

*Annual report  
2014*



**Breville**  
Thought for food.



*Celebrating the 40th Anniversary  
of the scissor action jaffle maker*

## **Breville Group Limited Annual report 2014**

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### **Annual general meeting**

Wednesday 12 November 2014 at 10am

Building 1, Port Air Industrial Estate  
1A Hale Street, Botany NSW 2019.

# Chairman's review

*“A balanced result for the year demonstrating the value of diversifying into new categories and geographies under the consumer focused “Food Thinking” strategy”*

During the 2014 financial year, the Breville Group delivered a result which largely filled the gap of the previously foreshadowed decrease in Keurig commission income created by the ending of the majority of the Keurig distribution arrangement in Canada in June 2013. Net profit after tax for the year decreased by 1.9% to \$48.8m.

The Group's full year revenue growth of 15.0% (excluding Keurig commission income) was driven by the strength of new product launches across all geographies. Following a very strong first half increase of 23.2%, second half revenues were impacted by softer trading in North America which was more than offset by revenue in the Rest of World segment.

The Board has increased the level of dividends in the financial year demonstrating its continued confidence in Breville's growth potential and commitment to providing strong returns to shareholders. The Group has delivered constant strong shareholder returns since 2009, with earnings per share increasing at a compound annual growth rate of 32.8% and dividends per share increasing by 37.5% over the same period.

As previously announced, Jack Lord stepped down from his role as Chief Executive Officer ('CEO') effective 21 August 2014. A global search for a new CEO is well underway and Mervyn Cohen, our

long standing Chief Financial Officer, has been appointed Interim CEO.

The Group's focus on its “Food Thinking” strategy and commitment to investment in product development and marketing continues. With its strong balance sheet, the Group is well placed for future growth from both its existing business and future opportunities.

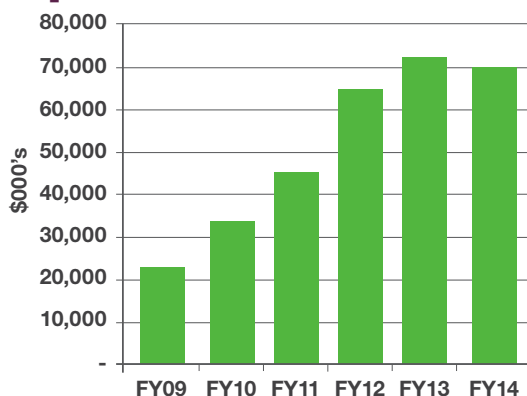
During the year we welcomed Tim Antonie, who joined the Board on 19 December 2013 as a non-executive director. I, together with my Board and management colleagues, encourage all shareholders to attend the Annual General Meeting in November and join us in formally welcoming Tim.

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

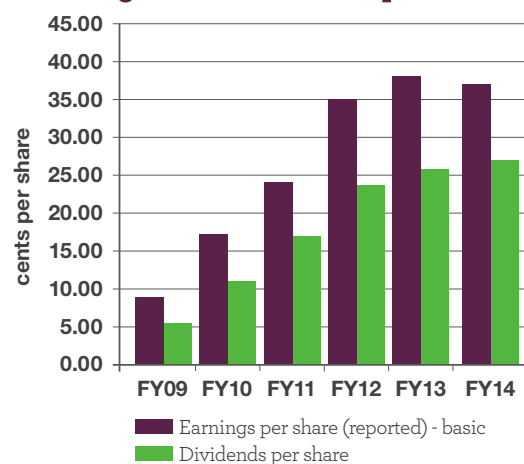


Steven Fisher  
Non-executive chairman

## Reported EBIT



## Earnings and dividends per share



*theBoss™*  
easy to use high velocity superblender

One touch functions.  
Minimum intervention.  
Total control.



# CEO's review

## Financial summary

\$ Millions except where indicated	30 June 2014	30 June 2013
Revenue	541.6	486.5
EBIT	70.4	71.6
Net profit after tax	48.8	49.7
Earnings per share (cents)	37.48	38.23
Return on equity (%)	22.9	24.7

The Breville Group is committed to its core “Food Thinking” strategy by continuing to invest in product development and innovation, with regular new flagship product launches and the expansion of its geographic reach. The year’s trading performance reflected the resilient nature of the business which is well diversified by product, category and geography.

