-	-	9,346	10,225
Carrying amount at the end of year	54,573	1,671	401	184,402	241,047
At the end of the year					
At cost (gross carrying amount)	148,850	2,244	1,835	184,402	337,331
Accumulated amortisation and impairment	(94,277)	(573)	(1,434)	-	(96,284)
Net carrying amount	54,573	1,671	401	184,402	241,047

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. Therefore in practice a project is only capitalised when it becomes feasible and meets the development phase recognition criteria. All costs before this are expensed as incurred as deemed to be in the research phase.
Useful lives	Finite
Amortisation method	Amortised straight-line over the period of expected future sales, between 3-5 years, from the related launch date 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.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 9. Non-current assets - intangible assets continued

(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) 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.
(d) Goodwill and brand names	
Internally generated / Acquired	Acquired goodwill and brand names
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. Capitalised at cost or if acquired as part of a business combination at fair value at the date of acquisition. 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 expense on intangible assets with finite lives is recognised in the consolidated 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 consolidated income statement when the asset is derecognised.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 10. Leases

This note provides information for leases where the Group is a lessee. The Group does not act as a lessor. Breville leases offices, vehicles and several of its warehouses. While the warehouses are operated by a third parties, in some instances Breville has the right to control use and therefore accounts for these contracts as leases.

(a) Amounts recognised in the consolidated statement of financial position

	Notes	Consolidated	
		30 June 2023 \$'000	30 June 2022 \$'000
Right-of-use assets			
Buildings		69,484	44,580
Vehicles		484	76
Total	10(a)(i)	69,968	44,656
Lease liabilities			
Current		19,777	12,172
Non-current		55,272	37,643
Total		75,049	49,815

(i) Additions to the right-of-use assets during FY23 were \$40,398,000 (FY22: \$16,665,000). Other movements of \$3,153,000 (2022: \$2,681,000) including foreign exchange differences.

(b) Amounts recognised in the consolidated income statement

	Notes	Consolidated	
		30 June 2023 \$'000	30 June 2022 \$'000
Depreciation charge of right-of-use assets			
Buildings	3(c)	18,054	7,863
Vehicles	3(c)	185	13
		18,239	7,876
Finance expenses			
Interest expense on lease liabilities (included in finance cost)	3(f)	4,140	1,579

The total cash outflow in the consolidated statement of cash flows for leases during FY23 was \$22,443,000 (FY22: \$9,253,000). This amount includes principal lease repayments of \$18,303,000 plus interest expense on lease liabilities of \$4,140,000. (FY22 principal lease repayments of \$7,674,000 plus interest expense on lease liabilities of \$1,579,000).

Notes to the financial statements continued

For the year ended 30 June 2023

Note 10. Leases continued

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

The Group leases various office buildings, third party warehouses and motor vehicles, with rental contracts typically spanning fixed periods of 1 to 7 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.

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.

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 payments 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

Notes to the financial statements continued

For the year ended 30 June 2023

Note 10. Leases continued

(c) The group's leasing activities and how these are accounted for continued

- 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 without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Note 11. Impairment testing of goodwill and intangibles with indefinite lives

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Global Product APAC		
goodwill	68,646	22,794
brand names with indefinite useful lives	13,800	13,800
Global Product Americas		
goodwill	178,804	121,924
Global Product EMEA		
goodwill	10,189	-
brand names with indefinite useful lives	28,625	-
Distribution		
goodwill	8,109	8,109
brand names with indefinite useful lives	17,775	17,775
	325,948	184,402
All cash generating units		
goodwill	265,748	152,827
brand names with indefinite useful lives	60,200	31,575
Total carrying amount of goodwill and brand names	325,948	184,402

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 APAC
- Global Product Americas
- Global Product EMEA
- Distribution

Notes to the financial statements continued

For the year ended 30 June 2023

Note 11. Impairment testing of goodwill and intangibles with indefinite lives continued

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 10.9% to 11.7% (2022: of 9.6% to 10.9%), 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 2024 budgets are extrapolated using a 2.0% - 5.0% growth rate 2022: 2.0% - 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 2023 and 30 June 2022.

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.

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.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 11. Impairment testing of goodwill and intangibles with indefinite lives continued

Recognition and measurement continued

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.

