Breville

Annual report 2011

Thought for food

Breville Group Limited Annual report 2011

Contents:

Annual general meeting

Wednesday 9 November 2011 at 10am

Building 1, Port Air Industrial Estate,
1A Hale Street, Botany, New South Wales, 2019.

Chairman's review

"The Breville Group remains focused on its strategy of delivering sustainable growth through its product innovation, brand management and distribution capabilities across an international platform"

During the 2011 financial year, the Breville Group delivered a pleasing result in an environment of subdued consumer demand and challenging global economic conditions. Net profit after tax for the year ended 30 June 2011 increased by 40.5% to $31.7m demonstrating the group's momentum and resilience.

The core strategy of investing in and building the Breville brand globally by leveraging its products and capabilities across multiple geographies has again been reaffirmed and underpinned the group's strong trading result.

Working capital has continued to be well managed, strengthening the group's balance sheet further, providing a solid foundation for future opportunities. At 30 June 2011, the group had a net cash position of $27.3m compared to $9.2m at the same time last year.

The group has delivered strong shareholder returns, with underlying return on equity increasing to 23.3% in the 2011 financial year compared to 16.1% in the 2007 financial year. Since 2007, there has been a 16.1% compound annual growth rate in earnings per share.

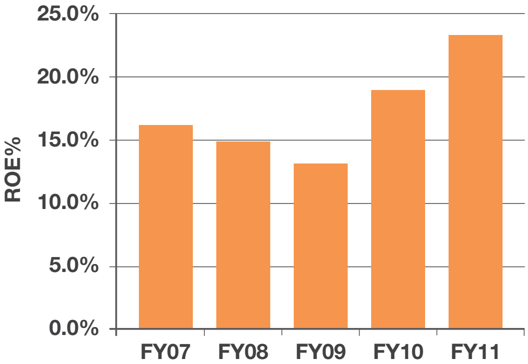
These superior returns and debt-free year end balance sheet provided the basis for the board to declare dividends for the year of 16.5 cents per share, representing a 50% increase on the 2010 financial year. Additionally, 11.0 cents per share of the dividends declared for the year were franked (2010: nil), with an expectation that future dividends will be fully franked.

I would like to thank my board colleagues, our dedicated management and staff, suppliers, customers and shareholders for their continued support.

I trust that you will find this annual report informative and helpful. I together with my board and management colleagues look forward to meeting as many of you as possible at the AGM in November.

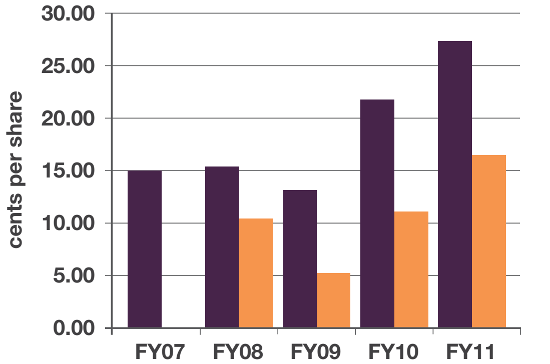
John Schmoll
Non-executive chairman

Return on equity^



^ ROE means underlying (before non-trading items) PAT divided by shareholders' equity at balance sheet date

Earnings and dividends per share



^ represents underlying (before non-trading items) EPS

the ***Crystal Clear***™

The natural purity of glass.
Easy to see. Easy to clean.

CEO's review

Financial summary

$ Millions except where indicated	30 June 2011	30 June 2010
Revenue	393.6	394.4
Underlying* EBITDA	58.2	50.1
Underlying* net profit after tax	35.8	28.5
Underlying* earnings per share (cents)	27.6	22.0
Underlying* return on equity (%)	23.3	18.9
Interest cover (times)	24.5	9.5

* before non-trading items

The Breville Group continued to achieve good progress in delivering on its strategy, with strong profit growth in the 2011 financial year. This was achieved despite difficult and competitive retail trading conditions in the core markets in which we operate.

Group revenue was steady at $393.6m despite unfavourable foreign exchange movements on the translation of non Australian dollar denominated sales and the residual impact of the now completed exit of the North American non-electrical homewares category. Excluding these effects, revenue increased by 7.6%. Underlying EBITDA increased by 16.3% to $58.2m and on a constant currency by 22.6%.

Key highlights for the year included:

- A continued strong performance from the group's international operations which remain fundamental to the group's future growth;
- Ongoing improvement in the strength and reach of the Breville brand internationally;
- An expanded product range and distribution footprint in North America;
- Positive consumer response to a strong pipeline of new product launches;
- Strong shareholder returns with a higher return on equity and dividend growth compared to the prior financial year;
- Continued focus on cost control and working capital management; and
- A strong group balance sheet with a higher net "in cash" position.

The group's international operations performed particularly well, reinforcing the group's strategic focus on design and innovation capabilities.

The Breville brand continued to grow its reach and presence in the North American market, underpinned by strong consumer acceptance of new product launches and by the increased depth and width of product ranging within existing retail channels.

The International Distributors business, operating predominantly in Europe and Asia-Pacific, delivered a material increase in sales and earnings as demand improved in those markets following the GFC.

In Australia, the business was impacted in the second half by weaker consumer spending and deflationary pressures, resulting in lower sales and earnings for the full year. The group's multi-brand strategy continues to demonstrate its relevance in the Australian market with the group's brands maintaining overall market leadership* in the core kitchen appliance category.

* Source GfK year ended 30 June 2011 (value share) combined Breville Group brands

The group is now singularly focused on its core electrical business. Ongoing investment in developing innovative products and the extension of our geographic reach, positions the group well to compete effectively on an increasingly international platform.

On a personal note, I would like to thank the board and the entire Breville Group team for their ongoing support and assistance.

Stephen Audsley
Chief executive officer

the *Kitchen Wizz™ Pro*
Super fine, variable slicing.

Markets and brands

Breville - Thought for food™

Over the past 80 years Breville has grown to become an iconic Australian brand through thoughtful design and brilliant innovation. Today, Breville designed products are sold in over 50 countries which is testament to our ability to deliver products with genuine innovation and consumer appeal.

The continued success of Breville designed products both domestically and internationally is due to our uncompromising approach to the development of premium quality kitchen appliances. We engage consumers through what we call "food thinking". Food thinking is how we approach solving the challenges which consumers face as they prepare or cook food and beverages. Our "simple moments of brilliance" are those touches of ingenuity that are embodied in our products, empowering people to do things more impressively or easily than they thought possible in their own kitchens.

In 2011, we translated our "food thinking" brand positioning by:

- Launching a new global brand identity across packaging, point of sale and all forms of marketing communication providing a clear and differentiated platform from which we will continue to build the Breville brand internationally;
- Redeveloping our online and digital capabilities providing additional support in our core markets with consumer friendly product information, reviews and "tips and tricks"; and
- Reorganising our marketing and product development teams across our key food preparation, beverage and cooking categories, to enable an even deeper level of consumer understanding.

During the year we successfully launched a number of new flagship products, growing sales with products which demonstrate those "simple moments of brilliance" that differentiate Breville from its competitors. These products included the:

- Control Grip™ stick mixer
- Kitchen Wizz™ Pro food processor
- Scraper Mixer Pro™ bench mixer
- Fully automatic tea maker
- Personal Pie™ pie maker

the Dual Boiler™
For precision extraction and simultaneous steam.

Markets and brands continued

Kambrook - The Smarter Choice™

Kambrook was founded in 1964 by Australian inventor Frank Bannigan who had an obsession with developing quality products which were within everyone's reach.

As Kambrook approaches its 50th year in Australia, it has become synonymous with quality appliances at affordable prices. Every new Kambrook product is tested in our Australian laboratories by our engineers for safety, durability and performance.

Kambrook's value positioning has been enhanced with the rollout of new packaging and point of sale material during the year, emphasising the durability and quality testing every Kambrook product goes through. That's what makes Kambrook "the smarter choice™".

the Control Grip™
Reduced suction blending and an ergonomic grip.

Philips

The Breville Group is the exclusive distributor for Philips' personal care and garment care appliances in Australia and New Zealand. Our relationship with Philips is now in its 11th year and we continue to work collaboratively to grow sales and market share.

Key markets

Australia

The Australian business encountered more challenging retail conditions in the second half of the financial year following a solid first half. Sales for the year declined 3.5% reflecting softer consumer spending and increased house brand competition. Underlying EBITDA decreased from $24.1m to $22.3m.

Breville focused on maintaining its position at upper and premium price points in the kitchen appliance category, whilst Kambrook performed solidly in a very competitive segment of the market. The business continued to invest in brand marketing despite more difficult trading conditions.

Philips performed well, increasing its already clear number one position in mens' shavers* and also achieved the market leadership* position in irons in Australia during the year.

* Source GfK year ended 30 June 2011 (value share)

North America

Sales in North America decreased by 4.2% to $124.4m in AUD, but increased by 5.4% on a constant currency basis. Excluding the residual impact of the exit of the non-electrical homewares category, North American sales in AUD increased by 5.1% and by 19.4% on a constant currency basis.

The Breville brand increased sales by 15.8% in constant currency, continuing its strong growth momentum, underpinned by further improvements in retail distribution and a strong pipeline of new product launches. Sales relating to the Keurig "single-serve coffee system" distribution business also grew strongly.

North America achieved a pleasing increase in underlying EBITDA of 40.8% (52.0% on a constant currency basis) to $19.7m (2010: $14.0m). Growth was driven by both the Breville brand and the Keurig distribution business. North America also benefited from the now completed exit of the non-electrical homewares category and the consequent restructuring of its operating cost base.

the YouBrew™
With built-in grinder & adjustable flavour control.

Markets and brands continued

Key markets continued

International Distributors

International Distributors reported sales of $44.2m (2010: $31.6m) and the business has now recovered to its pre GFC position. On a constant currency basis, reported sales increased by 57.5%. Earnings also grew strongly with underlying EBITDA increasing to $13.6m (2010: $10.1m).

The group continues to focus on broadening its distributor network, especially across the important Asia-Pacific region.

New Zealand

In a difficult and competitive market, the New Zealand business performed strongly in 2011. Despite slightly lower sales, the business delivered solid growth in earnings due to an improved product mix and the exit of low margin non-core categories.

People - creativity and food thinkers

Breville recognises the contribution of its people in creating world class products. It is our people's insights and creativity around food that differentiates us. Breville invests in its product development capabilities by recruiting, training and developing marketers, engineers and industrial designers.

We have consistently retained this talent and have one of the most experienced product development groups in the small appliance industry. It is these specialised skills and capabilities that put Breville at the forefront of innovation in the small appliance category.

With a clearly defined strategy to focus on food, Breville's product development team is thinking harder than ever before about what is possible. Breville has a strong pipeline of new products in development, enabling the group to continue to grow organically and geographically by expanding and developing its product ranges.

the Kinetix® Aero

Central blades crush and chop for velvety cocktails. Bowl hugging blades whip and aerate for creamier smoothies.

Sustainability and social responsibility

The Breville Group is committed to ethical, responsible and sustainable conduct across the entire business. We are determined to build a culture, through the commitment of our employees which reduces our impact on the environment and increases our contribution to society.

As a signatory to the Australian Packaging Covenant, a key goal of the group is to reduce the amount of our product and packaging that goes to landfill by designing better products and by using packaging materials that can either be reused or recycled.

the Mini Smart Oven™
with Element IQ™
The oven that moves the heat,
where and when it's needed.


Why share a pie when you can have it all to yourself.
the Personal Pie™
Four individual homemade pies baked fresh in as little as 10 minutes.

Breville Group Limited Financial report 2011

Contents:

Directors' report

The board of directors of Breville Group Limited (company) has pleasure in submitting its report in respect of the year ended 30 June 2011.

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. Directors were in office for this entire period.

John Schmoll

Non-executive chairman

B.Com, FCA, FAICD

Mr Schmoll is the former Chief Financial Officer of Coles Myer Limited, retiring in 2002. He has had an extensive career in retail and distribution services including that of Finance Director with the Edgars Group, South Africa's largest apparel and household goods retailer. Mr Schmoll is Principal of John Schmoll and Associates specialising in corporate advisory and executive support services.

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

- OrotonGroup Ltd #
- Patties Foods Ltd #
- AWB Limited (March 2005 – December 2010)
- Chandler Macleod Group Ltd

# denotes current directorship

Prior to this he was also a non-executive director of Australian Leisure and Hospitality Limited.

Steven Fisher

Non-executive director

B.ACC, CA(SA)

Mr Fisher has more than 25 years experience in general management positions in the wholesale consumer goods industry and is currently chief executive of the Voyager Group. Prior to entering into the consumer goods industry Mr Fisher was a practicing chartered accountant having qualified in South Africa with a Bachelor of Accounting degree. In addition, Mr Fisher serves on various private company boards.

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

Dean Howell

Non-executive director

FCA, FTIA

Mr Howell has had an extensive career in accounting, spanning some 40 years, and accordingly has a wealth of commercial and advisory experience. He was the former senior partner of Horwath Melbourne, now known as BDO, and also served on the Australian and International Boards of Horwath. He is currently a consultant with BDO. He is also a director of Peter MacCallum Cancer Foundation Ltd. Mr Howell is chairman of the audit & risk committee.

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

Steven Klein

Non-executive director

LLB, B.Com

Mr Klein has had extensive legal experience in both public company and private company mergers and acquisitions. Mr Klein was a partner of Arnold Bloch Leibler from 1 July 1996 to 30 June 2011 and has been a principal of Schetzer Brott & Appel since 1 August 2011.

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

Samuel Weiss

Non-executive director

AB, Harvard University; MS, Columbia Business School; FAICD

Mr Weiss has had a long corporate career in the United States, Europe and Australia with leading consumer brand companies such as Nike, Gateway Computers and Sheridan. He devotes considerable time and energy to education, the arts and disadvantaged communities through his work as a past president of the Harvard Club of Australia, president of The Benevolent Society and as a director of The Sydney Festival.

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

- Altium Limited #
- iProperty Group Ltd #
- OrotonGroup Ltd #
- GLG Corp Limited

# denotes current directorship

Company secretary

The name and details of the company's company secretary in office during the year and until the date of this report are as below. The company secretary was in office for this entire period.

Shiraz Khan

B.Bus, CPA
Mr Khan is a certified practicing accountant and has over 20 years experience in senior finance roles in a number of manufacturing and consumer products companies in Australia and New Zealand.

Reporting currency and rounding

The financial report is presented in Australian dollars and all amounts have been rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under ASIC class order 98/100. The company is an entity to which the class order applies.

Principal activities

During the year, the principal activities of the consolidated entity were the innovation, development, marketing and distribution of small electrical appliances in the consumer products industry. The consolidated entity operated in the principal markets of Australia, the United States of America, Canada, New Zealand and Hong Kong.

Company overview

The underlying strategic intent of the company is a stated commitment to innovative product development, to drive growth in sales and profits in the principal markets in which it operates. In line with this intent, the company has:

- built and staffed a world class product development centre in Sydney;
- maintained an efficient procurement and quality assurance centre in Hong Kong;
- employed experienced marketing and sales executives in its key markets around the world; and
- maintained effective administration processes to support growth initiatives on an international platform.

Performance indicators

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

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

Review of results and operations

Sales revenues of the consolidated entity for the year to 30 June 2011 were $393,589,000 which was 0.2% lower than the consolidated sales revenues for the previous corresponding year (2010: $394,380,000).

The group's profit after income tax attributable to shareholders for the year to 30 June 2011 was $31,735,000. This was a 40.5% increase on the previous corresponding year result of $22,584,000. If non-trading items were to be excluded, the group underlying net profit after income tax for the year ended 30 June 2011 would be $35,800,000 which is a 25.8% increase on the previous corresponding year (2010: $28,467,000).

The basic earnings per share for the consolidated entity was 24.47 cents per share (2010: 17.44 cents per share). The basic earnings per share calculated using the underlying net profit after income tax was 27.61 cents per share (2010: 21.98 cents per share).