The Group’s revenue and EBIT for the year was impacted by the loss of Keurig commission income, following the cessation of the majority of the Keurig distribution arrangement in Canada on 30 June 2013. Whilst full year revenue growth was higher by 11.3% to \$541.6m, driven by Breville product revenue increases, EBIT decreased to \$70.4m or by 1.6%.

The ANZ business performed well, despite difficult trading conditions gaining market share during the year. Revenue showed pleasing growth of 8.6% to \$261.6m driven by new product launches, including the Breville co-branded Nespresso range launched in June 2013. Despite the higher revenues, a stronger USD placed increased pressure on the landed costs of products resulting in a 9.1% fall in EBIT to \$24.9m. In the 2015 financial year, the ANZ segment is expected to benefit from selective price increases and a cost efficiency program to be implemented.

In the North American segment, full year revenues from the sale of Breville products were 13.2% higher at \$198.5m. Whilst the revenues from this segment were strong in the first half (higher by 29.9%), the second half revenues finished 8.4% lower than the second half of the prior year. Second half revenues were adversely affected by strong purchasing by retailers late in the first half, adverse weather conditions which affected many retailers and lower sales from the juicing category which had experienced substantial growth over the past two and a half years. The decrease in the high margin Keurig commission income caused EBIT in North America to decline.

Pleasingly, North American sales in core categories in both halves, excluding juicing, continued to show good growth. The impact of new products launched in the second half of the 2014 financial year, along with the pipeline of new products to be launched in FY15, should assist future North American revenues.

Shortly after the end of the financial year, the Group acquired the culinary division of the USA based business PolyScience. PolyScience is considered one of the market leaders in the sous-vide category in the commercial and professional markets, with a product range including sous-vide, vacuum sealers and other complementary products.

As part of the Group’s strategy of expanding its geographic reach, during the prior year the Group established a new business in the United Kingdom. This business, which launched in May 2013, distributes Breville premium designed and developed products under a new company-owned brand, Sage™, which is endorsed by internationally acclaimed chef Heston Blumenthal. In its first full year of trading the business delivered a positive earnings result.

The rest of world distribution business supplied from Hong Kong experienced a strong performance in the 2014 financial year driven by growth from European strategic partners and from the Middle East and Asia. This business is expected to benefit in the second quarter of the 2015 calendar year following an agreement entered into for the marketing and distribution of Breville designed premium products in Brazil on a co-branded basis by leading Latin American homewares brand, Tramontina.

We continue to demonstrate that not only can we adapt to the environment, but lead the market with our “Food Thinking” strategy and aspire to bring the best new products and experiences to our customers. Food Thinking is about creating those simple moments of brilliance in the home and using innovation to make day to day food related processes that little bit better.



## CEO's review continued

We have also taken the initiative to invest in efficiency and cost improvement projects to better support our growing global business.

The Group's core strategy of delivering sustainable growth through product innovation, brand management and distribution capabilities and leveraging these across multiple geographies, includes a number of initiatives that will assist the Group to address challenges that are expected in the 2015 financial year:

- Acquisition of the culinary division of PolyScience;
- Grow the Rest of World segment including the launch in Brazil;
- A strong pipeline of new products in FY15 and beyond; and
- Continue to collaborate with Group ambassador Heston Blumenthal.

In addition, an organisation-wide cost efficiency strategic review has commenced.

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



Mervyn Cohen  
Interim chief executive officer

*the Oracle™*  
the Dual Boiler™ with automatic  
grinding, tamping and milk texturing.  
The world's first automatic manual  
coffee machine.



# Strategy and brands

Breville Group's core strategy is the design and development of the world's best kitchen appliances together with the effective marketing of their performance benefits globally. The Breville brand makes up the majority of the Group's revenues and marketing activities, however, there are a number of other company owned brands and brand partners that are financially and strategically important to the Group.

## Australia and New Zealand

In Australia and New Zealand, the Group trades under its company owned brands, Breville, Kambrook and Ronson and also distributes a range of Philips products in the garment and personal care categories under a licence agreement. The Breville brand includes a range of Breville co-branded Nespresso coffee machines as one of Nespresso's machine partners in Australia and New Zealand.