Notes to the financial statements continued

For the year ended 30 June 2023

Capital management

Note 12. Dividends

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
(a) Dividends on ordinary shares declared and paid during the year:		
Final dividend for the year ended 30 June 2022 of 15.00 cents per share, 100% franked (2022: final dividend for 2021 of 13.5 cents per share, 100% franked)		
Final dividend	21,417	18,814
Interim dividend for the year ending 30 June 2023 of 15.00 cents per share, 100% franked (2022: interim dividend for 2022 of 15.00 cents per share, 100% franked)		
Interim dividend	21,417	20,903
Total dividends declared and paid during the year of 30 cents per share, 100% franked (2022: Total dividends of 28.50 cents per share, 100% franked)		
Total dividends	42,834	39,717
(b) Dividends on ordinary shares proposed and not recognised as a liability:		
Final fully franked dividend for 2023 of 15.50 cents per share, 100% franked (2022: final franked dividend of 15.00 cents per share, 100% franked)		
	22,131	21,369
(c) Franking credit balance		
The amount of franking credits in the parent available for the subsequent year are:		
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2022 - 30.0%)		
	39,413	32,763
Franking (debits)/credits that will arise from the payment of income tax (receivable)/payable as at the end of the year		
	(1,751)	586
Franking debits that will be used on the payment of dividends subsequent to the end of the financial year		
	(9,517)	(9,158)
Total franking credit balance	28,145	24,191

The tax rate at which dividends are franked is 30.0% (2022: 30.0%).

Notes to the financial statements continued

For the year ended 30 June 2023

Note 13. Earnings per share

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

Earnings used in calculating basic and diluted earnings per share:

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Net profit attributable to ordinary equity holders of Breville Group Limited	110,208	105,717

Weighted average number of shares used as the denominator

	2023 Number '000's	2022 Number '000's
Weighted average number of ordinary shares for basic and diluted earnings per share	142,696	139,294
Weighted average number of exercised, forfeited or expired potential ordinary shares included in diluted earnings per share	143,788	140,345

(a) Basic earnings per share

	Consolidated	
	30 June 2023 Cents	30 June 2022 Cents
From continuing operations attributable to the ordinary equity holders of the company	77.20	75.90

(b) Diluted earnings per share

	Consolidated	
	30 June 2023 Cents	30 June 2022 Cents
From continuing operations attributable to the ordinary equity holders of the company	76.60	75.30

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.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 14. Issued capital and reserves

Issued Capital

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Ordinary shares – authorised, issued and fully paid	385,541	323,165
Ordinary shares – held by the Breville Group Employee Share Trust	-	-
Total contributed equity	385,541	323,165

Ordinary shares held by the Breville Group Employee Share Trust

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

The ordinary shares held by the Breville Group Employee Share Trust, if any, are yet to be allocated to LTI or fixed deferred remuneration participants. They will be allocated to participants once performance rights vest and they are exercised. The ordinary shares held by the Breville Group Employee Share 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 Employee Share 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 17(b) and note 19.

(a) Movements in ordinary shares:

Details	Consolidated 30 June 2023		Consolidated 30 June 2022	
	Number of shares	\$'000	Number of shares	\$'000
Beginning of the year	139,359,544	323,165	138,940,804	309,615
Movements during the year				
Ordinary shares issued during the year for Performance Rights Plan (LTI) and Fixed Deferred Remuneration Plan (net of transaction costs) (i)	321,616	6,673	418,740	13,550
Ordinary shares issued on acquisition of Lelit Srl (net of transaction costs)	3,100,205	55,703	-	-
End of the year	142,781,365	385,541	139,359,544	323,165

- (i) During the year the group issued 321,616 fully paid ordinary shares (2022: 418,740) of Breville Group Limited as a result of the vesting of performance and fixed deferred remuneration rights issued under the Breville Group share plan. The average value attributable to these issued shares was \$20.80 (2022: \$32.42), as of the date of issue.
- (ii) In July 2022 the group issued 3,100,205 shares at \$17.99 per share as part of the consideration for the acquisition of Lelit Srl.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 14. Issued capital and reserves continued

Issued Capital continued

(b) Movements in ordinary shares held by the Breville Group Employee Share Trust:

Details	30 June 2023		30 June 2022	
	Number of shares	\$'000	Number of shares	\$'000
Beginning of the year	-	-	-	-
Movements during the year				
Ordinary shares transferred to participants of the Breville Group Share Plan (i)	292,978	6,093	389,440	12,626
Ordinary shares subscribed to/acquired by the Breville Group Employee Share Trust during the year - cash (ii)	(292,978)	(6,093)	(389,440)	(12,626)
End of the year	-	-	-	-

- (i) During the year the Trustee of the Breville Group Employee Share Trust transferred 292,978 ordinary company shares (2022: 389,440) to participants in order to fulfill its obligations under the Breville Group Limited Share plan.
- (ii) During the year the Trustee of the Breville Group Employee Share Trust subscribed to 292,978 ordinary shares of Breville Group Limited (2022: 389,440) in order to fulfill its obligations under the Breville Group Limited Share plan. The average value placed on these subscriptions was \$20.80 (2022: \$32.42). Details are provided in note 17(b) and note 19.

(c) Rights over ordinary shares:

The Company has a share-based payment rights scheme under which rights to subscribe for the Company's shares have been granted to certain executives and other employees (refer note 19). At the end of the year there were 2,408,673 (2022: 1,687,103) potential unissued ordinary shares in respect of rights that were outstanding.

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.