Financial position

Operating cash flow for the year was $46,997,000 (2010: $57,416,000) and proceeds were used to pay dividends and pay down debt. Net cash at year end was $27,332,000 (2010: $9,169,000).

Risk management

The company's risk management is discussed in the corporate governance statement on page 24.

Directors' report
continued

Dividends

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

	Cents per ordinary share	$'000
Final dividends recommended:	7.0	9,100
Dividends paid in the year:		
Interim FY11 dividend paid	9.5	12,313
Final FY10 dividend paid	5.0	6,476

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.

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
J. Schmoll	82,294
S. Fisher	50,288
D. Howell	85,000
S. Klein	117,189
S. Weiss	80,775

Remuneration report (audited)

This remuneration report outlines the compensation arrangements in place for directors and executives (collectively "key management personnel") of Breville Group Limited. For the purposes of this report, key management personnel (KMP) of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the group, directly or indirectly.

Details of key management personnel

(i) Directors:

J. Schmoll	Non-executive chairman
S. Fisher	Non-executive director
D. Howell	Non-executive director and chairman of audit and risk committee
S. Klein	Non-executive director
S. Weiss	Non-executive director and chairman of people and performance committee

(ii) Executives:

S. Audsley	Group chief executive officer
S. Brady	General manager global marketing
M. Cohen	Group chief financial officer
J. Lord	Group general manager marketing and product development
M. Melis	General manager supply chain
H. Silver	Chief information and planning officer (KMP to 31 March 2011)

There were no changes of key management personnel after reporting date and before the date the financial report was authorised for issue.

Compensation philosophy

The performance of the company depends, in part, upon the quality of its directors and executives. The company must attract, retain, motivate and develop highly skilled directors and executives in order to secure the short and long term success of the business so to enhance shareholder value.

Based on this philosophy, the company's compensation strategy and framework embodies two interrelated outcomes: improved business results and building a culture of high performance.

The following principles define the compensation framework:

- Provision of competitive rewards (for fixed and variable compensation) to attract high calibre employees;
- Linking of reward to shareholder value and sustainable business results;
- Linking of reward to value adding personal performance objectives; and
- Reinforcement of a competitive business strategy that delivers organisational success and enhanced shareholder value.

People and performance committee

The people and performance committee of the board of directors of the company is responsible for reviewing and recommending to the board executive and employee remuneration arrangements and executive succession as set out in the people and performance committee charter.

The people and performance committee assesses the appropriateness of the nature and amount of compensation of executives and employees on an annual basis by reference to relevant individual and company performance and market conditions.

The people and performance committee is responsible for the engagement of any external compensation consultants for work on executive remuneration.

Compensation structure

In accordance with best practice corporate governance, the structure of non-executive director and executive compensation is separate and distinct.

Non-executive director compensation

Objective

The board seeks to set compensation at a level which provides the company with the ability to attract and retain directors of high calibre whilst maintaining a level commensurate with companies of a similar size and type.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by general meeting. The aggregate compensation of $950,000 per year was approved by shareholders at the annual general meeting held in November 2010.

The compensation of non-executive directors is reviewed annually. Each director receives a fee for being a director of the company. An additional fee is also paid to each director who also acts as chairman of a board committee. The payment of additional fees for acting as chairman of a committee recognises the additional time commitment required by the director to facilitate the running of the committee.

The compensation of non-executive directors for the year ended 30 June 2011 is detailed in Table 1 on page 20 of this report.

Executive compensation

Objective

The company aims to remunerate and reward executives with a level and mix of compensation commensurate with their positions and responsibilities within the company and to:

- Reward executives for company and individual performance against specific targets set with reference to business objectives and results;
- Align the interest, focus and performance of the executives with those of the shareholders;
- Attract, retain and motivate high performing executives; and
- Ensure total compensation is competitive by market standards.

Structure

In determining the level and make-up of executive compensation, the people and performance committee may engage an external consultant as appropriate, to provide independent advice detailing market related levels of compensation. The group chief executive officer makes recommendations to the people and performance committee for consideration.

Employment contracts are entered into with executives. Details of the contracts are provided on page 19.

Compensation consists of the following key elements:

- Fixed compensation
- Variable compensation
    - Short term incentive (STI); and
    - Long term incentive (LTI)

The proportion of the fixed compensation and variable compensation (potential short term and long term incentives) is established for each executive by the people and performance committee and approved by the board.

Tables 1 and 2 on pages 20 and 21 of this report detail the variable components (%) of the compensation of key management personnel of the group.

Directors' report
continued

Remuneration report (audited) continued

Fixed compensation

Objective

The level of fixed compensation is set so as to provide a base level of compensation which is appropriate to the position and responsibility and is competitive in the market.

Fixed compensation is reviewed annually by the people and performance committee. The process consists of reviewing company and individual performance, relevant comparative market compensation, internal relativities and, where appropriate, external advice on policies and practices.

Structure

Executives are given the opportunity to receive their fixed compensation in a variety of forms including cash and other non-cash benefits.

Variable compensation – short term incentive (STI)

Objective

The objective of the STI plan is to reward executives and other employees on the achievement of company and individual value adding performance objectives, providing them with the opportunity to earn over and above their fixed compensation should the agreed objectives be achieved. Depending upon their position and seniority in the organisation, executives and other employees are eligible for a STI award of between 20-40% of their fixed or base annual remuneration. The incentive payment is based on the achievement of financial and non financial objectives, with the former dependant upon a multiplier in accordance with a sliding scale. Objectives for each participant are determined on an individual basis aligned to enhance shareholder value.

The principle objectives of the plan are:

- To ensure that the company delivers its primary financial results and achieves its targets every year to deliver sustainable performance and continued organisational growth;
- To achieve business goals through rewarding value adding individual performance;
- To contribute to the development of a performance culture across the company; and
- To promote and facilitate the concept of shared ownership whereby executives and employees who contribute to the success of the company will also share in that success.

The total potential STI available is set at a level to provide an incentive to the executives and employees to achieve and exceed personal, financial and operational targets.

Structure

Actual STI payments are determined on the basis of the achievement of specific targets and objectives set at the commencement of the year. Financial performance targets include net profit before tax. Individual objectives are aligned to the non financial components of the group strategy. The company has predetermined financial performance benchmarks which must be met in order to trigger payments under the STI plan and these are varied on a yearly basis in line with the annual budgeting process.

On an annual basis, after consideration of performance against the established targets/objectives, incorporating both company financial targets and individual objectives, the group chief executive officer recommends to the people and performance committee an amount, if any, of the STI payment each executive (excluding the group chief executive officer) is eligible to receive. This recommendation, together with a recommendation by the people and performance committee of an amount if any, of the STI payment the group chief executive officer is eligible to receive, is then put to the board for approval. The group chief executive officer may also award discretionary bonuses to recognise and reward key contributions from high performing employees. All discretionary bonuses are presented as recommendations to the people and performance committee for approval.

The aggregate of the annual STI payments available for executives across the company are subject to the approval of the people and performance committee and the board and payments are typically paid as a cash bonus. The minimum amount of the STI payments assuming that no executives meet their respective targets/objectives (including company financial targets and individual objectives) for the 2011 financial year is nil.

Variable compensation – long term incentive (LTI)

Objective

The objective of the LTI plan is to reward executives and other employees in a manner that aligns this element of compensation with the creation of shareholder value.

The LTI plan is only made available to executives and other employees who are able to influence the generation of shareholder value and have a direct impact on the company's performance against relevant long term performance hurdles. Depending upon their position and seniority in the organisation, executives and other employees are eligible for a LTI award of between 10-40% of their fixed annual remuneration.

Remuneration report (audited) continued

Variable compensation – long term incentive (LTI) continued

Structure – performance rights plan

From April 2009, LTI grants to executives and other employees (collectively "participants") were provided in the form of performance rights awards issued in accordance with the Breville Group Limited Performance Rights Plan (PRP). LTI grants to participants (excluding the group chief executive officer) are recommended by the group chief executive officer to the people and performance committee. This recommendation, together with a recommendation by the people and performance committee of a LTI grant to the group chief executive officer, is then put to the board for approval.

An offer under the PRP grants a participant the right to a certain number of fully paid ordinary shares in the company. Upon satisfaction of the performance hurdle, the right will vest and be convertible into shares. The company uses earnings per share (underlying EPS) as the performance hurdle for the LTI plan. EPS represents the earnings per share from operations adjusted for non-trading items. The use of EPS ensures an alignment between shareholder return and reward for participants.

If the performance hurdle is not met or if the participant ceases to be employed by the company, any unvested performance rights will lapse unless otherwise determined by the board. There are no cash alternatives. The performance rights cannot be transferred and are not quoted on the ASX. Holders of performance rights are not entitled to notice of, or attend, a meeting of shareholders of the company, or receive any dividends declared by the company, until the rights have vested and then converted into shares.

Once allocated, disposal of shares is subject to restrictions whereby board approval is required to sell the shares granted within three years of the shares being allocated to the participant or; if the participant ceases to be employed by the company, within twelve months of the date employment ceases; or such other date as the board determines.

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 pro rata 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.

Structure – second senior executive option plan

Prior to April 2009, LTI grants to participants were provided in the form of options issued in accordance with the second senior executive option plan. No further options are intended to be granted under the second senior executive option plan.

Options, whether vested or unvested will be forfeited if the participant ceases to be employed by the company on or before the date of exercise, unless otherwise determined by the board.

The options vest if and when the group's underlying EPS increases by at least 10% per annum compounded annually over the term. If the EPS growth condition is not achieved in any financial year, the EPS growth for that financial year will be carried forward and recalculated at the end of each following financial year until the end of the term of the options. As a result, options may still vest and become exercisable where the vesting conditions are satisfied in a subsequent financial year. If this increase is not met within three years from the date of grant, the options are forfeited. EPS represents the earnings per share from operations adjusted for non-trading items. The use of EPS ensures an alignment between shareholder return and reward for participants.

There are no cash alternatives. The options cannot be transferred and are not quoted on the ASX.

Other

The number of ordinary shares in the company which could be acquired by executives and other employees holding performance rights and options if all outstanding performance rights and options were vested shall not exceed 5% of the total number of issued shares of the company.

Directors' report
continued

Remuneration report (audited) continued

Variable compensation – long term incentive (LTI) continued

Relationship of rewards to performance

The table below shows the details of LTI plans for which compensation has been included in the remuneration tables on pages 20 and 21 of this report.

LTI Plan (for the year ended)	Performance hurdles/conditions	Number outstanding 30 June 2011 (Executive only)	Number outstanding 30 June 2010 (Executive only)
Options June 2008	- Issued for nil consideration. - Exercise price - $2.36 - based on volume weighted average price of all the company's shares traded on ASX on the five trading days up to/including the issue date plus a premium of 11%. - Term of four years and are exercisable in equal tranches on the first three anniversaries of the date of issue as follows: • 1/3 of options, any time during the one year period commencing one year after the issue; • 1/3 of options, any time during the one year period commencing two years after the issue; • 1/3 of options, any time during the one year period commencing three years after the issue. - To vest, the group's underlying EPS must increase by at least 10% per annum compounded annually over the four year term off the base year underlying EPS of 13.55 cents per share. - 100% vested and exercised at 30 June 2011.	**-**	100,000
Options June 2009	- Issued for nil consideration. - Exercise price - $1.12 - based on volume weighted average price of all the company's shares traded on ASX on the five trading days up to/including the issue date plus a premium of 11%. - Term of four years and are exercisable in equal tranches on the first three anniversaries of the date of issue as follows: • 1/3 of options, any time during the one year period commencing one year after the issue; • 1/3 of options, any time during the one year period commencing two years after the issue; • 1/3 of options, any time during the one year period commencing three years after the issue. - To vest, the group's underlying EPS must increase by at least 10% per annum compounded annually over the four year term off the base year underlying EPS of 16.58 cents per share. - 67% of issued options vested and exercised at 30 June 2011.	**100,000**	300,000
Performance rights June 2009	- Issued for nil consideration. - Exercise price is $0. - To vest, the group's underlying EPS for the year ended 30 June 2011 must be at least 21.00 cents per share. - 0% vested at 30 June 2011.	**870,000**	1,017,000
Performance rights June 2010	- Issued for nil consideration. - Exercise price is $0. - Term of three years and there are 2 performance hurdles each representing 50% of the total number of performance rights: (a) Base EPS hurdle – to vest, group's underlying EPS for the year ending 30 June 2012 must be at least 26.50 cents per share. (b) Stretch EPS hurdle – to vest, the group's underlying EPS for the year ending 30 June 2012 must be at least 29.00 cents per share. - 0% vested at 30 June 2011.	**294,000**	-
Performance rights June 2011	- Issued for nil consideration. - Exercise price is $0. - Term of three years and there are 2 performance hurdles each representing 50% of the total number of performance rights: (a) Base EPS hurdle – to vest, group's underlying EPS for the year ending 30 June 2013 must be at least 30.00 cents per share. (b) Stretch EPS hurdle – to vest, the group's underlying EPS for the year ending 30 June 2013 must be at least 33.00 cents per share. - 0% vested at 30 June 2011.	**261,000**	-
	- Issued for nil consideration. - Exercise price is $0. - Term of three years and to vest, the group's underlying EPS for the year ending 30 June 2013 must be at least 37.00 cents per share. - 0% vested at 30 June 2011.	**91,000**	-

Remuneration report (audited) continued

Group performance

The table below shows the performance of the group over the past five years.

Year ended	30 June 2007	30 June 2008	30 June 2009	30 June 2010	**30 June 2011**
Underlying basic earnings per share (cents)	15.21	15.37	13.32	21.98	**27.61**
Basic earnings per share (cents)	(27.37)	16.50	9.08	17.44	**24.47**
Total dividends (cents)	0.00	10.50	5.50	11.00	**16.50**
Share price at 30 June ($)	3.00	1.05	0.92	2.14	**3.30**

Employment contracts

None of the key management personnel have fixed term employment contracts. Amounts payable on termination vary from a minimum statutory entitlement to a maximum of 12 months based on a calculation of total fixed remuneration (which includes base salary, superannuation and motor vehicle allowance (if applicable)). In accordance with the terms of the performance rights plan and the second senior executive option plan, any performance rights or options not vested at the date of termination will be forfeited, unless otherwise determined by the board.

Remuneration report (audited) continued

Remuneration of key management personnel

Table 1: Remuneration for the year ended 30 June 2011

	Short-term employee benefits			Post-employment benefits	Long-term employee benefits	Share-based payment	Total	% performance related
	Salary & fees	Cash bonuses	Other	Superannuation	Long service leave	Performance rights / options		
	$	$	$	$	$	$	$	%
Non-executive directors								
J. Schmoll – chairman	167,660	-	-	15,089	-	-	182,749	-
S. Fisher	95,585	-	-	8,603	-	-	104,188	-
D. Howell	107,186	-	-	9,647	-	-	116,833	-
S. Klein (a)	104,188	-	-	-	-	-	104,188	-
S. Weiss	107,186	-	-	9,647	-	-	116,833	-
Sub-total non-executive directors	581,805	-	-	42,986	-	-	624,791	
Other key management personnel								
S. Audsley	533,828	244,400	-	47,051	9,983	224,558	1,059,820	44.25
S. Brady	280,945	103,813	29,999	27,355	5,888	102,894	550,894	37.52
M. Cohen	322,725	123,513	30,000	25,000	5,613	130,738	637,589	39.88
J. Lord	426,892	148,096	-	38,420	7,602	115,684	736,694	35.81
M. Melis	269,788	93,747	28,499	27,324	5,643	101,545	526,546	37.09
H. Silver (b)	197,023	73,632	23,250	15,836	3,027	57,823	370,591	35.47
Sub-total executive KMP	2,031,201	787,201	111,748	180,986	37,756	733,242	3,882,134	
Totals	2,613,006	787,201	111,748	223,972	37,756	733,242	4,506,925	

Note

(a) S. Klein's fees were paid to Arnold Bloch Leibler, a firm of which he was a partner of until 30 June 2011. These fees are subject to GST. The amounts shown above are net of GST.