In line with its global strategy, the Breville brand is focused on the premium kitchen segment of the market but still enjoys reasonably broad distribution in Australia and New Zealand.

The Kambrook and Ronson brands extend to categories beyond the kitchen offering not just a full range of kitchen appliances, but also irons, vacuums, heating and cooling products, all at an affordable price without any compromise on quality or performance.

## North America

In North America, the Group distributes the Breville range of internally designed and developed premium kitchen products through high end retail channels and its own online retailing platform. Shortly after the end of the 2014 financial year, the Group acquired the USA based culinary division of PolyScience, one of the world's market leaders in premier sous vide cooking products for the commercial sector.

## Europe

In Europe and the United Kingdom, the Breville brand is not owned or operated by the Breville Group. Within Europe, the Group has a number of partners who market Breville's premium designed and developed products under their own brands.

In the United Kingdom, the group markets and distributes its premium designed and developed kitchen products under the new company owned brand Sage™ which is endorsed by Heston Blumenthal.

The internationally acclaimed chef, Heston Blumenthal, in addition to endorsing the Sage™ brand is also Breville's global brand ambassador.

## Rest of the World

In the Asia Pacific region and the Middle East, the Group markets several of its premium designed and developed kitchen products under the Breville brand as well as selected products under the Kambrook brand in parts of Asia and Africa. Distribution in these regions is managed using local third party distributors supplied via the Group's Hong Kong office.

In the second quarter of the 2015 calendar year, a range of Breville premium designed products will be marketed and distributed in Brazil by leading Latin American homewares brand, Tramontina on a co-branded basis.

## Breville - Thought for Food™

On Melbourne Cup day 1932, two Australian entrepreneurs, Bill O'Brien and Harry Norville, combined their surnames to form the name 'Breville' and founded a company that manufactured radios in Sydney.

During the 1960's, Bill's son John focused the organisation to solve common kitchen problems and established the Breville small appliance research and development centre, which led to the invention of the now iconic Breville toasted sandwich maker.

The toasted sandwich maker kick-started a long list of innovative Breville products developed in Australia. From the original Kitchen Wizz™ food processor and High-Wall Wok to the launch of the world's first wide feed chute Juicer, Breville has become synonymous with innovation in the kitchen.

In 2000, Breville embarked on a project to expand its design and innovation capabilities, building a much larger internal team that has today become one of Australia's premier product development teams. This investment culminated in the 2003 launch of its premium range of products into the United States and other international markets.

In 2009, Breville combined its design and development capabilities with a more focused marketing, recruitment and cultural initiative entitled "Food Thinking". As a part of this strategy, a new global brand identity was developed and rolled out including packaging, point of sale and all other consumer marketing touch points.

**Sage**<sup>™</sup> by heston  
blumenthal<sup>®</sup>





## Strategy and brands continued

### Breville - Thought for Food™ continued

Breville's strategy of "Food Thinking" and creativity continues to gain momentum. The strategy is based on:

- Deeper understanding of food and the challenges consumers face;
- Protectable innovation;
- Superior quality and design; and
- Increased marketing communication.

Breville's growing appreciation for food science and culinary trends has led to a fostering of relationships with several high profile food thinkers including well known baristas and chefs, some of whom have helped the Group in a product development capacity.

In his ambassadorial role, world renowned chef Heston Blumenthal works closely with Breville's product development teams, providing invaluable insights into the food science necessary for the Group to continue developing "best in class" products.

### Sage™ by Heston Blumenthal®

In May 2013, the Group launched a range of its premium designed and developed products into the United Kingdom under a new Group owned brand, Sage™, which is endorsed by Heston Blumenthal. The brand identity and positioning of Sage™ by Heston Blumenthal® is aligned closely to the global Breville brand identity and "Food Thinking" strategy.

The Sage™ by Heston Blumenthal distribution strategy is also very similar to that of the company's operations in North America, with distribution limited to premium retailers. The Group has committed to marketing activity for Sage™ by Heston Blumenthal® and plans to continue investing in marketing activity to solidify its presence in the premium channel in the United Kingdom.

### Kambrook - The Smarter Choice™

Kambrook has become known for quality, durable products at an affordable price. The ever-expanding product range includes appliances for the kitchen, living room, laundry and bedroom.