Reserves

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Reserves		
Foreign currency translation	34,526	7,540
Employee equity benefits reserve	(4,128)	(10,255)
Cash flow hedges	8,939	16,560
Total reserves	39,337	13,845

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.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 14. Issued capital and reserves continued

Issued Capital continued

Reserves continued

Nature and purpose of reserves continued

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 19 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 15. Borrowings

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Current		
Borrowings	(3,245)	-
Total current borrowings	<u>(3,245)</u>	<u>-</u>
Non-current		
Borrowings	(202,200)	(172,349)
Total non-current borrowings	<u>(202,200)</u>	<u>(172,349)</u>

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 2023 and 30 June 2022.

Breville Group Limited has issued corporate guarantees in favour of the local bank (HSBC) in Canada and Mexico. HSBC also provides the day to day US, Canadian, UK, French, Mexican and German transactional banking facilities. Intesa Sanpaolo SpA, BCC Brescia and UniCredit SpA provide the day to day Italian transactional banking facilities.

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

Fair value

The carrying value and estimated net fair values of the borrowings held with banks (determined under Level 2, as described in note 16) approximates their fair value. Fair values of the company's interest-bearing loans are determined by using a effective interest rate method. The non-performance risk as at 30 June 2023 was assessed to be insignificant (2022: insignificant). Details regarding interest rate, foreign exchange and liquidity risk are disclosed in note 16.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 15. Borrowings continued

Fair value continued

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Financing facilities available		
At reporting date, the following financial facilities have been negotiated and were available to the Group:		
Facilities used as at reporting date	212,180	178,933
Facilities unused as at reporting date	273,843	196,717
Total facilities	486,023	375,650
(a) Facilities used at the reporting date:		
Non-current cash advance facilities – committed	205,445	172,349
Non-current cash advance facilities – uncommitted	-	-
Overdraft facilities	-	-
Business transactions facilities	654	785
Indemnity/guarantee facilities	6,015	5,799
Documentary credit facilities	66	-
Facilities used as at reporting date	212,180	178,933
(b) Facilities unused at the reporting date:		
Non-current cash advance facilities – committed	255,998	179,206
Overdraft facilities	10,773	10,750
Business transactions facilities	3,207	2,959
Indemnity/guarantee facilities	3,179	3,077
Documentary credit facilities	686	725
Facilities unused as at reporting date	273,843	196,717
(c) Total facilities:		
Non-current cash advance facilities – committed	461,443	351,555
Overdraft facilities	10,773	10,750
Business transactions facilities	3,861	3,744
Indemnity/guarantee facilities	9,194	8,876
Documentary credit facilities	752	725
Total Facilities	486,023	375,650
Group facilities		
At 30 June 2023, the Group had debt facilities with ANZ bank including:		
- \$250,000,000 committed multicurrency facilities with tenures between 1.2 and 3.2 years.		
- \$200,000,000 one year uncommitted facility.		

Group facilities

At 30 June 2023, the Group had debt facilities with ANZ bank including:

- \$250,000,000 committed multicurrency facilities with tenures between 1.2 and 3.2 years.
- \$200,000,000 one year uncommitted facility.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 15. Borrowings continued

Group facilities continued

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 16. 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.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 16. 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.

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Cash flow hedges		
Forward exchange contracts - Assets	14,200	23,987
Forward exchange contracts - Liabilities	(1,430)	(330)
	12,770	23,657

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.

Other Financial assets at amortised cost

These amounts generally arise outside of the usual operating activities of the Group. Interest may be charged at commercial rates, the Group has obtained collateral over the balance. The non-current receivables are expected to be repaid within 3 years of the reporting period.

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Loans to suppliers – Current	1,711	9,497
Loans to suppliers – Non Current	2,160	1,998
	3,871	11,495

Notes to the financial statements continued

For the year ended 30 June 2023

Note 16. Financial risk management continued

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 2023, the Group has the following exposure to interest rate risk:

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Cash at bank	84,155	168,256
Borrowings	(205,445)	(172,349)
Net exposure	<u>(121,290)</u>	<u>(4,093)</u>

At 30 June 2023, 100% of the Groups borrowings are exposed to floating rates. On a principal net debt of \$121,290,000 (2022: \$4,093,000), an increment/ reduction of 0.5% in the market rates would result in an increase/ decrease in finance costs of \$554,000.

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 2023, the Group has the following financial assets and liabilities exposed to foreign currency risk:

Notes to the financial statements continued

For the year ended 30 June 2023

Note 16. Financial risk management continued

Foreign currency risk continued

	Consolidated	
	30 June 2023 \$'000	30 June 2022 \$'000
Cash at bank	2,857	12,108
Trade and other receivables	7,814	5,689
Trade and other payables	(15,925)	(10,586)
Other financial assets – derivative assets – forward exchange contracts	14,200	23,987
Other financial liabilities – derivative liabilities – forward exchange contracts	(1,430)	(330)
Loans to suppliers	3,871	11,495
Net exposure	11,387	42,363

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 has been determined under Level 2.