(b) H. Silver ceased to meet the definition of key management personnel on 31 March 2011. Total remuneration reflected is to 31 March 2011.

Remuneration report (audited) continued

Remuneration of key management personnel continued

Table 2: Remuneration for the year ended 30 June 2010

	Short-term employee benefits				Post-employment benefits	Long-term employee benefits	Share-based payment	Total	% performance related
	Salary & fees	Cash bonuses	Non-monetary benefits	Other	Superannuation	Long service leave	Performance rights / options		
	$	$	$	$	$	$	$	$	%
Non-executive directors									
J. Schmoll – chairman	145,217	-	-	-	13,118	-	-	158,335	-
S. Fisher	83,177	-	-	-	7,486	-	-	90,663	-
D. Howell	97,403	-	-	-	8,766	-	-	106,169	-
S. Klein (a)	91,150	-	-	-	-	-	-	91,150	-
S. Weiss	89,595	-	-	-	8,064	-	-	97,659	-
Sub-total non-executive directors	506,542	-	-	-	37,434	-	-	543,976	
Other key management personnel									
S. Audsley	513,560	299,000	-	-	48,980	8,944	66,065	936,549	38.98
S. Brady	273,393	135,675	-	29,999	28,572	5,431	39,302	512,372	34.15
V. Cheung	382,632	75,000	12,231	53,784	35,585	-	-	559,232	13.41
M. Cohen	309,719	153,303	-	30,000	23,658	6,030	100,011	622,721	40.68
J. Lord	417,082	186,300	-	-	36,865	6,971	22,665	669,883	31.19
M. Melis	268,580	132,000	-	28,499	27,033	5,295	38,578	499,985	34.12
H. Silver	247,787	123,525	-	31,000	24,469	5,528	35,444	467,753	33.99
Sub-total executive KMP	2,412,753	1,104,803	12,231	173,282	225,162	38,199	302,065	4,268,495	
Totals	2,919,295	1,104,803	12,231	173,282	262,596	38,199	302,065	4,812,471	

Note

(a) S. Klein's fees were paid to Arnold Bloch Leibler, a firm of which he was a partner of until 30 June 2011. These fees are subject to GST. The amounts shown above are net of GST.

Directors' report
continued

Remuneration report (audited) continued

Performance rights and compensation options

30 June 2011

Table 3: Performance rights granted during the year ended 30 June 2011

	Granted		Terms and conditions for each grant				Vested
30 June 2011	Number	Grant date	Fair value per performance right at grant date ($) (Note 27)	Expiry date	First exercise date	Last exercise date	Number
S. Audsley (a)	100,000	22 Dec 10	2.64	5 Oct 12	3 Sept 12	5 Oct 12	-
S. Audsley (b)	88,000	22 Dec 10	2.54	4 Oct 13	2 Sept 13	4 Oct 13	-
S. Audsley (c)	44,000	20 Apr 11	3.32	4 Oct 13	2 Sept 13	4 Oct 13	-
S. Brady (a)	43,000	22 Dec 10	2.64	5 Oct 12	3 Sept 12	5 Oct 12	-
S. Brady (b)	39,000	22 Dec 10	2.54	4 Oct 13	2 Sept 13	4 Oct 13	-
M. Cohen (a)	48,000	22 Dec 10	2.64	5 Oct 12	3 Sept 12	5 Oct 12	-
M. Cohen (b)	43,000	22 Dec 10	2.54	4 Oct 13	2 Sept 13	4 Oct 13	-
M. Cohen (c)	21,000	20 Apr 11	3.32	4 Oct 13	2 Sept 13	4 Oct 13	-
J. Lord (a)	60,000	22 Dec 10	2.64	5 Oct 12	3 Sept 12	5 Oct 12	-
J. Lord (b)	53,000	22 Dec 10	2.54	4 Oct 13	2 Sept 13	4 Oct 13	-
J. Lord (c)	26,000	20 Apr 11	3.32	4 Oct 13	2 Sept 13	4 Oct 13	-
M. Melis (a)	43,000	22 Dec 10	2.64	5 Oct 12	3 Sept 12	5 Oct 12	-
M. Melis (b)	38,000	22 Dec 10	2.54	4 Oct 13	2 Sept 13	4 Oct 13	-
H. Silver (a)	40,000	22 Dec 10	2.64	5 Oct 12	3 Sept 12	5 Oct 12	-
H. Silver (b)	35,000	22 Dec 10	2.54	4 Oct 13	2 Sept 13	4 Oct 13	-
	721,000						-

Performance rights relating to two financial years were granted in the financial year ended 30 June 2011 (2010: nil).

(a) Exercise price is $0. There are two performance hurdles each representing 50% of the total number of performance rights granted - Base EPS (group underlying EPS for the year ending 30 June 2012 is at least 26.50 cents per share) and Stretch EPS (group underlying EPS for the year ending 30 June 2012 is at least 29.00 cents per share).

(b Exercise price is $0. There are two performance hurdles each representing 50% of the total number of performance rights granted - Base EPS (group underlying EPS for the year ending 30 June 2013 is at least 30.00 cents per share) and Stretch EPS (group underlying EPS for the year ending 30 June 2013 is at least 33.00 cents per share).

(c) Exercise price is $0. Group underlying EPS for the year ending 30 June 2013 is at least 37.00 cents per share.

Table 4: Shares issued on exercise of compensation options during the year ended 30 June 2011

	Options exercised/shares issued	Price paid per share
30 June 2011	Number	$
M. Cohen	100,000	2.36
M. Cohen	200,000	1.12
	300,000	

30 June 2010

No performance rights or compensation options were granted to key management personnel or exercised by key management personnel during the year ended 30 June 2010.

No shares were issued on exercise of performance rights or compensation options by key management personnel during the year ended 30 June 2010.

Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Full board	Audit & risk (A&RC)	People and performance
Number of meetings	**13**	**4**	**4**
J. Schmoll	**13(c)**	**4**	**4**
S. Fisher	**13**	**4**	**4**
D. Howell	**13**	**4(c)**	**4**
S. Klein	**13**	**4**	**4**
S. Weiss	**13**	**4**	**4(c)**

Notes

(c) Designates the current chairman of the board or committee.

Committee membership

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

Indemnification of directors and officers

The directors and officers of the company are indemnified by the company against losses or liabilities which they may sustain or incur as an officer of the company in the proper performance of their duties.

Likely developments and expected results

Disclosure of information as to likely 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.

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Breville Group Limited support the principles of good corporate governance. The company's corporate governance statement is on page 24.

Share options and performance rights

Unissued shares

As at the date of this report and the reporting date, there were 100,000 un-issued ordinary shares under options (2010: 620,000) and 1,039,000 potential un-issued shares under performance rights (2010: 1,282,000). Refer to note 27 of the financial report for further details of the options and performance rights outstanding. Option and performance right holders do not have any right, by virtue of the option or performance right, to participate in any share issue of the company.

Shares issued as a result of the exercise of options

During the year, employees or executives have exercised 480,000 options to acquire fully paid ordinary shares in Breville Group Limited (2010: nil). During the year, no employees or executives have exercised any performance rights to acquire fully paid ordinary shares in Breville Group Limited (2010: nil).

Auditor's declaration of independence

Attached 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 2011. This auditor's declaration forms part of this directors' report.

Non-audit services

During the financial year ended 30 June 2011 the company's primary auditor, Ernst & Young Australia did not provide any non-audit services.

Significant events after year end

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

Signed in accordance with a resolution of directors.

John Schmoll
Non-executive chairman

Sydney
25 August 2011

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 Stock Exchange ('ASX') Corporate Governance Council ('council') 'Corporate Governance Principles and Recommendations'.

The ASX principles that have been adopted are outlined below.

The company's corporate governance practices throughout the year ended 30 June 2011 were compliant with the council's principles and recommendations, except for those differences disclosed and explained in this statement.

The following documents are available on the investor relations, corporate governance section of the company's website brevillegroup.com

- selection and appointment of directors
- criteria for assessing independence
- code of conduct
- continuous disclosure policy
- share trading policy
- shareholder communications policy
- board charter
- audit and risk committee charter
- people and performance committee charter
- diversity policy

The term of the current directors as at the date of this annual report are as follows:

Director	Appointed	Term in office	Non-executive	Independent	Last elected
John Schmoll (chairman)	**2004**	**7 years**	**Yes**	**Yes**	**2009**
Steven Fisher	**2004**	**7 years**	**Yes**	**No**	**2010**
Dean Howell	**2008**	**3 years**	**Yes**	**Yes**	**2008**
Steven Klein	**2003**	**8 years**	**Yes**	**No**	**2008**
Samuel Weiss	**2008**	**3 years**	**Yes**	**Yes**	**2008**

In accordance with the requirements of the company's constitution, Mr Howell, Mr Klein and Mr Weiss will seek re-election at the company's AGM later this year.

Principle 1: Lay solid foundations for management and oversight

Role of the board and management

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

The board is responsible for approving the strategic direction of the company, establishing goals for management, monitoring the achievement of those goals and establishing a sound system of risk oversight and management. The board will regularly review its performance and the performance of its committees.

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 a performance review as described above during the reporting period.

Principle 2: Structure the board to add value

Board composition

The company's constitution states that there must be a minimum of three directors and contains detailed provisions concerning the tenure of directors. The board currently comprises five non-executive directors. The directors' report, on page 12, outlines the relevant skills, experience and expertise held by each director in office at the date of this report.

Director independence

In considering whether a director is independent, the board refers to the company's "Criteria for assessing independence of directors" 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 Dean Howell, Mr John Schmoll and Mr Samuel Weiss are independent directors. The following directors are not independent directors:

- Mr Steven Fisher (non-executive director) is employed by an entity associated with a substantial shareholder of the company; and
- Mr Steven Klein (non-executive director) was a partner of Arnold Bloch Leibler (ABL) until 30 June 2011. ABL is a professional adviser to the company.

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

Majority independence

Of the five directors, two are considered not to be independent for the reasons noted above.

The majority of the board is considered to be independent.

Independent chairman

Mr John Schmoll was non-executive chairman throughout the year. Mr Schmoll is considered to be an independent chairman.

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 chairman is required, which will not be unreasonably withheld.

Nomination committee

During the year ended 30 June 2011, the company did not have a separately established nomination committee. All duties and responsibilities typically delegated to such a committee are the responsibility of the full board. Although the council's recommendation 2.4 recommends that a nomination committee can be a more efficient mechanism for the detailed examination of selection and appointment practices, particularly in larger companies, the board does not believe at this time that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

Evaluating the performance of the board

There is no formal review process of the performance of the board, its committees and individual directors. Currently, the chairman informally assesses the performance of committees and individual directors and their contribution to board affairs.

Principle 3: Promote ethical and responsible decision-making

Code of conduct

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

Diversity policy

During the financial year ended 30 June 2011 the board established a diversity policy with objectives for achieving gender balance.

The company's policy aims to ensure a corporate culture that supports workplace diversity. This policy is available on the company's website at the investor relations, corporate governance section.

Corporate governance statement
continued

Principle 3: Promote ethical and responsible decision-making continued

Diversity policy objectives

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

- Representation of women trained in recruitment and selection panels: Progress has been made in Australia in this financial year and the program will be expanded across all regions in the future;
- Issuing the company equal opportunity statement to recruiting agencies: Progress has been made in Australia in this financial year and the program will be expanded across all regions in the future;
- Explicit requirement of recruiting agencies to provide a gender balance of suitable, qualified, shortlisted candidates for interview: This has been achieved in Australia in this financial year and will be expanded across all regions in the future;
- Enhancing the gender balance of women in senior roles: During the year the company has maintained a 50% proportionate representation of women across the total workforce. Progress was made in this financial year with women representing 18% of senior roles; and
- Continue flexible working arrangements where operationally appropriate.

Diversity policy disclosure

The proportion of women employees in the company as at 30 June 2011 is as follows:

- Women on the board 0%
- Women in senior roles 18%
- Women in whole organisation 50%

Principle 4: Safeguard integrity in financial reporting

Audit and risk committee

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

Among its responsibilities, the A&RC:

- reviews all accounts of the group to be publicly released;
- recommends to the board the appointment and remuneration of the external auditors;
- reviews the scope of external audits;
- assesses the performance and independence of the external auditors, including procedures governing partner rotation;
- reviews corporate governance practices; and
- monitors and assesses the systems for internal compliance and control, legal compliance and risk management.

Composition of committee

The current members of the A&RC are:

- Mr Dean Howell (chairman)
- Mr Steven Fisher
- Mr Steven Klein
- Mr John Schmoll
- Mr Samuel Weiss

The directors' report, on page 23, outlines the number of A&RC meetings held during the year and the names of the attendees at those meetings. It also outlines the qualifications of A&RC members on page 12.

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

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

- comprises only non-executive directors;
- comprises a majority of independent directors;
- is chaired by an independent chair, who is not chair of the board; and
- has at least three members.

The majority of the A&RC is considered to be independent as at the date of this report, although of the five committee members, Mr Steven Fisher and Mr Steven Klein are considered not to be independent for the reasons noted above.

Principle 5: Make timely and balanced disclosure

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

Principle 6: Respect the rights of shareholders

Communication policy

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

Electronic communication

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

Briefings

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

Principle 7: Recognise and manage risk

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

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

Management is ultimately responsible to the board for the system of internal control and risk management and has reported to the board as to the effectiveness of the company's management of its material business risks. The A&RC assists the board in monitoring this function.

In accordance with the council's recommendation 7.3 the group chief executive officer and group chief financial officer provided the board with a written declaration confirming that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system operated effectively in all material respects.

Principle 8: Remunerate fairly and responsibly

People and performance committee

The board has a people and performance committee, comprising the following directors:

- Mr Samuel Weiss (chairman)
- Mr Steven Fisher
- Mr Dean Howell
- Mr Steven Klein
- Mr John Schmoll

In accordance with the council's recommendation 8.1, the people and performance committee comprises:

- an independent chairman; and
- at least three members.

The majority of the people and performance committee is considered to be independent as at the date of this report, although of the five committee members, Mr Steven Fisher and Mr Steven Klein are considered not to be independent for the reasons noted above.

For details on the number of meetings of the people and performance committee held during the year and the attendees at those meetings, refer to the directors' report on page 23.

Remuneration disclosure

For a full discussion 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 14 to 22.