(i) Forward exchange contracts – cash flow hedges

The majority of the Group's inventory purchases from suppliers are denominated in US dollars (USD). 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 (2022: 0-12 months).

The cash flows are expected to occur between 0-12 months from 1 July 2023 (2022: 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 2023 \$'000	30 June 2022 \$'000
Buy USD	230,723	295,167
Buy Euro	-	84,746
Buy CHF	21,620	18,479

Notes to the financial statements continued

For the year ended 30 June 2023

Note 16. Financial risk management continued

(i) Forward exchange contracts – cash flow hedges continued

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. During the year \$13,743,393 was credited to inventory (2022: \$7,517,591) and \$2,856,479 was debited (2022: \$29,174,191) to equity in respect of the Group.

At 30 June 2023, the Group had hedged 58% (2022: 58%) of its forecast foreign currency purchases extending to June 2024 (2022: June 2023). The remaining 42% (2022: 42%) is not exposed to foreign exchange risk because it is 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 \$23,234,000 (2022: \$30,743,000). 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 \$19,010,000 (2022: \$25,153,000).

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 2023 was a multiple of 0.56 and 30 June 2022 was 0.02. The gearing ratio is defined as Group net borrowings divided by EBITDA.

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, receivables insurance is acquired to offset the Group's exposure to credit risk. The Group also uses other measures such as obtaining letters of credit.

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.

Liquidity risk

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

Notes to the financial statements continued

For the year ended 30 June 2023

Note 16. Financial risk management continued

Group financial liabilities

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows. See note 15 for details of available facilities.

At 30 June 2023, the remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	30 June 2023	30 June 2022
	\$'000	\$'000
Less than 1 year	285,788	304,773
Between 1 and 5 years	257,472	219,762
	543,260	524,535

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 30 June 2023			Consolidated 30 June 2022		
	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	261,336	-	261,336	292,271	9,770	302,041
Borrowings	3,245	202,200	205,445	-	172,349	172,349
Lease liabilities	19,777	55,272	75,049	12,172	37,643	49,815
Derivative financial instruments	1,430	-	1,430	330	-	330
	285,788	257,472	543,260	304,773	219,762	524,535

Note 17. Interests in other entities

(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.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 17. Interests in other entities continued

(a) Entities subject to reporting relief continued

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 note 20.

(b) Breville Group Employee Share Trust

A trust has been established with the appointment of an independent Trustee. The trust is funded by cash 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 Share 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 Employee Share Trust subscribed to 292,978 ordinary shares of Breville Group Limited (2022: 389,440 shares) in order to fulfil its obligations under the Breville Group Employee Share Trust. The average value placed on these subscriptions was \$20.80 per share (2022: \$32.42 per share). Details are provided in note 19.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 17. Interests in other entities continued

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 2023 %	30 June 2022 %
Thebe International Pty Limited	Australia	17(a)	100	100
<i>Investments not held directly by Breville Group Limited:</i>				
Breville Holdings Pty Limited	Australia	17(a)	100	100
Breville Pty Limited	Australia	17(a)	100	100
Breville R&D Pty Limited	Australia		100	100
Breville Group Employee Share Trust	Australia	17(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
Baratza LLC	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	100
Breville Mexico, S.A. de C.V.	Mexico		100	100
Breville Korea Limited	Korea		100	100
Lelit Srl	Italy		100	-
Lelit Italy Srl	Italy		100	-
Seriveneta Srl	Italy		100	-

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

Note 18. Parent entity information

(a) Summary financial information

As at and throughout the financial year ended 30 June 2023 the parent company of the Group was Breville Group Limited.

	30 June 2023 \$'000	30 June 2022 \$'000
Results of the parent entity		
Profit of the parent entity	54,544	47,852
Total comprehensive income of the parent entity	54,544	47,852

Notes to the financial statements continued

For the year ended 30 June 2023

Note 18. Parent entity information continued

(a) Summary financial information continued

	30 June 2023 \$'000	30 June 2022 \$'000
Financial position of the parent entity		
Current assets	123,512	118,426
Total assets	415,566	335,939
Current liabilities	-	586
Total liabilities	-	586
Net assets	415,566	335,353
Equity attributable to the equity holders of the parent		
Issued capital	385,541	323,165
Employee equity benefits reserve	(4,128)	(10,255)
Retained earnings	34,153	22,443
Total shareholders' equity	415,566	335,353

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 standalone 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 Group 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.

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 HSBC local banks in Canada and Mexico. HSBC provides the day to day US, Canadian, Mexican, UK, French and German transactional banking facilities.

Notes to the financial statements continued

For the year ended 30 June 2023

Further details

Note 19. Share-based payments

Performance rights plan (LTI) and fixed deferred remuneration rights plan

Under the performance rights plan (LTI) and fixed deferred remuneration rights 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 44 to 52 of the Remuneration report for details of the two plans.

At 30 June 2023 there were 2,408,673 (2022: 1,687,103) total rights outstanding under both plans, 1,618,067 (2022: 1,149,704) under the performance rights plan (LTI) and 790,606 (2022: 537,399) under the fixed deferred remuneration rights plan, also including non-executive director remuneration rights. 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 using a risk neutral methodology for non market valuations, and Black Scholes or Monte-Carlo model for market valuations 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.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 19. 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:

	30 June 2023		30 June 2022		
	Note	Number of performance rights	WAEP	Number of performance rights	WAEP
Outstanding at the beginning of the year		1,149,704	0.00	1,246,074	0.00
Performance rights granted during the year		796,735	0.00	364,450	0.00
Performance rights exercised during the year		(264,468)	0.00	(388,800)	0.00
Performance rights lapsed during the year		(63,904)	0.00	(72,020)	0.00
Outstanding at the end of the year (a)		1,618,067	-	1,149,704	-
Exercisable at the end of the year		-	-	-	-

Notes to the financial statements continued

For the year ended 30 June 2023

Note 19. Share-based payments continued

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

Rights outstanding under the performance rights plan (LTI)

(a) The outstanding balance as at 30 June 2023 is represented by:

Number of performance rights	Measure	Period start	Period End	Grant date	Vesting date	Expiry date	WAEP \$	Fair value at grant date (\$)
143,350	Relative TSR	30-Jun-19	30-Jun-23	11-Oct-19	29-Aug-23	02-Oct-23	0.00	7.06
364,177	Relative TSR	30-Jun-20	30-Jun-23	07-Sep-20	29-Aug-23	01-Oct-23	0.00	14.69
258,455	EBIT & Revenue CAGR	30-Jun-21	30-Jun-24	06-Oct-21	27-Aug-24	01-Oct-24	0.00	25.96
74,214	EBIT & Revenue CAGR	30-Jun-21	30-Jun-24	11-Nov-21	27-Aug-24	01-Oct-24	0.00	28.91
662,130	EBIT CAGR	30-Jun-22	30-Jun-25	21-Oct-22	25-Aug-25	01-Oct-25	0.00	17.44
115,741	EBIT CAGR	30-Jun-22	30-Jun-25	10-Nov-22	25-Aug-25	01-Oct-25	0.00	19.13
1,618,067							0.00	

Notes to the financial statements continued

For the year ended 30 June 2023

Note 19. 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 fixed deferred remuneration rights and non-executive director remuneration rights issued during the year:

	30 June 2023		30 June 2022		
	Note	Number of performance rights	WAEP	Number of performance rights	WAEP
Outstanding at the beginning of the year		537,399	0.00	142,071	0.00
Rights granted during the year		310,355	0.00	460,801	0.00
Rights exercised during the year		(57,148)	0.00	(29,940)	0.00
Rights lapsed during the year		-	0.00	(35,533)	0.00
Outstanding at the end of the year (b)		790,606	-	537,399	-
Exercisable at the end of the year		-	-	-	-

Notes to the financial statements continued

For the year ended 30 June 2023

Note 19. Share-based payments continued

Rights granted and outstanding under the fixed deferred remuneration plan continued

Rights outstanding under the fixed deferred remuneration plan

Notes

(b) The outstanding balance as at 30 June 2023 is represented by:

Number of performance rights	Note	Grant date	Vesting date	Expiry date	WAEP \$	Fair value at grant date (\$)
29,940	(i)	29-Jan-20*	25-Aug-23	2-Oct-23	0.00	16.70
29,940	(ii)	29-Jan-20*	25-Aug-24	1-Oct-24	0.00	16.70
22,311	(iii)	7-Sep-20	25-Aug-25	3-Oct-25	0.00	19.60
36,442	(i)	5-Oct-21	25-Aug-23	25-Aug-23	0.00	26.87
70,570	(ii)	5-Oct-21	25-Aug-24	25-Aug-24	0.00	26.52
81,991	(iii)	5-Oct-21	25-Aug-25	25-Aug-25	0.00	26.18
122,989	(iv)	5-Oct-21	25-Aug-26	25-Aug-26	0.00	25.85
20,507	(i)	6-Oct-21	25-Aug-23	2-Oct-23	0.00	16.70
12,077	(i)	11-Nov-21	25-Aug-23	25-Aug-23	0.00	29.28
12,077	(ii)	11-Nov-21	25-Aug-24	25-Aug-24	0.00	28.91
12,077	(iii)	11-Nov-21	25-Aug-25	25-Aug-25	0.00	28.54
29,330	(iv)	11-Nov-21	25-Aug-26	25-Aug-26	0.00	28.17
64,679	(i)	21-Oct-22	25-Aug-23	01-Oct-23	0.00	17.97
64,679	(ii)	21-Oct-22	25-Aug-24	01-Oct-24	0.00	17.66
64,679	(iii)	21-Oct-22	25-Aug-25	01-Oct-25	0.00	17.44
64,679	(iv)	21-Oct-22	25-Aug-26	01-Oct-26	0.00	17.18
46,296	(v)	10-Nov-22	25-Aug-27	01-Oct-27	0.00	18.57
5,343	(vi)	01-Dec-22	01-Jan-24	28-Feb-24	0.00	20.15
790,606					0.00	