Income statement
for the year ended 30 June 2011

	Note	30 June 2011 $'000	30 June 2010 $'000
Revenue	2(a)	**393,589**	394,380
Cost of sales	2(b)	**(255,000)**	(260,030)
Gross profit		**138,589**	134,350
Other income	2(c)	**376**	753
Employee benefits expenses	2(f)	**(45,711)**	(48,296)
Premises, lease & utilities expenses		**(10,321)**	(12,037)
Advertising expenses		**(12,771)**	(11,725)
Other expenses		**(11,922)**	(12,984)
Underlying earnings before interest, tax, depreciation & amortisation (Underlying EBITDA)		**58,240**	50,061
Non-trading items	2(i)	**(6,232)**	(9,198)
Earnings before interest, tax, depreciation & amortisation (EBITDA)		**52,008**	40,863
Depreciation & amortisation expense	2(d)	**(6,705)**	(6,779)
Earnings before interest and tax (EBIT)		**45,303**	34,084
Finance costs	2(g)	**(2,123)**	(4,318)
Non-trading item	2(i)	**429**	782
Profit before income tax		**43,609**	30,548
Income tax expense	3	**(11,874)**	(7,964)
Net profit after income tax for the year attributable to members of Breville Group Limited	(a)	**31,735**	22,584
(a) Non-trading items included within net profit after income tax attributable to members of Breville Group Limited:			
Non-trading items	2(i)	**4,065**	5,883
Underlying net profit after income tax		**35,800**	28,467
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of Breville Group Limited:			
- basic earnings per share	4	**24.47**	17.44
- diluted earnings per share	4	**24.44**	17.19
Earnings per share for underlying profit attributable to the ordinary equity holders of Breville Group Limited:			
- basic earnings per share	4	**27.61**	21.98
- diluted earnings per share	4	**27.57**	21.66

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

Statement of comprehensive income
for the year ended 30 June 2011

	Note	30 June 2011 $'000	30 June 2010 $'000
Net profit after income tax for the year		**31,735**	22,584
Other comprehensive (loss)/income			
Foreign currency translation differences	20(a)	**(5,122)**	35
Net change in fair value of cash flow hedges	20(c)	**(5,345)**	7,448
Income tax on other comprehensive (loss)/income and other items taken directly to equity	3	**1,819**	(1,906)
Other comprehensive (loss)/income for the year, net of income tax		**(8,648)**	5,577
Total comprehensive income for the year attributable to members of Breville Group Limited		**23,087**	28,161

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

Statement of financial position
as at 30 June 2011

	Note	30 June 2011 $'000	30 June 2010 $'000
Current assets			
Cash and cash equivalents	6	**27,768**	13,565
Trade and other receivables	7	**67,272**	68,012
Inventories	8	**57,870**	63,845
Other financial assets	9	**21**	2,583
Current tax assets	3	**1,678**	2,435
Other assets	10	**1,504**	1,199
Total current assets		**156,113**	151,639
Non-current assets			
Plant and equipment	11	**5,096**	7,712
Deferred tax assets	3	**11,966**	10,922
Intangible assets – other	12	**45,417**	43,971
Intangible assets – goodwill	13	**24,558**	24,558
Total non-current assets		**87,037**	87,163
Total assets		**243,150**	238,802
Current liabilities			
Trade and other payables	15	**59,084**	64,288
Borrowings	16	**242**	100
Current tax liabilities	3	**6,735**	3,090
Provisions	17	**5,921**	6,267
Other financial liabilities	18	**2,896**	541
Total current liabilities		**74,878**	74,286
Non-current liabilities			
Borrowings	16	**194**	4,296
Deferred tax liabilities	3	**6,372**	5,318
Provisions	17	**8,128**	4,679
Total non-current liabilities		**14,694**	14,293
Total liabilities		**89,572**	88,579
Net assets		**153,578**	150,223
Equity			
Equity attributable to equity holders of the parent			
Issued capital	19	**135,642**	137,653
Reserves	20	**(14,886)**	(7,306)
Retained earnings	21	**32,822**	19,876
Total equity		**153,578**	150,223

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

Statement of changes in equity
for the year ended 30 June 2011

	Note	Issued capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
At 1 July 2009		137,581	(13,274)	7,006	131,313
Foreign currency translation reserve	20(a)	-	35	-	35
Cash flow hedges	20(c)	-	7,448	-	7,448
Income tax on items taken directly to equity	3	-	(1,906)	-	(1,906)
Net income recognised directly in equity		-	5,577	-	5,577
Profit for the year		-	-	22,584	22,584
Total recognised income for the year		-	5,577	22,584	28,161
Dividends paid	5(a)	-	-	(9,714)	(9,714)
Repayment of non-recourse senior executive option plan loans	19(c)	72	-	-	72
Share-based payments	20(b)	-	391	-	391
At 30 June 2010		137,653	(7,306)	19,876	150,223
Foreign currency translation reserve	20(a)	**-**	**(5,122)**	**-**	**(5,122)**
Cash flow hedges	20(c)	**-**	**(5,345)**	**-**	**(5,345)**
Income tax on items taken directly to equity	3	**-**	**1,819**	**-**	**1,819**
Net loss recognised directly in equity		**-**	**(8,648)**	**-**	**(8,648)**
Profit for the year		**-**	**-**	**31,735**	**31,735**
Total recognised (loss)/income for the year		**-**	**(8,648)**	**31,735**	**23,087**
Dividends paid	5(a)	**-**	**-**	**(18,789)**	**(18,789)**
Issue of ordinary shares – exercise of options	19(a)	**842**	**-**	**-**	**842**
Ordinary shares acquired by the Trustee of the Breville Group Performance Share Plan Trust	19(b)	**(4,296)**	**-**	**-**	**(4,296)**
Repayment of non-recourse senior executive option plan loans	19(c)	**1,443**	**-**	**-**	**1,443**
Share-based payments	20(b)	**-**	**1,068**	**-**	**1,068**
At 30 June 2011		**135,642**	**(14,886)**	**32,822**	**153,578**

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

Cash flow statement
for the year ended 30 June 2011

	Note	30 June 2011 $'000	30 June 2010 $'000
Cash flows from operating activities			
Receipts from customers		**420,541**	422,162
Payments to suppliers and employees		**(363,975)**	(347,316)
Finance costs paid		**(2,533)**	(4,327)
Income tax paid		**(4,622)**	(5,829)
Finance income received		**502**	93
Net cash flows from operating activities (excluding non-trading items)		**49,913**	64,783
Non-trading items paid	2(i)	**(2,916)**	(7,367)
Net cash flows from operating activities	6(b)	**46,997**	57,416
Cash flows used in investing activities			
Purchase of plant and equipment		**(461)**	(2,107)
Proceeds from sale of plant and equipment		**89**	40
Purchase of intangible assets		**(5,936)**	(3,437)
Net cash flows used in investing activities		**(6,308)**	(5,504)
Cash flows used in financing activities			
Net repayment of borrowings		**(4,035)**	(35,166)
Proceeds from issue of shares	19(a)	**842**	-
Irretrievable cash contributions paid to the Trustee of the Breville Group Performance Share Plan Trust to acquire ordinary shares	19(b)	**(4,296)**	-
Proceeds from repayment of senior executive option plan loans	19(c)	**1,443**	72
Equity dividends paid	5(a)	**(18,709)**	(9,653)
Net cash flows used in financing activities		**(24,755)**	(44,747)
Net increase in cash and cash equivalents		**15,934**	7,165
Cash and cash equivalents at beginning of the year		**13,509**	6,289
Net foreign exchange difference		**(1,879)**	55
Cash and cash equivalents at end of the year	6(a)	**27,564**	13,509

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

Notes to the financial statements
for the year ended 30 June 2011

Note 1. Summary of significant accounting policies

Breville Group Limited is a company limited by shares incorporated in Australia. Breville Group Limited shares are quoted on the Australian Stock 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 review of results and operations and principal activities in the directors' report on page 13. The directors' report is unaudited (except for the remuneration report) and does not form part of the financial report.

(a) Basis of preparation

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

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

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under ASIC class order 98/100. The company is an entity to which the class order applies.

(b) Statement of compliance

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the group for the annual reporting period ended 30 June 2011.

The amendments to standards and interpretations not yet adopted are not expected to have a material impact on the group in the period of initial application.

(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 the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-group balances and transactions, income and expenses and profit and loss resulting from intra-group transactions have been eliminated in full.

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

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

(d) Significant accounting judgements, estimates and assumptions

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

Impairment of goodwill & intangibles with indefinite useful lives

The group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 14.

Share-based payment transactions

The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using either the Black-Scholes or binomial option pricing model, using the assumptions detailed in note 27.

Onerous lease provision

The onerous lease provision represents the present value of the future lease payments that the consolidated entity is presently obligated to make in respect of onerous lease contracts under non-cancellable operating lease agreements, less revenue expected to be earned on the lease including estimated future sub-lease revenue, where applicable. The calculation of this provision requires various assumptions associated with the sub-letting of the premises. The related carrying amounts are disclosed in note 17.

Notes to the financial statements
for the year ended 30 June 2011

Note 1. Summary of significant accounting policies continued

(e) Business combinations

All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the group's share of the identifiable net assets acquired is recognised as goodwill. Any transaction costs incurred in connection with a business combination are expensed as incurred.

(f) Operating segments

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including certain inter-group revenues and expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision makers being the group chief executive officer and board of directors.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 Operating Segments are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to the users of the financial report.

(g) 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 dollars (Breville Holdings USA, Inc. and Breville USA, Inc.);
- HKD - Hong Kong dollars (HWI International Limited, Gannet Holdings Limited and Breville Export Limited);
- CAD - Canadian dollars (HWI Canada, Inc., Holdings HWI Canada, Inc. and Anglo-Canadian Housewares, L.P.); and
- NZD - New Zealand dollars (Breville New Zealand Limited).

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

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

(h) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in 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.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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

(i) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are initially recognised at fair value and subsequently measured at amortised cost.

Bad debts are written off when incurred. An allowance for uncollectible receivables is established when there is objective evidence that the group will not be able to collect all amounts due. The amount of the allowance is recognised in the income statement.

Note 1. Summary of significant accounting policies continued

(j) Inventories

Inventories are valued at the lower of cost and net realisable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. This includes the transfer from equity of gains and losses on qualifying cash flow hedges of purchases of finished goods.

Costs are assigned to individual items of inventory on a weighted average cost basis.

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

(k) Derivative financial instruments and hedging

The group uses derivative financial instruments such as forward exchange contracts, foreign exchange option contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate 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. 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 and foreign exchange option contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles and where applicable exercise prices. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

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.

When accounting for foreign exchange option contracts, the intrinsic value of the option is the only component subject to the hedging relationship. The time value of money is excluded from the hedge relationship.

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

Cash flow hedges

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

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

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

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

(l) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation on plant and equipment is calculated on a straight line basis over the estimated useful life of between 2 and 5 years.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each year end.

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

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

Notes to the financial statements
for the year ended 30 June 2011

Note 1. Summary of significant accounting policies continued

(m) Intangible assets - goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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.

(n) Intangible assets - other

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. 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. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the group can demonstrate the technical feasibility of completing 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. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually or more frequently when an indication of impairment arises during the reporting period.

(n) Intangible assets – other continued

Research and development costs continued

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

Brand names	
Internally generated or Acquired	Acquired
Useful lives	Indefinite
Amortisation method used	No amortisation
Impairment test	Annually and more frequently when an indication of impairment exists.
Computer software	
Internally generated or Acquired	Acquired
Useful lives	Finite
Amortisation method used	Amortised over the useful life, not exceeding 3 years, on a straight line basis.
Impairment test	When an indication of impairment exists. The amortisation method is reviewed at each year end.
Development costs	
Internally generated or Acquired	Internally generated
Useful lives	Finite
Amortisation method used	Amortised over the period of expected future sales, not exceeding 3 years, from the related project on a straight line basis.
Impairment test	Annually and more frequently when an indication of impairment exists. The amortisation method is reviewed at each year end.

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

(o) 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.

(p) Investments and other financial assets

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

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

(i) Financial assets at fair value through the income statement

Financial assets classified as held for trading are included in the category 'financial assets at fair value through the income statement'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

Note 1. Summary of significant accounting policies continued

(p) Investments and other financial assets continued

(ii) 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.

(iii) 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.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(q) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the group prior to the end of the year 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 and are usually paid within 30 days of recognition.

Wages, salaries, annual leave and sick 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 trade and other payables 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.

(r) Share-based payment transactions

Equity settled transactions

The group provides benefits to employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). Refer to note 27 for details.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value has been determined by an external valuer using a Black-Scholes or binomial model, further details of which are given in note 27.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Breville Group Limited (market conditions), if applicable.

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.

Note 1. Summary of significant accounting policies continued

(r) Share-based payment transactions continued

Equity settled transactions continued

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.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 4).

(s) Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) 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.

Onerous contracts

An onerous contract is considered to exist when the group has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefit estimated to be received.

Restructuring

Provision for restructurings are recognised when the group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by:

- starting to implement the plan; or
- announcing its main features to those affected by it.

Warranties and faulty goods

Provision for warranty and faulty goods are 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.

Employee leave benefits - long service leave

The liability for long service leave is recognised as a provision and measured as 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.

(t) Borrowings

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.

Notes to the financial statements
for the year ended 30 June 2011

Note 1. Summary of significant accounting policies continued

(u) Contributed equity

(i) 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.

(ii) Ordinary shares held by the Breville Group Performance Share Plan Trust

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

(v) Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer 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.

Where an agency relationship exists, the revenue included in sale of goods represents the amount of commission received or receivable.

Finance revenue

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.

Dividends

Revenue is recognised when the group's right to receive the payment is established.

(w) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(x) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Any lease incentives are recognised in the income statement as an integral part of the total lease expense.

(ii) Group as a lessor

In some instances the group sub leases surplus operating lease space. Rentals received under sub leases are recognised as a reduction in operating lease expense. Future rentals to be received under non-cancellable sub leases are disclosed in note 24.

(y) Income tax and other taxes

(i) 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.

(ii) 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.

Note 1. Summary of significant accounting policies continued

(y) Income tax and other taxes continued

(ii) Deferred tax continued

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

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

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

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

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

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

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

(iii) 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.

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

In addition to its own current and deferred tax amounts, Breville Group Limited also recognises:

(a) the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group; and

(b) assets or liabilities arising for Breville Group Limited under the tax funding agreement as amounts receivable from or payable to other entities in the group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

(iv) Other taxes

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

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

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

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

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

(z) Earnings per share

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, adjusted for any bonus element.

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; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(aa) Comparatives

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

Notes to the financial statements
for the year ended 30 June 2011

	30 June 2011 $'000	30 June 2010 $'000

Note 2. Revenue and expenses

(a) Revenue

	30 June 2011 $'000	30 June 2010 $'000
Sale of goods	**393,589**	394,380
Total revenue	**393,589**	394,380

During the year ended 30 June 2011, the company reviewed its supplier relationships which resulted in a certain supplier relationship being assessed as an agency distribution business. Comparative balances have been restated for consistency with the current year. The impact on the financial report on the prior year is that revenue, cost of sales and other income have been restated from $420,889,000, $286,865,000 and $1,079,000 to $394,380,000, $260,030,000 and $753,000 respectively. This restatement has no impact on earnings in either year.