* 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 the price at the time when grant was agreed when VWAP for H1 FY20 was \$16.70.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 19. Share-based payments continued

Rights granted and outstanding under the fixed deferred remuneration plan continued

Rights outstanding under the fixed deferred remuneration plan continued

Notes continued

- (i) Rights granted as fixed deferred remuneration with vesting condition that the participants must complete the service period between 26 August 2022 - 25 August 2023.
- (ii) Rights granted as fixed deferred remuneration with vesting condition that the participant must complete the service period between 26 August 2023 - 25 August 2024.
- (iii) Rights granted as fixed deferred remuneration with vesting condition that the participant must complete the service period between 26 August 2024 - 25 August 2025.
- (iv) Rights granted as fixed deferred remuneration with vesting condition that the participant must complete the service period between 26 August 2025 - 25 August 2026.
- (v) Rights granted as fixed deferred remuneration with vesting condition that the participant must complete the service period between 26 August 2026 - 25 August 2027.
- (vi) Rights granted as non-executive director remuneration with vesting condition that the participant must complete the service period between 01 January 2023 - 01 January 2024.

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

The remaining contractual life for the performance and the fixed deferred remuneration rights outstanding at 30 June 2023 is between 0 and 4 years (2022: 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 (2022: \$nil).

The weighted average fair value of performance rights granted under the performance rights plan during the year was \$20.46 (2022: \$26.60).

In the current period ending 30 June 2023, and prior period ending 30 June 2022, rights issued under the performance rights plan and fixed deferred remuneration plan are measured using a risk neutral methodology (CAGR EBIT, CAGR Revenue and service period).

Notes to the financial statements continued

For the year ended 30 June 2023

Note 19. Share-based payments continued

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

The following table lists the inputs to the model used for the grants during the year ended 30 June 2023 and 30 June 2022:

				30 June 2023
	Fixed Deferred Remuneration (NED)	Performance rights	Fixed Deferred Remuneration	Performance rights and Fixed Deferred Remuneration (Jim Clayton)
Grant date	01 Dec 22	21 Oct 22	21 Oct 22	10 Nov 22
Vesting Date - Performance Rights		25 Aug 25	-	25 Aug 25
Vesting Date - Fixed Deferred Remuneration Rights	01 Jan 24		25 Aug 23 25 Aug 24 25 Aug 25 25 Aug 26	25 Aug 27
Share price at the grant date	20.60	18.20	18.20	19.13
Dividend Yield	1.61%	1.5%	1.5%	1.5%
Right exercise price	0.00	0.00	0.00	0.00
				30 June 2022
		Performance rights	Fixed Deferred Remuneration	Performance rights and Fixed Deferred Remuneration (Jim Clayton)
Grant date		6 Oct 21	5 Oct 21	11 Nov 21
Vesting Date - Performance Rights		27 Aug 24	-	27 Aug 24
Vesting Date - Fixed Deferred Remuneration Rights			27 Aug 22 27 Aug 23 27 Aug 24 27 Aug 25 27 Aug 26	27 Aug 22 27 Aug 23 27 Aug 24 27 Aug 25 27 Aug 26
Share price at the grant date		26.81	27.39	29.85
Dividend Yield		1.0%	1.0%	1.0%
Franking rate		100%	100%	100%
Imputation credits valuation factor		65%	65%	65%
Implied pre-tax effective dividend yield (p.a)		1.3%	1.3%	1.3%
Right exercise price		0.00	0.00	0.00

The weighted average fair value of share rights granted under the fixed deferred remuneration plan during the year was \$22.92 (2022: \$26.18).

Notes to the financial statements continued

For the year ended 30 June 2023

Note 20. Related party transactions

(i) Consolidated statement of financial position for class order closed group	30 June 2023 \$'000	30 June 2022 \$'000
Current assets		
Cash and cash equivalents	27,638	111,935
Trade and other receivables	53,385	49,293
Inventories	43,114	57,816
Current tax assets	1,751	-
Other financial assets	15,911	24,260
Total current assets	141,799	243,304
Non-current assets		
Investments	421,606	274,534
Right-of-use-assets	4,026	6,048
Plant and equipment	36,869	11,256
Intangible assets	137,402	119,969
Deferred tax assets	15,109	1,054
Other financial assets	2,160	1,998
Total non-current assets	617,172	414,859
Total assets	758,971	658,163
Current liabilities		
Trade and other payables	98,517	107,215
Current tax liabilities	-	586
Provisions	15,573	15,018
Lease liabilities	3,902	4,135
Other financial liabilities	1,430	330
Total current liabilities	119,422	127,284
Non-current liabilities		
Borrowings	-	35,000
Lease liabilities	2,287	5,605
Provisions	2,196	1,625
Total non-current liabilities	4,483	42,230
Total liabilities	123,905	169,514
Net assets	635,066	488,649
Equity		
Issued capital	385,541	323,165
Reserves	4,811	6,304
Retained earnings	244,714	159,180
Total equity	635,066	488,649

Notes to the financial statements continued

For the year ended 30 June 2023

Note 20. Related party transactions continued

(ii) Consolidated income statement for class order closed group	30 June 2023 \$'000	30 June 2022 \$'000
Profit from ordinary activities before income tax expense	162,331	139,516
Income tax expense relating to ordinary activities	(33,963)	(36,403)
Net profit	128,368	103,113
Accumulated profits at the beginning of the year	159,180	95,784
Dividends paid or reinvested	(42,834)	(39,717)
Accumulated profits at the end of the year	244,714	159,180

(a) Ultimate controlling entity

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

(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

	Consolidated	
	30 June 2023 \$	30 June 2022 \$
Compensation by category: key management personnel		
Short-term	8,233,693	9,070,762
Defined contribution plans expense	217,111	224,594
Other long-term	210,708	454,153
LTI Share-based payment	2,769,984	2,316,742
Total	11,431,496	12,066,251

Notes to the financial statements continued

For the year ended 30 June 2023

Note 21. Business combination

Breville Group Limited (ASX: BRG) completed the acquisition of 100% of the Italian-based prosumer coffee group, Lelit Srl and its associated subsidiaries, on 1 July 2022 (CET).

The assets acquired constitute the acquisition of a business. The acquisition is considered a business combination pursuant to AASB 3.

Total consideration comprises \$82,936,000 in cash and the issue of 3,100,205 BRG ordinary shares ("Shares"). The share component was valued at market prices on the date of completion, share price on date of issue was \$17.99 (closing price on day before 1 July 2022). Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	\$'000
Purchase consideration	
Cash paid	82,936
Ordinary shares issued	55,773
Total purchase consideration	<u>138,709</u>

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	10,788
Trade and other receivables	5,325
Other Assets	666
Inventories	34,116
Property, plant and equipment	8,002
Deferred tax assets	1,973
Intangible assets	30,196
Trade and other payables	(20,696)
Cash advance	(7,499)
Borrowings	(12,349)
Provisions	(1,962)
Other liabilities	(2,183)
Deferred tax liability	(8,976)
Net identifiable assets acquired	<u>37,401</u>
Add: goodwill	<u>101,308</u>
	<u>138,709</u>

Intangible assets includes an indefinite life Brand name asset of \$28,625,000.

(i) Revenue and profit contribution

The acquired Lelit Srl business has been completely integrated into the Group and is managed within the Global Product segment and geographies alongside other brands within the Group. Lelit brand revenues during FY23 were \$64.5m.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 21. Business combination continued

(a) Purchase consideration - cash outflow

	30 June 2023 \$'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	82,936
Less: Balances acquired	
Cash and cash equivalents	10,788
Cash advance repaid	(7,499)
	<u>3,289</u>
Net outflow of cash - investing activities	<u>79,647</u>

Recognition and measurement

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 21. Business combination continued

Recognition and measurement continued

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Note 22. Auditor's remuneration

	Consolidated	
	30 June 2023	30 June 2022
	\$	\$
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 - Parent	609,754	670,362
Taxation and accounting advisory services - Parent	253,341	256,079
Network Firms of PricewaterhouseCoopers Australia		
Controlled entities		
Audit or review services - Controlled entities	369,872	158,638
Taxation and accounting advisory services - Controlled entities	581,336	333,895
Total services provided by PricewaterhouseCoopers	1,814,303	1,418,974

Taxation and accounting advisory services provided by PricewaterhouseCoopers Australia as the auditor of the parent entity, Breville Group Limited and by PricewaterhouseCoopers related network firms has increased by \$244,703. This was predominantly due to taxation advice in the current year which was non-recurring in nature, including advice on Advance Pricing Agreement (APA) renewal, intercompany agreement update and new reporting requirements (transfer pricing).

Note 23. 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 17(a).

Breville Group Limited has issued corporate guarantees in favour of the local bank (HSBC) in Canada and Mexico.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 24. Events occurring after the reporting period

Other than the events disclosed elsewhere in this report, no other 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 2023 was authorised for issue in accordance with a resolution of the directors on 21 August 2023.

Note 25. 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);
- EUR - Euro (Sage Appliances GmbH, Sage Appliances France SaS, Lelit Srl, Lelit Italy Srl and Seriveneta Srl);
- MXN - Mexican Peso (Breville Mexico, S.A. de C.V.); and
- KRW - South Korean Won (Breville Korea Limited)

As of 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.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 25. Other accounting policies continued

(a) Foreign currency translation continued

(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.

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. 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.

(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.

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.

(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.

Notes to the financial statements continued

For the year ended 30 June 2023

Note 25. Other accounting policies continued

(c) Other Taxes continued

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 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.