	Note	30 June 2011 $'000	30 June 2010 $'000
(b) Cost of sales			
Costs of inventories recognised as an expense [includes write-down of inventory to net realisable value (note 8)]		**227,841**	234,376
Costs of delivering goods to customers		**16,466**	14,990
Warranty provision		**10,693**	10,664
Total cost of sales		**255,000**	260,030
(c) Other income			
Other income		**376**	753
Total other income		**376**	753
(d) Depreciation and amortisation expense			
Depreciation – plant and equipment		**2,373**	2,647
Amortisation – computer software		**251**	523
Amortisation – development costs	2(h)	**4,081**	3,609
Total depreciation and amortisation expense		**6,705**	6,779
(e) Lease payments and other expenses included in income statement			
Included in premises, lease & utilities expenses:			
• Minimum lease payments – operating lease (excludes onerous leases)		**7,937**	9,360
Included in other expenses:			
• Net profit on disposal of plant and equipment		**(66)**	(19)
• Impairment of plant and equipment		**494**	-
• Bad and doubtful debts		**291**	764
• Other product related costs		**1,470**	1,365
(f) Employee benefits expenses			
Wages & salaries, leave and other employee related benefits		**42,621**	45,887
Defined contribution plan expense		**2,022**	2,018
Share-based payments expense		**1,068**	391
		45,711	48,296
Redundancy costs	2(i)	**-**	1,093
Total employee benefits expenses		**45,711**	49,389

Note 2. Revenue and expenses continued

	Note	30 June 2011 $'000	30 June 2010 $'000
(g) Finance costs			
Finance costs paid or payable on borrowings and bank overdrafts:			
• interest		**573**	2,042
• other borrowing costs		**2,132**	2,430
Finance revenue		**(582)**	(154)
Total finance costs		**2,123**	4,318
(h) Research and development costs			
Amortisation of previously capitalised development costs included in amortisation expense	2(d)	**4,081**	3,609
Research and development costs charged directly to the income statement		**5,065**	4,673
Total research and development costs		**9,146**	8,282
(i) Non-trading items			
Non-trading items - EBITDA			
Onerous lease expense		**5,366**	3,757
Foreign exchange losses		**866**	93
Redundancy costs	2(f)	**-**	1,093
Takeover response costs		**-**	4,255
Total non-trading items - EBITDA		**6,232**	9,198
Non-trading item – Finance costs			
Interest rate swap gain		**(429)**	(782)
Total non-trading item – Finance costs		**(429)**	(782)
Non-trading items – Net profit after tax			
Onerous lease expense		**3,756**	2,630
Foreign exchange losses		**609**	74
Redundancy costs		**-**	748
Takeover response costs		**-**	2,978
Interest rate swap gain		**(300)**	(547)
Total non-trading items – Net profit after tax		**4,065**	5,883
Non-trading items – Net cash flows used in operating activities			
Net costs associated with onerous leases		**2,471**	2,464
Redundancy costs		**445**	648
Takeover response costs		**-**	4,255
Total non-trading items – Net cash flows used in operating activities		**2,916**	7,367

Notes to the financial statements
for the year ended 30 June 2011

Note 3. Income tax

The major components of income tax expense are:

	30 June 2011 $'000	30 June 2010 $'000
Income statement		
Current income tax		
Current income tax charge	**10,872**	11,225
Adjustments in respect of current income tax of previous years	**(827)**	(1,369)
Deferred income tax		
Relating to the origination and reversal of temporary differences	**1,829**	(1,892)
Total income tax expense reported in the income statement	**11,874**	7,964
Statement of changes in equity		
Deferred income tax related to items charged or credited directly to equity		
Foreign currency translation differences	**516**	9
Employee equity benefits reserve	**(828)**	(312)
Net (loss)/gain on revaluation of cash flow hedges	**(1,507)**	2,209
Income tax (benefit)/expense reported in equity	**(1,819)**	1,906
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the parent entity's applicable income tax rate is as follows:		
Profit before income tax	**43,609**	30,548
At the parent entity's statutory income tax rate of 30% (2010: 30%)	**13,083**	9,164
• adjustments in respect of current income tax of previous years	**(827)**	(1,369)
• effect of different rates of tax on overseas income	**(601)**	(470)
• expenditure not allowable for income tax purposes	**360**	248
• other	**(141)**	391
Income tax expense reported in the income statement	**11,874**	7,964

Note 3. Income tax continued

Deferred income tax

Deferred income tax at 30 June relates to the following:

	Statement of financial position		Income statement	
	30 June 2011 $'000	30 June 2010 $'000	**30 June 2011 $'000**	30 June 2010 $'000
Deferred tax liabilities				
Brand names	**1,875**	1,875	**-**	-
Development costs	**3,972**	3,434	**(538)**	(282)
Foreign currency translation reserve	**525**	9	**-**	-
Gross deferred income tax liabilities	**6,372**	5,318		
Deferred tax assets				
Losses available for offset against future taxable income	**-**	88	**(88)**	(65)
Provisions and accruals	**7,766**	8,438	**(672)**	920
Unrealised foreign exchange gains and losses	**(140)**	7	**(147)**	111
Employee benefits	**1,850**	1,749	**101**	186
Revaluation of inventories	**504**	438	**66**	(191)
Cash flow hedge reserve	**884**	(623)	**-**	-
Employee equity benefits reserve	**269**	412	**(971)**	100
Other	**833**	413	**420**	1,113
Gross deferred income tax assets	**11,966**	10,922		
Deferred tax expense			**(1,829)**	1,892

Current income tax

	30 June 2011 $'000	30 June 2010 $'000
Current tax asset	**1,678**	2,435
Current tax liabilities	**6,735**	3,090

The group has tax losses arising in Canada of $nil (2010: $88,000) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

At 30 June 2011, there is no recognised or unrecognised deferred income tax liability (2010: $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.

Note 3. Income tax continued

Tax consolidation

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

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

In addition to its own current and deferred tax amounts, Breville Group Limited also recognises:

(a) the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group; and

(b) assets or liabilities arising for Breville Group Limited under the tax funding agreement as amounts receivable from or payable to other entities in the group.

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

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

Note 4. Earnings per share

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

	30 June 2011 $'000	30 June 2010 $'000
Earnings used in calculating basic and diluted earnings per share:		
Net profit attributable to ordinary equity holders of Breville Group Limited	**31,735**	22,584
	Thousands	Thousands
Weighted average number of shares:		
Weighted average number of ordinary shares for basic earnings per share	**129,687**	129,515
Effect of dilution:		
• share options and performance rights	**181**	1,902
Weighted average number of ordinary shares adjusted for the effect of dilution	**129,868**	131,417
Weighted average number of exercised, forfeited or expired potential ordinary shares included in diluted earnings per share	**120**	-

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

Note 5. Dividends

	Note	30 June 2011 $'000	30 June 2010 $'000
(a) Dividends on ordinary shares declared and paid during the year:			
Final unfranked dividend for 2010 of 5.0 cents per share (2010: final unfranked dividend for 2009 of 1.5 cents per share)			
• Paid in cash	(i)	**6,445**	1,931
• Retained as interest income	(ii)	**31**	12
Final dividend		**6,476**	1,943
Partially franked interim dividend for 2011 of 9.5 cents per share (4.0 cents franked) (2010: unfranked interim dividend for 2010 of 6.0 cents per share)			
• Paid in cash	(i)	**12,264**	7,722
• Retained as interest income	(ii)	**49**	49
Interim dividend		**12,313**	7,771
Total partially franked dividends declared and paid during the year of 14.5 cents per share (4.0 cents franked) (2010: unfranked 7.5 cents per share)			
(i) Total dividends paid in cash		**18,709**	9,653
(ii) Total dividends retained as interest income		**80**	61
Total dividends		**18,789**	9,714
(b) Dividends on ordinary shares proposed and not recognised as a liability:			
Final franked dividend for 2011 of 7.0 cents per share (2010: final unfranked dividend for 2010 of 5.0 cents per share)		**9,100**	6,476
(c) Franking credit balance			
The amount of franking credits in the parent available for the subsequent year are:			
• franking account balance as at the end of the year at 30% (2010: 30%)		**1,526**	49
• franking credits that will arise from the payment of income tax payable as at the end of the year		**5,612**	605
		7,138	654
The amount of franking credits in the parent available for future reporting periods:			
• impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as distribution to equity holders during the period		**(3,900)**	-
Total franking credit balance		**3,238**	654

The tax rate at which dividends are franked is 30% (2010: 30%).

	Note	30 June 2011 $'000	30 June 2010 $'000

Note 6. Cash and cash equivalents

	Note	30 June 2011 $'000	30 June 2010 $'000
Cash at bank and on hand	(a)	**27,768**	13,565

Notes:
(a) Cash at bank earns interest at floating rates based on daily bank deposit rates.
(b) At 30 June 2011, the group had available $71,886,000 (2010: $79,438,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.
(c) The fair value of cash and cash equivalents is $27,768,000 (2010: $13,565,000).

(a) Reconciliation of cash flow statement

For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 30 June:

	Note	30 June 2011 $'000	30 June 2010 $'000
Cash and cash equivalents		**27,768**	13,565
Bank overdraft	16	**(204)**	(56)
Total cash and cash equivalents, net		**27,564**	13,509

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

	30 June 2011 $'000	30 June 2010 $'000
Net profit for the year	**31,735**	22,584
Adjustments for:		
Depreciation and amortisation	**6,705**	6,779
Share-based payments	**1,068**	391
Net gain on disposal of plant and equipment	**(66)**	(19)
Impairment of plant and equipment	**494**	-
Net fair value change on derivatives	**(429)**	(782)
Foreign exchange losses	**866**	93
Dividend retained as interest income	**(80)**	(61)
Changes in assets and liabilities:		
(Increase)/decrease in:		
Trade and other receivables	**(4,114)**	35
Inventories	**1,839**	4,076
Prepayments	**(305)**	289
Other current assets	**288**	(2,144)
Non-current assets	**693**	2,919
Increase in:		
Current liabilities	**4,313**	21,194
Non-current liabilities	**3,990**	2,062
Net cash flows from operating activities	**46,997**	57,416

(c) Disclosure of financing facilities

Refer to note 16.

	Note	30 June 2011 $'000	30 June 2010 $'000

Note 7. Trade and other receivables

Current

	Note	30 June 2011 $'000	30 June 2010 $'000
Trade receivables	(a)	**66,978**	67,762
Allowance for uncollectible receivables		**(614)**	(405)
Trade receivables, net		**66,364**	67,357
Other receivables	(b)	**908**	655
Total current trade and other receivables		**67,272**	68,012

Notes:

(a) Trade receivables are non-interest bearing and are generally on 30-60 day terms. An allowance for uncollectible receivables is made when there is objective evidence on a case by case basis that a trade receivable is impaired. An allowance of $291,000 (2010: $764,000) has been recognised by the group as an expense in 'other expenses' for the current year for specific debtors for which such evidence exists. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors.

Movements in the allowances for uncollectible receivables are as follows:

	30 June 2011 $'000	30 June 2010 $'000
Balance at beginning of year	**405**	391
Charge for the year	**291**	764
Net foreign exchange	**(26)**	(13)
Amounts utilised	**(56)**	(737)
Balance at end of year	**614**	405

At 30 June 2011 an ageing analysis of those trade receivables which are past due but not impaired are as follows:

	30 June 2011 $'000	30 June 2010 $'000
1 – 30 days overdue	**7,070**	4,777
31 – 60 days overdue	**229**	453
61+ days overdue	**269**	105
Total past due but not impaired	**7,568**	5,335

Trade receivables past due but not impaired amount to $7,568,000 (2010: $5,335,000). Of this balance, $5,474,000 (2010: $3,441,000) is covered by insurance to be used in the event of default of payment. In all instances each operating unit has been in contact with the relevant debtor and is satisfied that payment will be received in full.

(b) Non-trade other receivables are non-interest bearing and have repayment terms between 30 and 60 days.

Balances within other receivables do not contain impaired assets and are not past due. It is expected that these balances will be received when due.

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 23.

Notes to the financial statements
for the year ended 30 June 2011

	Note	30 June 2011 $'000	30 June 2010 $'000

Note 8. Inventories

	Note	30 June 2011 $'000	30 June 2010 $'000
Finished goods (at lower of cost and net realisable value)	(a)	**47,888**	49,678
Stock in transit (at cost)		**9,982**	14,167
Total inventories		**57,870**	63,845

Notes:

(a) Total net finished goods provision movements recognised in the income statement totalled a $726,000 credit (2010: $544,000 expense) for the group. This net credit (2010: expense) is included in the cost of inventories line in the cost of sales.

Note 9. Other financial assets

Derivative assets

	Note	30 June 2011 $'000	30 June 2010 $'000
Forward exchange contracts – cash flow hedges		**21**	2,583
Total other financial assets		**21**	2,583

Notes:

Derivative assets represent the fair value receivable arising from forward exchange contracts disclosed in note 18.

Note 10. Other assets

	Note	30 June 2011 $'000	30 June 2010 $'000
Prepayments		**1,504**	1,199
Total other assets		**1,504**	1,199

Note 11. Plant and equipment

At the beginning of the year

	Note	30 June 2011 $'000	30 June 2010 $'000
At cost (gross carrying amount)		**32,218**	30,649
Accumulated depreciation and impairment		**(24,506)**	(22,427)
Net carrying amount	(i)	**7,712**	8,222

At the end of the year

	Note	30 June 2011 $'000	30 June 2010 $'000
At cost (gross carrying amount)		**30,213**	32,218
Accumulated depreciation and impairment		**(25,117)**	(24,506)
Net carrying amount	(i)	**5,096**	7,712

(i) Reconciliation of the carrying amount

	Note	30 June 2011 $'000	30 June 2010 $'000
Carrying amount at the beginning of year		**7,712**	8,222
Additions		**689**	2,269
Disposals		**(23)**	(23)
Depreciation	2(d)	**(2,373)**	(2,647)
Impairment	2(e)	**(494)**	-
Net exchange difference		**(415)**	(109)
Carrying amount at the end of year		**5,096**	7,712

	Note	30 June 2011 $'000	30 June 2010 $'000

Note 12. Intangible assets – other

	Note	30 June 2011 $'000	30 June 2010 $'000
Development costs	(a)	**13,242**	11,533
Computer software	(b)	**372**	635
Brand names	(c)	**31,803**	31,803
Total intangible assets - other		**45,417**	43,971

Notes:

Development costs are internally generated and have been capitalised at cost. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a maximum period of 3 years. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Computer software is purchased computer software that has been capitalised into other intangible assets at cost.

Brand names include intangible assets acquired through previous business combinations. These intangible assets have been determined to have indefinite useful lives as the economic benefits which are obtained from them are expected to be ongoing. The cost model is utilised for their measurement. These assets were tested for impairment as at 30 June 2011 (see note 14).

(a) Development costs

	Note	30 June 2011 $'000	30 June 2010 $'000
At the beginning of the year			
At cost (gross carrying amount)		**21,628**	16,993
Accumulated amortisation and impairment		**(10,095)**	(6,486)
Net carrying amount	(i)	**11,533**	10,507
At the end of the year			
At cost (gross carrying amount)		**27,418**	21,628
Accumulated amortisation and impairment		**(14,176)**	(10,095)
Net carrying amount	(i)	**13,242**	11,533
(i) Reconciliation of the carrying amount			
Carrying amount at the beginning of year		**11,533**	10,507
Additions – internal development		**5,790**	4,635
Amortisation	2(d)	**(4,081)**	(3,609)
Carrying amount at the end of year		**13,242**	11,533

(b) Computer software

	Note	30 June 2011 $'000	30 June 2010 $'000
At the beginning of the year			
At cost (gross carrying amount)		**3,759**	4,059
Accumulated amortisation and impairment		**(3,124)**	(3,217)
Net carrying amount	(i)	**635**	842
At the end of the year			
At cost (gross carrying amount)		**3,481**	3,759
Accumulated amortisation and impairment		**(3,109)**	(3,124)
Net carrying amount	(i)	**372**	635

	Note	30 June 2011 $'000	30 June 2010 $'000

Note 12. Intangible assets – other continued

(b) Computer software continued

(i) Reconciliation of the carrying amount

	Note	30 June 2011 $'000	30 June 2010 $'000
Carrying amount at the beginning of year		**635**	842
Additions		**86**	332
Amortisation	2(d)	**(251)**	(523)
Net exchange difference		**(98)**	(16)
Carrying amount at the end of year		**372**	635

(c) Brand names

At the beginning and at the end of the year

	Note	30 June 2011 $'000	30 June 2010 $'000
Net carrying amount		**31,803**	31,803

Note 13. Intangible assets – goodwill

At the beginning and at the end of the year

	Note	30 June 2011 $'000	30 June 2010 $'000
Net carrying amount		**24,558**	24,558

Note 14. Impairment testing of goodwill and intangibles with indefinite lives

Goodwill and brand names acquired through business combinations have been allocated to cash generating units for impairment testing as follows:

- Breville Group Limited
- Australia Distribution

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

The discount rate applied to cash flow projections is 15.2% (2010: 17.0%). Cash flows beyond the approved 30 June 2012 budgets are extrapolated using a 2.0% growth rate (2010: 2.0%), which is the same as the long-term average growth rate for the wholesale consumer products industry generally.

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 exceeding the recoverable amount.

	Note	**30 June 2011 $'000**	30 June 2010 $'000
Carrying amount of goodwill and brand names allocated to each of the cash generating units			
Breville Group Limited			
- goodwill		**24,558**	24,558
- brand names with indefinite useful lives		**13,800**	13,800
		38,358	38,358
Australia Distribution			
- brand names with indefinite useful lives		**18,003**	18,003
Total carrying amount of goodwill and brand names		**56,361**	56,361
All cash generating units			
- goodwill	13	**24,558**	24,558
- brand names with indefinite useful lives	12(c)	**31,803**	31,803
Total carrying amount of goodwill and brand names		**56,361**	56,361

Key assumptions used in value in use calculations for the cash generating units for 30 June 2011 and 30 June 2010

The following describes each key assumption on which management has based its cash flow projections when determining the value in use of the cash generating units.

- Budgeted gross margins – the basis used to determine the value assigned to the budgeted gross margins is based on past performance and expectations for the future.
- Bond rates – the yield on a ten-year government bond rate at the beginning of the budgeted year is used.

	Note	30 June 2011 $'000	30 June 2010 $'000
Note 15. Trade and other payables			
Current			
Trade payables – unsecured	(a)	**55,675**	60,903
Employee benefits	28	**3,409**	3,385
Total current trade and other payables		**59,084**	64,288

Terms and conditions relating to the above financial instruments:

(a) Trade payables are non-interest bearing and are normally 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 23.

	Note	30 June 2011 $'000	30 June 2010 $'000
Note 16. Borrowings			
Current			
Bank overdrafts – on demand	6(a)	**204**	56
Other loans:			
- Term loan		**38**	44
Total current borrowings		**242**	100
Non-current			
Other loans:			
- Commercial bills		**-**	4,000
- Term loan		**194**	296
Total non-current borrowings		**194**	4,296

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 during the years ended 30 June 2011 and 30 June 2010.

The Australia and New Zealand financing facilities are secured by a first ranking fixed and floating registered charge (or general security for Breville New Zealand Limited), over all the assets and undertakings of Thebe International Pty Limited, Breville Pty Limited, Breville Holdings Pty Limited, Breville R&D Pty Limited and Breville New Zealand Limited and are guaranteed by Breville Group Limited. The Hong Kong facility is secured via a security agreement over the assets and undertakings of HWI International Limited. The day to day Canadian transactional banking facilities (HSBC) are secured by a standby letter of credit from ANZ (NY). Breville Group Limited has issued a corporate guarantee in favour of the local bank (HSBC) which provides the day to day US transactional banking facilities. A security agreement in favour of ANZ is in existence over the assets and undertakings of Breville USA, Inc.

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

Commercial bills

As at 30 June 2010, commercial bills outstanding mature within 1 month with an effective interest rate of 4.8%.

Note 16. Borrowings continued

Fair value

The carrying value and estimated net fair values of the borrowings 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 are disclosed in notes 18(ii) and 23.

	Note	**30 June 2011 $'000**	30 June 2010 $'000
Financing facilities available			
At reporting date, the following financial facilities have been negotiated and were available to the group:			
Facilities used at the reporting date	(a)	**3,881**	7,477
Facilities unused at the reporting date	(b)	**74,612**	84,342
Total facilities	(c)	**78,493**	91,819
(a) Facilities used at the reporting date:			
- Non-current cash advance facilities / commercial bills		**-**	4,000
- Current cash advance facilities		**-**	-
- Trade finance facilities		**-**	-
- Overdraft facilities		**204**	56
- Business transactions facilities		**485**	441
- Indemnity / guarantee facilities		**1,702**	1,118
- Documentary credit facilities		**1,490**	1,862
Facilities used as at reporting date		**3,881**	7,477
(b) Facilities unused at the reporting date:			
- Non-current cash advance facilities / commercial bills		**26,665**	31,000
- Current cash advance facilities		**30,133**	34,015
- Trade finance facilities		**2,861**	3,371
- Overdraft facilities		**12,227**	11,052
- Business transactions facilities		**486**	441
- Indemnity / guarantee facilities		**-**	6
- Documentary credit facilities		**2,240**	4,457
Facilities unused as at reporting date		**74,612**	84,342
(c) Total facilities:			
- Non-current cash advance facilities / commercial bills		**26,665**	35,000
- Current cash advance facilities		**30,133**	34,015
- Trade finance facilities		**2,861**	3,371
- Overdraft facilities		**12,431**	11,108
- Business transactions facilities		**971**	882
- Indemnity / guarantee facilities		**1,702**	1,124
- Documentary credit facilities		**3,730**	6,319
Total facilities		**78,493**	91,819

Notes to the financial statements
for the year ended 30 June 2011

	Note	30 June 2011 $'000	30 June 2010 $'000
Note 17. Provisions			
Current			
Warranty and faulty goods		**2,503**	2,476
Employee benefits – long service	28	**1,374**	1,275
Onerous lease contracts		**2,044**	2,516
Total current provisions	(a)	**5,921**	6,267
Non-current			
Employee benefits – long service	28	**972**	847
Onerous lease contracts		**7,156**	3,832
Total non-current provisions	(a)	**8,128**	4,679

	Warranty and faulty goods $'000	Employee benefits - long service $'000	Onerous lease contracts $'000	Total $'000
(a) Movement in provisions				
Carrying amount at the beginning of the year				
Current	2,476	1,275	2,516	6,267
Non-current	-	847	3,832	4,679
Total	2,476	2,122	6,348	10,946
Movement in provisions during the year				
Additional provisions made in the year	10,693	337	5,573	16,603
Amounts utilised during the year	(10,412)	(87)	(2,578)	(13,077)
Net exchange differences	(254)	(26)	(143)	(423)
Net movement	27	224	2,852	3,103
Carrying amount at the end of the year				
Current	**2,503**	**1,374**	**2,044**	**5,921**
Non-current	**-**	**972**	**7,156**	**8,128**
Total	**2,503**	**2,346**	**9,200**	**14,049**

Warranty and faulty goods

A provision for warranty and faulty goods represents the present value of the best estimate of the future sacrifice of economic benefits expected that will be required for warranty and faulty goods claims on products sold. This estimate is based on the historical trends experienced on the level of repairs and returns. It is expected that these costs will be incurred in the next year. Assumptions used to calculate the provision for warranty and faulty goods were based on the level of warranty and faulty goods claims experienced during the last year.

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 17. Provisions continued

Onerous lease contracts

The provision for onerous lease contracts represents the present value of the future lease payments that the consolidated entity is presently obligated to make in respect of onerous lease contracts under non-cancellable operating lease agreements, less revenue expected to be earned on the lease including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable.

Note 18. Other financial liabilities

	Note	**30 June 2011 $'000**	30 June 2010 $'000
Derivative liabilities			
Forward exchange contracts – cash flow hedges	(i)	**2,796**	12
Interest rate swap contracts – held for trading	(ii)	**100**	529
Total other financial liabilities		**2,896**	541

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.

(i) Forward exchange contracts - cash flow hedges

The majority of the group's inventory purchases from suppliers are denominated in US dollars (US$). The group also has other payments, included in the calculation of commission received, denominated in US$. In order to manage exchange rate movements and to manage the inventory costing process, the group has entered into forward exchange contracts to purchase US$. 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.

The cash flows are expected to occur between 0-12 months from 1 July 2011 (2010: 0-6 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:

	30 June 2011		30 June 2010	
	A$'000	**Average exchange rate**	A$'000	Average exchange rate
Buy US$ / Sell Australian $				
Buy US$ - maturity 0-11 months (2010: 0-6 months)	**22,102**	**0.9751**	34,052	0.8810
Buy US$ / Sell New Zealand $				
Buy US$ - maturity 0-12 months (2010: 0-5 months)	**6,715**	**0.7610**	5,339	0.6872
Buy US$ / Sell Canadian $				
Buy US$ - maturity 0-6 months (2010: 0-4 months)	**27,977**	**1.0166**	10,815	0.9822

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 the amount recognised in equity is adjusted to the inventory account in the balance sheet. Where the contracts are hedging highly probable forecasted payments, when the payments are made the amount recognised in equity is adjusted to the income statement. During the year $6,675,000 (2010: $9,708,000) was charged to inventory and $1,036,000 (2010: $397,000 credited) was charged to the income statement in respect of the group. In addition during the year $13,055,000 (2010: $1,864,000) was charged to equity in respect of the group.

Note 18. Other financial liabilities continued

(ii) Interest rate swap contracts – held for trading

Borrowings of the group currently bear an average variable interest rate including margin of 3.6% (2010: 5.7%). In order to protect against rising interest rates the group has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates.

At 30 June 2011, the group had interest rate swap agreements in place with a notional amount of $25,000,000 (2010: $25,000,000) whereby it receives a variable rate equal to the BBSW on the notional amount and pays an average fixed rate of interest of 6.59% (2010: 6.59%). The swaps are used to hedge the exposure in the fair value of the cash advance facilities and commercial bills. The swaps in place at 30 June 2011 and 30 June 2010 are in excess of the outstanding cash advance facilities and in the case of the prior year the commercial bills. In 2011, a pre tax gain of $429,000 (2010: $782,000) is included in the income statement in respect of these contracts.

The interest rate swaps require settlement of net interest receivable or payable each 120 days. The swaps are measured at fair value and all gains and losses are taken directly to the income statement.

	Note	**30 June 2011 $'000**	30 June 2010 $'000
At 30 June 2011, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:			
<1 year		**25,000**	-
1-2 years		**-**	25,000
		25,000	25,000

Note 19. Issued capital

	Note	**30 June 2011 $'000**	30 June 2010 $'000
Ordinary shares – issued	(a)	**139,938**	139,096
Ordinary shares – held by the Breville Group Performance Share Plan Trust	(b)	**(4,296)**	-
Ordinary shares – reserved under SEOP	(c)	**-**	(1,443)
Total contributed equity		**135,642**	137,653

Ordinary shares are held by the Breville Group Performance Share Plan Trust in order to fulfil its obligations under the Breville Group Limited Performance Rights Plan. The ordinary shares held by the Breville Group Performance Share Plan Trust are yet to be allocated to LTI participants. They will be allocated to participants once performance rights vest and they are exercised. The ordinary shares held by the Breville Group Performance Share Plan Trust have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. The ordinary shares held by the Breville Group Performance Share Plan Trust entitle their holder to one vote, either in person or by proxy, at a meeting of the company. Details are provided in note 25(b) and note 27.

Ordinary shares issued and reserved under the senior executive option plan (SEOP) 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. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

Note 19. Issued capital continued

(a) Movements in ordinary issued shares

	Note	30 June 2011 Number of shares	30 June 2011 $'000	30 June 2010 Number of shares	30 June 2010 $'000
Beginning of the year		**129,515,322**	**139,096**	129,515,322	139,096
Movements during the year					
Exercise of options - cash	(i)	**480,000**	**842**	-	-
End of the year		**129,995,322**	**139,938**	129,515,322	139,096

(i) During the year 480,000 options were exercised (2010: nil) resulting in the issue of ordinary shares. The average value placed on these issues was $1.75 per share (2010: $nil). Details are provided in note 27.

(b) Movements in ordinary shares held by the Breville Group Performance Share Plan Trust

	Note	30 June 2011 Number of shares	30 June 2011 $'000	30 June 2010 Number of shares	30 June 2010 $'000
Beginning of the year		**-**	**-**	-	-
Movements during the year					
Ordinary shares acquired by the Breville Group Performance Share Plan Trust during the year - cash	(i)	**(1,282,000)**	**(4,296)**	-	-
End of the year		**(1,282,000)**	**(4,296)**	-	-

(i) During the year the Trustee of the Breville Group Performance Share Plan Trust acquired 1,282,000 ordinary company shares (2010: nil) in order to fulfil its obligations under the Breville Group Limited Performance Rights Plan. The average value placed on these acquisitions was $3.35 per share (2010: $nil). Details are provided in note 25(b) and note 27.

(c) Movements in ordinary reserved shares

	Note	30 June 2011 Number of shares	30 June 2011 $'000	30 June 2010 Number of shares	30 June 2010 $'000
Beginning of the year		**(777,000)**	**(1,443)**	(816,000)	(1,515)
Movements during the year					
Ordinary reserved share loans repaid during the year - cash	(i)	**777,000**	**1,443**	39,000	72
End of the year		**-**	**-**	(777,000)	(1,443)

(i) During the year loans relating to 777,000 ordinary reserved shares were repaid (2010: 39,000). The average value placed on these original issues was $1.85 (2010: $1.85). The average amount repaid equalled $1.85 (2010: $1.85).

Note 19. Issued capital continued

(d) Options and performance rights over ordinary shares

The company has a share-based payment option scheme and performance rights scheme under which options and rights to subscribe for the company's shares have been granted to certain executives and other employees (refer note 27). At the end of the year there were 1,139,000 (2010: 1,902,000) potential unissued ordinary shares in respect of which options and performance rights were outstanding.

Note 20. Reserves

	Note	30 June 2011 $'000	30 June 2010 $'000
Foreign currency translation reserve	(a)	**(16,046)**	(10,408)
Employee equity benefits reserve	(b)	**3,050**	1,154
Cash flow hedge reserve	(c)	**(1,890)**	1,948
Total reserves		**(14,886)**	(7,306)

(a) Movement in foreign currency translation reserve

Balance at beginning of year		**(10,408)**	(10,434)
Currency translation differences		**(5,122)**	35
Tax effect of foreign currency translation reserve		**(516)**	(9)
Balance at end of year		**(16,046)**	(10,408)

(b) Movement in employee equity benefits reserve

Balance at beginning of year		**1,154**	451
Share-based payments expense		**1,068**	391
Tax effect of employee equity benefits reserve		**828**	312
Balance at end of year		**3,050**	1,154

(c) Movement in cash flow hedge reserve

Balance at beginning of year		**1,948**	(3,291)
Net (losses)/gains on cash flow hedges		**(5,345)**	7,448
Tax effect of net losses/(gains) on cash flow hedges		**1,507**	(2,209)
Balance at end of year		**(1,890)**	1,948

Nature and purpose of reserves

Foreign currency translation reserve

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

Employee equity benefits reserve

This reserve is used to record the value of equity benefits provided to employees as part of their remuneration. Refer to note 27 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	30 June 2011 $'000	30 June 2010 $'000

Note 21. Retained earnings

	Note	30 June 2011 $'000	30 June 2010 $'000
Balance at beginning of the year		**19,876**	7,006
Net profit for the year attributable to members of Breville Group Limited		**31,735**	22,584
Dividends	5(a)	**(18,789)**	(9,714)
Balance at end of the year		**32,822**	19,876

Note 22. Operating segments

The group has identified its 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 Australia Distribution, North America Distribution and New Zealand Distribution operating segments distribute primarily small electrical appliances to retail customers in their geographical locations. The International Distributors operating segment distributes primarily small electrical appliances to retail customers in international locations.

Other is not an operating segment and comprises the short term incentive plan and group functions including product development and supply chain.

The accounting policies of the operating segments are the same as those described in note 1.

Transfer prices between operating segments are set at arms length basis in a manner similar to transactions with third parties. The segment revenue and segment result include certain transfers between operating segments. Those transfers are eliminated on consolidation.

Segment underlying profit before income tax excludes certain transfer prices and includes an allocation of head office costs.

The following tables present the revenue and profit information regarding operating segments for the years ended 30 June 2011 and 30 June 2010.