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

Directors' declaration

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

1. In the Directors' opinion:

- (a) the financial statements and notes set out on pages 68 to 129 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 2023 and of its performance for the financial year ended on that date, and
 - (ii) complying with Accounting Standards and the *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board 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) at the date of this declaration, there are reasonable grounds to believe that the members of the extended Closed Group 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 is made after receiving the declarations by the Chief Executive Officer and Chief Financial Officer required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2023.

On behalf of the Board



Timothy Antonie
Non-executive Chair

Sydney
21 August 2023



Auditor's Independence Declaration

As lead auditor for the audit of Breville Group Limited for the year ended 30 June 2023, 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.

A handwritten signature in black ink, appearing to read 'Aishwarya Chandran', written over a horizontal line.

Aishwarya Chandran
Partner
PricewaterhouseCoopers

Sydney
21 August 2023



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:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended
- (b) 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 2023
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- 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 & 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.

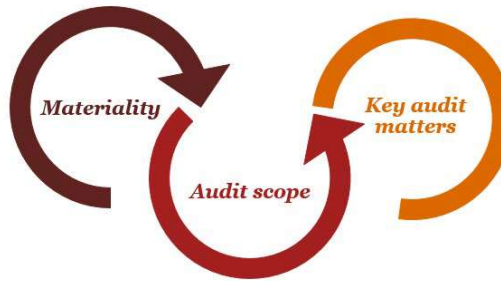
PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999

Liability limited by a scheme approved under Professional Standards Legislation.

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	Audit scope
<ul style="list-style-type: none"> For the purpose of our audit, we used overall Group materiality of \$7.54 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. 	<ul style="list-style-type: none"> 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 globally, with the most financially significant operations being located in Australia and the United States of America. The group audit was led by our team from PwC Australia ("group audit team"). With the exception of work undertaken over the Group's Italian operations, PwC Australia undertook all audit procedures to obtain sufficient appropriate audit evidence to express an opinion on the Group's financial report as a whole. Under instructions from the group audit team, component auditors in Italy performed an audit of the special purpose financial information of significant financial statement line items for those locations used to prepare the consolidated financial statements.



For personal use only

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. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
<p>Estimated recoverable amount of goodwill and intangibles with indefinite lives (Refer to note 11)</p> <p>Under Australian Accounting Standards, the Group is required to test goodwill and intangibles with indefinite lives annually for impairment.</p> <p>The Group assesses goodwill and intangibles with indefinite lives for impairment at the cash generating unit ('CGU') level. This assessment is inherently complex and judgemental. It requires judgement by the Group in forecasting the operational cash flows of the CGUs, and determining discount rates and terminal value growth rates used in the discounted cash flow models used to assess impairment (the 'models')</p> <p>The recoverable amount of goodwill and intangibles with indefinite lives was a key audit matter given the:</p> <ul style="list-style-type: none"> financial significance of intangible assets to the consolidated statement of financial position; and judgement applied by the Group in completing the impairment assessments. 	<p>Assisted by PwC valuation experts in aspects of our work, our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> assessing the identification of CGUs and the allocation of carrying value of assets and liabilities and cash flows to those CGUs for consistency with our knowledge of the Group; assessing whether the models applied by the Group for impairment testing were prepared in accordance with the requirements of Australian Accounting Standards; comparing the cash flow forecasts in the models to the Board approved budget; testing the mathematical accuracy and integrity of the models; assessing the terminal value growth rates and discount rates applied in the models; assessing cash flow forecasts, which contain key growth assumptions included in the models against historical performance and budget accuracy, future strategic plans, and other market information; performing sensitivity analyses over the key assumptions used in the models to understand the impact of reasonably possible changes to key assumptions; and evaluating the related financial statement disclosures for consistency with Australian Accounting Standards requirements.



For personal use only

Key audit matter	How our audit addressed the key audit matter
<p>Revenue from contracts with customers <i>(Refer to note 3)</i></p> <p>The Group's accounting policy is to recognise revenue when the performance obligation of transferring goods to the customer has been satisfied and the transaction price can be measured.</p> <p>Revenue was a key audit matter given the financial significance of revenue to the financial report and the significant audit effort required to gather sufficient appropriate audit evidence for revenue recognition.</p>	<p>Our procedures over the recognition of revenue included, amongst others:</p> <ul style="list-style-type: none">• considering the Group's accounting policy in line with Australian Accounting Standard requirements;• obtaining a sample of revenue transactions and testing back to source documentation, including identifying performance obligations, assessing whether the transactions occurred and were recognised in the correct period; understanding any manual adjustments; and• evaluating the related financial statement disclosures for consistency with Australian Accounting Standards requirement

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 2023, 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 the 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.

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 through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

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.



For personal use only

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.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 38 to 58 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Breville Group Limited for the year ended 30 June 2023 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.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Aishwarya Chandran' in a cursive script.

Aishwarya Chandran
Partner

Sydney
21 August 2023

For personal use only