Note 22. Operating segments continued

Year ended 30 June 2011	Australia Distribution $'000	North America Distribution $'000	New Zealand Distribution $'000	International Distributors $'000	Other $'000	Total $'000
Revenue						
Sale of goods	201,311	124,359	23,721	44,198	-	393,589
Other income	208	6	-	162	-	376
Inter-segment revenue	240	-	-	5,326	17,106	22,672
Total segment revenue	201,759	124,365	23,721	49,686	17,106	416,637
Inter-segment elimination						(22,672)
Total consolidated revenues						393,965
Results						
Underlying EBITDA	22,310	19,739	2,712	13,560	(81)	58,240
Depreciation & amortisation	(1,342)	(597)	(24)	(17)	(4,725)	(6,705)
Underlying EBIT	20,968	19,142	2,688	13,543	(4,806)	51,535
Finance revenue	504	11	65	2	-	582
Finance costs	(1,374)	(1,006)	(182)	(143)	-	(2,705)
Underlying profit before income tax – Segment profit	20,098	18,147	2,571	13,402	(4,806)	49,412
Reconciliation to the income statement:						
Onerous lease expense						(5,366)
Foreign exchange losses						(866)
Interest rate swap gain						429
Profit before income tax						43,609
Other segment information						
Capital expenditure	121	15	12	9	532	689

Note 22. Operating segments continued

Year ended 30 June 2010	Australia Distribution $'000	North America Distribution $'000	New Zealand Distribution $'000	International Distributors $'000	Other $'000	Total $'000
Revenue						
Sale of goods	208,694	129,817	24,317	31,552	-	394,380
Other income	432	-	-	217	104	753
Inter-segment revenue	240	-	-	4,760	14,953	19,953
Total segment revenue	209,366	129,817	24,317	36,529	15,057	415,086
Inter-segment elimination						(19,953)
Total consolidated revenues						395,133
Results						
Underlying EBITDA	24,076	14,018	2,293	10,114	(440)	50,061
Depreciation & amortisation	(1,613)	(933)	(28)	(33)	(4,172)	(6,779)
Underlying EBIT	22,463	13,085	2,265	10,081	(4,612)	43,282
Finance revenue	94	3	55	2	-	154
Finance costs	(2,848)	(1,327)	(146)	(151)	-	(4,472)
Underlying profit before income tax – Segment profit	19,709	11,761	2,174	9,932	(4,612)	38,964
Reconciliation to the income statement:						
Onerous lease expense						(3,757)
Foreign exchange losses						(93)
Redundancy costs						(1,093)
Takeover response costs						(4,255)
Interest rate swap gain						782
Profit before income tax						30,548
Other segment information						
Capital expenditure	558	218	3	-	1,490	2,269

Notes to the financial statements
for the year ended 30 June 2011

Note 23. Financial risk management objectives and policies

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, including interest rate swaps, forward exchange contracts and at times foreign exchange option contracts. The purpose is to manage the interest rate and 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 cash flow interest rate risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

The fair value of the interest rate swap and forward exchange contracts is estimated using market observable inputs. The fair values of these financial instruments are disclosed in notes 9 and 18.

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. Fixed rate debt is achieved through the use of interest rate swaps in which the group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. Group policy is to generally have interest rate swap coverage at between 25% and 80% of the total value of its net borrowings. 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 2011, the group has the following exposure to interest rate risk:

	30 June 2011 $'000	30 June 2010 $'000
Cash at bank	**27,742**	13,538
Bank overdraft – on demand	**(204)**	(56)
Commercial bills	**-**	(4,000)
Term loan	**(232)**	(340)
Interest rate swap	**-**	4,000
Net exposure	**27,306**	13,142

At 30 June 2011, 0% of the group's borrowings (2010: 91%) are at a fixed rate of interest. The remaining 100% (2010: 9%) is exposed to floating rates. On a principal net receivable of $27,306,000 (2010: $13,142,000), at an average payable rate including margin of 1.4% (2010: 2.7%) and average receivable rate of 2.1% (2010: 0.5%), an increment of 0.5% in the market rates would result in a decrease in finance costs of $135,000 (2010: $66,000), conversely a decrement of 0.5% in the market rates would result in an increase in finance costs of $114,000 (2010: $21,000).

The group's net exposure to interest rate risk calculated as at 30 June 2011 is not representative of its exposure during the financial year due to seasonality in the volume of sales such that financial performance is historically weighted in favour of the half to 31 December. This seasonality results in a higher level of receivable and inventory balances and a consequent increase in working capital requirements. Approximately 8% of group average borrowings during the year (2010: 63%) are at a fixed rate of interest. The remaining 92% (2010: 37%) is exposed to floating rates. On an average principal net receivable during the year of $11,826,000 (2010: $2,800,000), at an average payable rate including margin of 1.4% (2010: 2.7%) and average receivable rate of 2.1% (2010: 0.5%), an increment of 0.5% in the market rates would result in a decrease in finance costs of $59,000 (2010: $15,000), conversely a decrement of 0.5% in the market rates would result in a decrease in finance costs of $24,000 (2010: $44,000).

Interest rate swap contracts outlined in note 18, with a group fair value liability of $100,000 (2010: $529,000), are exposed to fair value movements if interest rates change. The group classifies interest rate swaps as held for trading. An increment of 0.5% in the market rate would result in a decrease in non-trading items – finance costs of $31,000 (2010: $150,000). A decrement of 0.5% in the market rate would result in an increase in non-trading items – finance costs of $31,000 (2010: $151,000).

Note 23. Financial risk management objectives and policies continued

Foreign currency risk

The group has transactional currency exposures. Such exposure arises primarily from purchases of inventory by an operating 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, a combination of forward exchange contracts and foreign exchange option 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 2011, the group has the following financial assets and liabilities exposed to foreign currency risk:

	30 June 2011 $'000	30 June 2010 $'000
Cash at bank	**47**	4
Trade and other receivables	**-**	120
Trade and other payables	**(773)**	(1,744)
Bank overdrafts – on demand	**-**	(21)
Highly probable forecast purchases	**(48,770)**	(47,491)
Forward exchange contracts	**48,770**	47,491
Net exposure	**(726)**	(1,641)

At 30 June 2011, the group had hedged 59% (2010: 76%) of its foreign currency purchases and payments that are highly probable extending to June 2012 (2010: December 2010). The remaining 41% (2010: 24%) is exposed to foreign exchange risk.

Of the total net exposure above, an increment of 10% in the foreign exchange rates would result in a decrease in other expenses of $66,000 (2010: $149,000). A decrement of 10% in the foreign exchange rates would result in an increase in other expenses of $81,000 (2010: $182,000).

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 2011 and 30 June 2010 is nil due to the group being in a net cash position. The gearing ratio is defined as group net borrowings divided by capital employed (net borrowings plus shareholders' equity).

Notes to the financial statements
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Note 23. Financial risk management objectives and policies continued

Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets, excluding investments, of the group that has been recognised on the balance sheet is the carrying value amount, net of any uncollectible receivables.

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

In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. There are no significant concentrations of credit risk across the group.

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

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

Liquidity risk

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash advances and bank overdrafts. The group's bank facilities carry between a one and three year term in Australia, USA and Canada. As at 30 June 2011, 44% of the group's borrowings will mature in greater than one year (2010: 98%) and 56% (2010: 2%) in less than one year.

Management monitors rolling forecasts of the group's liquidity reserve on the basis of expected cash flows. See note 16 for details of available facilities.

At 30 June 2011, the remaining contractual maturities of the group's financial liabilities are:

	30 June 2011 $'000	30 June 2010 $'000
Less than 1 year	**62,238**	65,195
Between 1 and 5 years	**241**	4,340
Total financial liabilities	**62,479**	69,535

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.

	30 June 2011			30 June 2010		
	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	**59,084**	**-**	**59,084**	64,288	-	64,288
Borrowings	**258**	**241**	**499**	366	4,340	4,706
Other financial liabilities	**2,896**	**-**	**2,896**	541	-	541
Total	**62,238**	**241**	**62,479**	65,195	4,340	69,535

Contractual maturities disclosed in the tables above include contracted interest payments. Total borrowings disclosed in note 16 exclude such contracted interest payments.

Note 24. Commitments and contingencies

Operating lease commitments – group as lessee

Operating leases are entered into mainly as a means of acquiring access to commercial property and storage facilities and the use of minor items of plant and equipment. Rental payments are generally fixed; however certain property leases contain a rental inflation escalation clause, an agreed rental percentage increase clause, a market rental review clause or a mix of these clauses over the term of the operating lease.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	30 June 2011 $'000	30 June 2010 $'000
Within one year	**10,352**	10,817
After one year but not later than five years	**23,906**	30,940
More than five years	**5,590**	10,825
Total future minimum rentals payable	**39,848**	52,582

Contingent rentals are determined with reference to known existing rental payments and known rental increases during the existing term of each operating lease.

No purchase options exist in relation to operating leases and no operating lease contains restrictions on financing or other leasing activities. Certain property leases contain renewal option clauses.

Operating lease commitments receivable – group as lessor

The group has entered into commercial property leases for certain surplus office and warehouse space. Rental charges under operating leases with sub lease tenants are generally fixed; however certain property leases contain a rental inflation escalation clause, an agreed rental percentage increase clause, a market rental review clause or a mix of these clauses over the term of the operating lease.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

	30 June 2011 $'000	30 June 2010 $'000
Within one year	**1,780**	1,500
After one year but not later than five years	**4,071**	3,661
More than five years	**653**	-
Total future minimum rentals receivable	**6,504**	5,161

Contingencies

The group is involved in various legal matters in the ordinary course of business. The group has disclaimed liability for, and is defending, all current claims.

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 25(a).

Breville Group Limited has issued a corporate guarantee in favour of the local bank (HSBC) which provides the day to day US transactional banking facilities.

Note 25. Related party disclosure

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

			Equity interest	
Legal entity	Country of incorporation	Note	30 June 2011 %	30 June 2010 %
Thebe International Pty Limited	Australia	(a)	**100**	100
Investments not held directly by Breville Group Limited:				
Breville Holdings Pty Limited	Australia	(a)	**100**	100
Breville Pty Limited	Australia	(a)	**100**	100
Breville R&D Pty Limited	Australia		**100**	100
Breville Group Performance Share Plan Trust	Australia	(b)	**-**	-
Breville New Zealand Limited	New Zealand		**100**	100
HWI International Limited	Hong Kong		**100**	100
Gannet Holdings Limited	Hong Kong		**100**	100
HWI Export Limited	Hong Kong		**100**	100
Breville Holdings USA, Inc. (formerly Thebe International, Inc.)	USA		**100**	100
Breville USA, Inc. (from 22 July 2011, formerly Metro/Thebe, Inc.)	USA		**100**	100
Holding HWI Canada, Inc	Canada		**100**	100
HWI Canada, Inc	Canada		**100**	100
Anglo-Canadian Housewares, L.P.	Canada		**100**	100

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

(a) Entities subject to class order relief

Pursuant to class order 98/1418, 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 class order, 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 Holding Pty Limited under an assumption deed dated 19 December 2001. The effect of the deed is that Breville Group Limited has guaranteed to pay any deficiency in the event of winding up of either controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Breville Group Limited is wound up or if it does not meet its obligation under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The entities comprising the class order “closed group” are Breville Group Limited, Thebe International Pty Limited, Breville Pty Limited and Breville Holdings Pty Limited. The consolidated income statement and balance sheet of the entities that are members of the "closed group" are detailed in notes 25(i) and 25(ii).

(b) Breville Group Performance Share Plan Trust

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

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

During the financial year ended 30 June 2011, the Trustee acquired 1,282,000 company shares (2010: nil). The average value placed on these acquisitions was $3.35 per share (2010: $nil).

Note 25. Related party disclosure continued

(i) Consolidated statement of financial position for class order closed group

	Note	30 June 2011 $'000	30 June 2010 $'000
Current assets			
Cash and cash equivalents		**15,771**	45
Trade and other receivables		**40,860**	59,310
Inventories		**40,537**	39,800
Other financial assets		**-**	2,025
Other assets		**788**	582
Total current assets		**97,956**	101,762
Non-current assets			
Other financial assets		**32,753**	35,458
Plant and equipment		**3,762**	5,553
Intangible assets		**55,617**	53,887
Deferred tax assets		**9,053**	8,006
Total non-current assets		**101,185**	102,904
Total assets		**199,141**	204,666
Current liabilities			
Trade and other payables		**36,277**	49,525
Borrowings		**29**	35
Current tax liabilities		**5,612**	2,018
Other financial liabilities		**1,848**	529
Provisions		**4,258**	4,625
Total current liabilities		**48,024**	56,732
Non-current liabilities			
Borrowings		**-**	4,000
Deferred tax liabilities		**6,372**	5,318
Provisions		**7,924**	4,156
Total non-current liabilities		**14,296**	13,474
Total liabilities		**62,320**	70,206
Net assets		**136,821**	134,460
Equity			
Issued capital		**135,642**	137,653
Reserves		**(2,943)**	(933)
Retained earnings/(losses)	25(ii)	**4,122**	(2,260)
Total equity		**136,821**	134,460

Note 25. Related party disclosure continued

(ii) Consolidated income statement for class order closed group

	Note	30 June 2011 $'000	30 June 2010 $'000
Profit from ordinary activities before income tax expense		**35,941**	42,930
Income tax expense relating to ordinary activities		**(10,770)**	(6,609)
Net profit		**25,171**	36,321
Accumulated losses at the beginning of the year		**(2,260)**	(28,867)
Dividends paid or reinvested		**(18,789)**	(9,714)
Accumulated profits/(losses) at the end of the year	25(i)	**4,122**	(2,260)

(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 related parties in the wholly owned group. These transactions were undertaken on commercial terms and conditions.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 29.

Note 26. Parent entity information

As at and throughout the financial year ended 30 June 2011 the parent company of the group was Breville Group Limited.

	30 June 2011 $'000	30 June 2010 $'000
Results of the parent entity		
Profit of the parent entity	**19,358**	9,756
Total comprehensive income of the parent entity	**19,358**	9,756
Financial position of the parent entity		
Current assets	**74,450**	70,900
Total assets	**144,860**	140,741
Current liabilities	**(5,683)**	(2,018)
Total liabilities	**(5,683)**	(2,018)
Net assets	**139,177**	138,723
Equity attributable to the equity holders of the parent		
Issued capital	**135,642**	137,653
Employee equity benefits reserve	**3,050**	1,154
Retained earnings/(losses)	**485**	(84)
Total shareholders' equity	**139,177**	138,723

Note 26. Parent entity information continued

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 a corporate guarantee in favour of the local bank (HSBC) which provides the day to day US transactional banking facilities.

Note 27. Share-based payment plans

Second senior executive option plan

An option plan exists where executives and other employees of the group (collectively "participants") are issued with options over the ordinary shares of Breville Group Limited. The options, issued for nil consideration, are issued in accordance with performance hurdles approved by the directors of Breville Group Limited. The options are issued for a term of four years and are exercisable in equal tranches on the first three anniversaries of the date of issue as follows:

- 1/3 of the options issued, any time during the one year period commencing one year after the issue date;
- 1/3 of the options issued, any time during the one year period commencing two years after the issue date;
- 1/3 of the options issued, any time during the one year period commencing three years after the issue date.

The exercise price of the options is generally based on the volume weighted average price of all the company's shares traded on the ASX on the five trading days up to and including the issue date plus a premium of 11%.

The options vest if and when the group's underlying EPS increases by at least 10% per annum compounded annually over the term. If the EPS growth condition is not achieved in any financial year, the EPS growth for that financial year will be carried forward and recalculated at the end of each following financial year until the end of the term of the options. As a result, options may still vest and become exercisable where the vesting conditions are satisfied in a subsequent financial year. If this increase is not met within three years from the date of grant, the options are forfeited. The contractual life of each option granted is four years. There are no cash alternatives. The options cannot be transferred and are not quoted on the ASX.

At 30 June 2011 there are 100,000 (2010: 620,000) options outstanding under this plan. No further options are intended to be granted under this plan.

Performance rights plan

Under the performance rights plan participants are issued with performance rights over the ordinary shares of Breville Group Limited issued in accordance with the Breville Group Limited Performance Rights Plan (PRP).

An offer under the PRP grants a participant the right to a certain number of fully paid ordinary shares in the company. Upon satisfaction of the performance hurdle, the right will vest and be convertible into shares. The company uses earnings per share (underlying EPS) as the performance hurdle for the LTI plan. EPS represents the earnings per share from operations adjusted for non-trading items.

If the performance hurdle is not met or if the participant ceases to be employed by the company, any unvested performance rights will lapse unless otherwise determined by the board. There are no cash alternatives. The performance rights cannot be transferred and are not quoted on the ASX. Holders of performance rights are not entitled to notice of, or attend, a meeting of shareholders of the company, or receive any dividends declared by the company, until the rights have vested and then converted into shares.

Once allocated, disposal of shares is subject to restrictions whereby board approval is required to sell the shares granted within three years of the shares being allocated to the participant or; if the participant ceases to be employed by the company, within twelve months of the date employment ceases; or such other date as the board determines.

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 pro rata 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.

At 30 June 2011 there are 2,321,000 (2010: 1,282,000) performance rights outstanding under this plan.

Note 27. Share-based payment plans continued

Options and performance rights granted under the second senior executive option plan and the performance rights plan

The expense recognised in the income statement in relation to share-based payments is disclosed in note 2(f).

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

	Note	30 June 2011 Number of options / performance rights	30 June 2011 WAEP	30 June 2010 Number of options / performance rights	30 June 2010 WAEP
Outstanding at the beginning of the year		**1,902,000**	**0.5396**	1,902,000	0.5396
Performance rights granted during the year		**1,039,000**	**0.0000**	-	-
Options exercised during the year		**(480,000)**	**1.7533**	-	-
Options forfeited during the year		**(40,000)**	**1.8200**	-	-
Outstanding at the end of the year	(a)	**2,421,000**	**0.0463**	1,902,000	0.5396
Exercisable at the end of the year		**-**	**-**	-	-

Notes

(a) The outstanding balance as at 30 June 2011 is represented by:

Number of options / performance rights	Note	Grant date	Vesting date	Expiry date	WAEP $
100,000	(i)	1 Jul 08	1 Jul 11	1 Jul 12	1.1200
1,282,000	(ii)	20 Apr 09	1 Sep 11	3 Oct 11	0.0000
253,000	(iii)	22 Dec 10	3 Sep 12	5 Oct 12	0.0000
249,000	(iv)	22 Dec 10	3 Sep 12	5 Oct 12	0.0000
227,000	(v)	22 Dec 10	2 Sep 13	4 Oct 13	0.0000
219,000	(vi)	22 Dec 10	2 Sep 13	4 Oct 13	0.0000
91,000	(vii)	20 Apr 11	2 Sep 13	4 Oct 13	0.0000
2,421,000					0.0463

(i) These options vest if the relevant underlying EPS increases by at least 10% per annum compounded annually over the term off the base year underlying EPS of 16.58 cents per share.

(ii) These performance rights vest if the group's underlying EPS for the year ended 30 June 2011 is at least 21.00 cents per share.

(iii) These performance rights vest if the group's underlying EPS for the year ending 30 June 2012 is at least 26.50 cents per share.

(iv) These performance rights vest if the group's underlying EPS for the year ending 30 June 2012 is at least 29.00 cents per share.

(v) These performance rights vest if the group's underlying EPS for the year ending 30 June 2013 is at least 30.00 cents per share.

(vi) These performance rights vest if the group's underlying EPS for the year ending 30 June 2013 is at least 33.00 cents per share.

(vii) These performance rights vest if the group's underlying EPS for the year ending 30 June 2013 is at least 37.00 cents per share.

Note 27. Share-based payment plans continued

The average remaining contractual life for the share options and performance rights outstanding at 30 June 2011 is between 1 and 3 years (2010: 1 and 2 years).

The range of exercise prices for options and performance rights outstanding at the end of the year were $0.00 to $1.12 (2010: $0.00 to $2.36).

The weighted average fair value of performance rights granted during the year was $2.66 (2010: $nil).

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

The following table lists the inputs to the model used for the grants during the year ended 30 June 2011 (2010: nil grants):

	30 June 2011		
	(Black-Scholes)	**(Black-Scholes)**	**(Black-Scholes)**
Grant date	**22 Dec 10**	**22 Dec 10**	**20 Apr 11**
Year ending	**30 Jun 12**	**30 Jun 13**	**30 Jun 13**
Dividend yield (%)	**4.00**	**4.00**	**4.00**
Expected volatility (%)	**35.00**	**35.00**	**35.00**
Historical volatility (%)	**35.00**	**35.00**	**35.00**
Risk-free interest rate (%)	**5.02**	**5.22**	**4.95**
Expected life of performance right (years)	**1.8 years**	**2.8 years**	**2.4 years**
Performance right exercise price ($)	**0.00**	**0.00**	**0.00**
Weighted average share price at grant date ($)	**2.82**	**2.82**	**3.64**

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

Note 28. Employee benefits

	Note	30 June 2011 $'000	30 June 2010 $'000
The aggregate employee benefit liability is comprised of:			
Trade and other payables (current)	15	**3,409**	3,385
Provisions – long service (current)	17	**1,374**	1,275
Provisions – long service (non-current)	17	**972**	847
Total employee benefits		**5,755**	5,507

	Note	30 June 2011 $'000	30 June 2010 $'000

Note 29. Key management personnel

(a) Compensation of key management personnel

Compensation by category: key management personnel

	Note	30 June 2011 $'000	30 June 2010 $'000
Short-term		**3,512**	4,209
Post employment	(i)	**224**	263
Other long-term		**38**	38
Share-based payment		**733**	302
Total		**4,507**	4,812

(i) This includes defined contribution plans expense of $224,000 (2010: $263,000).

(b) Option and performance rights holdings of key management personnel

30 June 2011	Balance at 1 July 2010	Granted as remuneration	Options / performance rights exercised	Net change other #	Balance at 30 June 2011	Vested at 30 June 2011		
						Total	Not exercisable	Exercisable
Executives								
S. Audsley	274,000	232,000	-	-	506,000	-	-	-
S. Brady	163,000	82,000	-	-	245,000	-	-	-
M. Cohen	579,000	112,000	(300,000)	-	391,000	-	-	-
J. Lord	94,000	139,000	-	-	233,000	-	-	-
M. Melis	160,000	81,000	-	-	241,000	-	-	-
H. Silver	147,000	75,000	-	-	222,000	-	-	-
Total	1,417,000	721,000	(300,000)	-	1,838,000	-	-	-

30 June 2010	Balance at 1 July 2009	Granted as remuneration	Options / performance rights exercised	Net change other #	Balance at 30 June 2010	Vested at 30 June 2010		
						Total	Not exercisable	Exercisable
Executives								
S. Audsley	274,000	-	-	-	274,000	-	-	-
S. Brady	163,000	-	-	-	163,000	-	-	-
M. Cohen	579,000	-	-	-	579,000	-	-	-
J. Lord	94,000	-	-	-	94,000	-	-	-
M. Melis	160,000	-	-	-	160,000	-	-	-
H. Silver	147,000	-	-	-	147,000	-	-	-
Total	1,417,000	-	-	-	1,417,000	-	-	-

Includes forfeitures.

Refer note 27 and remuneration report (contained within the directors' report designated as audited) for details on the above options and performance rights.

Note 29. Key management personnel continued

(c) Shareholdings of key management personnel

Ordinary shares held* in Breville Group Limited (number)

30 June 2011	**Balance at 1 July 2010**	**Granted as remuneration**	**On exercise of options**	**Net change other #**	**Balance at 30 June 2011**
Directors					
J. Schmoll	**82,294**	**-**	**-**	**-**	**82,294**
S. Fisher	**50,288**	**-**	**-**	**-**	**50,288**
D. Howell	**85,000**	**-**	**-**	**-**	**85,000**
S. Klein	**117,189**	**-**	**-**	**-**	**117,189**
S. Weiss	**80,775**	**-**	**-**	**-**	**80,775**
Executives					
S. Audsley	**102,133**	**-**	**-**	**-**	**102,133**
S. Brady	**137,645**	**-**	**-**	**-**	**137,645**
M. Cohen	**-**	**-**	**300,000**	**(270,000)**	**30,000**
J. Lord	**40,000**	**-**	**-**	**-**	**40,000**
M. Melis	**20,000**	**-**	**-**	**-**	**20,000**
Total	**715,324**	**-**	**300,000**	**(270,000)**	**745,324**

30 June 2010	Balance at 1 July 2009	Granted as remuneration	On exercise of options	Net change other #	Balance at 30 June 2010
Directors					
J. Schmoll	82,294	-	-	-	82,294
S. Fisher	288	-	-	50,000	50,288
D. Howell	85,000	-	-	-	85,000
S. Klein	117,189	-	-	-	117,189
S. Weiss	80,775	-	-	-	80,775
Executives					
S. Audsley	102,133	-	-	-	102,133
S. Brady	137,645	-	-	-	137,645
V. Cheung^	90,000	-	-	-	90,000
J. Lord	40,000	-	-	-	40,000
M. Melis	20,000	-	-	-	20,000
Total	755,324	-	-	50,000	805,324

* Held directly, indirectly or beneficially.

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the group would have adopted if dealing at arm's length.

^ Includes instances where Breville Group Limited has provided loans to fund the exercise of options to acquire shares in the company. Refer note 29(d).

Note 29. Key management personnel continued

(d) Loans to key management personnel

(i) Details of aggregates of loans to key management personnel are as follows:

	Balance at beginning of period $'000	Balance at end of period $'000	Interest charged $'000	Interest not charged $'000	Repaid $'000	Number in group at end of period $'000
2010	167	167	7	-	-	1

(ii) Details of individuals with loans above $100,000 in the reporting period are as follows:

	Balance at beginning of period $'000	Balance at end of period $'000	Interest charged $'000	Interest not charged $'000	Repaid $'000	Highest owing in period $'000
30 June 2010						
Executives						
V. Cheung	167	167	7	-	-	167

Terms and conditions of loans

Breville Group Limited has provided loans to fund the exercise of options to acquire shares in the company. The loans were issued in accordance with the terms of the Breville Group senior executive option plan such that interest on the loan equals the dividends and other distributions payable from time to time on the company shares acquired with the loan. Repayment of the loan is limited in recourse to the proceeds received on the sale of the underlying shares.

(e) Other transactions and balances with key management personnel and their related parties

Services

Mr Klein was a partner of the legal firm Arnold Bloch Leibler until 30 June 2011. His director's fees of $114,607 (2010: $100,265) were paid to Arnold Bloch Leibler. These fees include GST.

Fees totalling $353,899 (2010: $1,063,557), including litigation related legal fees and Mr Klein's directors fees were invoiced by Arnold Bloch Leibler to the group during the year. These fees were all on arms length terms. In addition, other recharges from non-related third-parties, such as Counsel's fees and other costs, were billed during the year totalling $58,510 (2010: $111,207).

Note 29. Key management personnel continued

(e) Other transactions and balances with key management personnel and their related parties continued

Total amounts recognised at the reporting date in relation to other transactions and balances with key management personnel:

	Note	30 June 2011 $'000	30 June 2010 $'000
Liabilities			
Current liabilities		**9**	65
Total liabilities		**9**	65
Revenues & expenses			
Employee expenses (directors fees)		**104**	91
Other expenses			
- Litigation related		**29**	214
- Non-litigation related		**189**	152
Non-trading item			
- Takeover response related		**-**	510
Total expenses	(i)	**322**	967

The amounts shown above are GST exclusive.

(i) Amounts exclude recharges of non-related third-party costs.

Note 30. Auditor's remuneration

Amounts received or due and receivable from the entity and any other entity in the consolidated entity:

	30 June 2011 $	30 June 2010 $
Ernst & Young Australia – primary auditors		
- an audit or review of the financial report	**339,000**	375,000
- other services		
- taxation related	**-**	49,000
- non-audit related	**-**	13,000
- takeover response related	**-**	335,000
Ernst & Young Australia's affiliates – primary auditors		
- an audit or review of the financial report	**120,000**	147,000
- other services		
- taxation related	**-**	13,000
RSM Richter LLP – other auditors (Canada only)		
- an audit or review of the financial report	**109,000**	101,000
- other services		
- non-audit related	**6,000**	-
- taxation related	**-**	16,000
Total auditor's remuneration	**574,000**	1,049,000

Note 31. Significant events after year end

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

The financial report of Breville Group Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 25 August 2011.

Directors' declaration

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

1. In the opinion of the directors:
   (a) the financial report and the additional disclosures included in the directors' report designated as audited, of the consolidated entity are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
      (ii) complying with Accounting Standards and Corporations Regulations 2001; and
   (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the year ended 30 June 2011.
3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in note 25(a) will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.
4. The financial report complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

On behalf of the board

John Schmoll
Non-executive chairman

Sydney
25 August 2011

Independent audit report

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

Report on the Financial Report

We have audited the accompanying financial report of Breville Group Limited, which comprises the consolidated statement of financial position as at 30 June 2011, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is referenced in the directors' report.

Independent audit report
continued

Auditor's Opinion

In our opinion:

1. the financial report of Breville Group Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position at 30 June 2011 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(b).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 22 of the directors' report for the year ended 30 June 2011. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Breville Group Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Ernst & Young

C. M. Hosking

Colleen Hosking
Partner
Sydney
25 August 2011

Auditor's independence declaration

ERNST & YOUNG

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Auditor's Independence Declaration to the Directors of Breville Group Limited

In relation to our audit of the financial report of Breville Group Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

C. M. Hosking

Colleen Hosking
Partner
Sydney
25 August 2011

Shareholder information

Substantial shareholders as at 8 September 2011

The following information is extracted from the company's register of substantial shareholder notices:

Name	Number of ordinary shares	% of issued ordinary shares
S. Lew Custodians Pty Limited	39,297,151	30.21
GUD Holdings Limited	25,073,712	19.27
Perpetual Limited and subsidiaries	15,140,692	11.64

Distribution of shareholdings as at 8 September 2011

Size of holding	Ordinary shareholders
1 to 1,000	382
1,001 to 5,000	749
5,001 to 10,000	329
10,001 to 100,000	283
100,001 and over	34
Total shareholders	**1,777**
Number of ordinary shareholders with less than a marketable parcel	0

Voting rights

All ordinary shares issued by Breville Group Limited carry one vote per share without restriction.

Twenty largest shareholders as at 8 September 2011

Name	Shares	% IC
Premier Investments Limited	32,179,977	24.74%
GUD Holdings Limited	25,073,712	19.27%
RBC Dexia Investor Services Australia Nominees Pty Limited (PIPOOLED account)	13,318,190	10.24%
Cogent Nominees Pty Limited	5,846,237	4.49%
HSBC Custody Nominees (Australia) Limited	5,658,425	4.35%
National Nominees Limited	5,562,372	4.28%
Citicorp Nominees Pty Limited	4,890,521	3.76%
J P Morgan Nominees Australia Limited	4,282,316	3.29%
Dancetown Pty Ltd	3,000,000	2.31%
Citicorp Nominees Pty Limited (Colonial First State Investment account)	2,085,820	1.60%
Lew Family Investments Pty Ltd	1,891,461	1.45%
RBC Dexia Investor Services Australia Nominees Pty Limited (BKCUST account)	1,873,878	1.44%
JP Morgan Nominees Australia Limited (Cash Income account)	1,621,835	1.25%
Lew Family Investments Ltd	1,535,718	1.18%
Bell Potter Nominees Limited (BB Nominees account)	1,272,933	0.98%
Leonar Equities Limited	1,248,681	0.96%
Bond Street Custodians Limited (Celeste Concentrated Fund)	1,111,441	0.85%
Nofusa Pty Limited (Hersch Superannuation account)	900,000	0.69%
S L Nominees Pty Ltd	711,667	0.55%
Bond Street Custodians Limited (Macquarie Smaller Companies account)	679,000	0.52%
Total	**114,744,184**	**88.20%**

Company information

Directors

John Schmoll
Non-executive chairman

Steven Fisher
Non-executive director

Dean Howell
Non-executive director

Steven Klein
Non-executive director

Samuel Weiss
Non-executive director

Company secretary

Shiraz Khan

Registered office and principal place of business

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Company websites

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ABN

Breville Group Limited ABN 90 086 933 431

Share register

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

Auditors

Ernst & Young
680 George Street
Sydney NSW 2000

Solicitors

Arnold Bloch Leibler
333 Collins Street
Melbourne Victoria 3000

Bankers

Australia and New Zealand Banking Group Limited
20 Martin Place
Sydney NSW 2000

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