Kambrook continues to highlight the durability of its appliances and the rigorous testing process

that each new product undergoes. Products are subjected to extensive laboratory and quality testing before receiving the Kambrook seal of approval.

The Group conducts product marketing to build the Kambrook brand, and has negotiated a celebrity endorsement for its personal blender with renowned athlete and television host, Hayley Lewis. The partnership has proven a resounding success, driving strong sales and raising the profile of Kambrook.

### Philips

Breville Group is the exclusive distributor for Philips' personal care and garment care appliances in Australia and New Zealand. The relationship with Philips is now in its 14th year and both parties work collaboratively to grow sales and market share.

Philips sets the benchmark for innovation and performance with its flagship shaver range and it also offers a compelling range of high performance garment care products.

### PolyScience

Breville Group acquired the PolyScience culinary division shortly after the end of the 2014 financial year. PolyScience was founded in Illinois, USA in 1963, predominantly as a supplier of specialised medical and laboratory equipment that could uniquely control temperatures with great precision. Throughout the last decade, PolyScience expanded into culinary products, employing its temperature control technologies to launch the world's premier immersion cooking circulators (for sous vide cooking) as well as various specialty cooking accessories such as the Smoking Gun (for rapid food smoking), vacuum sealers, cold plates, ultra-sonic and vacuum evaporation systems.



## Strategy and brands continued

### Innovation and product development

The Group's growth is based on investment in product development with a focus on design and innovation. Breville has deepened its understanding of food, and how consumers interact with it, applying this to solving problems in ways that are both valuable to people, and differentiated from competitors. Breville actively protects this customer value through increased investment in intellectual property protection, with a portfolio of patented innovative products for future sustainable growth.

### People - creativity and food thinkers

Breville enjoys the benefits of a highly experienced and talented team across all departments and in all markets. Integrated throughout its food thinking culture, the passion, creativity and insight of staff has helped to consistently deliver world-class innovative products to the Company's customers. The team has received accolades both domestically

and internationally, with multiple design awards, and recognition through mainstream media. Breville's innovative "*the Oracle™*" coffee machine that automates grinding, tamping and milk frothing with the precision of a barista, became the latest Breville product to be formerly recognised, having recently been the recipient of a 2014 Australian design award.

Breville Group invests in the training and education of its team, building strong, collaborative links with world experts in food thinking and technology. Breville was a major sponsor of the award winning Margaret River Gourmet Escape event in Western Australia for the second year running in November 2013. As well as being involved in several consumer facing and chef liaison activities, Breville hosted 'Food for Thought' discussions and presentations for consumers about food science and trends with guest presenters including Heston Blumenthal, Alex Atala, Adriano Zumbo, Harold McGee, Sat Bains, Terry Durack and Jill Dupleix.

To further develop its culture of food thinking, Breville also maintains a quarterly guest speaker program to provide all staff with insights from leading minds within the food industry.

*the Crispy Crust™*  
12" stone baked pizza oven



Corey Costelloe, the head chef of Neil Perry's Rockpool Bar & Grill in Sydney, was the most recent speaker, making time to visit Breville's global head office in Sydney in June 2014. Toby Smith from Toby's Estate, Dietician Susie Burrell, and Food Writer Grant Jones also helped share knowledge and provide food thinking inspiration at Breville's head office during the 2014 fiscal year.

Each visiting speaker receives a tour of Breville headquarters, including a behind the scenes look at the extensive design facility. The speaker program builds valuable relationships between the brand and the wider food community, both in Australia and abroad.

Strongly committed to its core values of creativity, simplicity, insight and excellence in all departments, Breville recruits, trains, assesses and rewards employees on this basis. With a team anchored by these common values, the business is able to foster a workplace that stimulates idea generation, a passion for learning, and the continuous search for new and better solutions.

Breville advocates for diversity in its workforce, recognising the insight and creativity that it brings to the business.

Ensuring a safe workplace is another business commitment, with employees participating in regular work health and safety audits. The organisation promotes and encourages a proactive safety culture.

## Sustainability and social responsibility

The Breville Group is committed to ethical, responsible and sustainable conduct across the entire business. It is determined to build a culture, through the commitment of its employees, to reduce the organisation's impact on the environment and increase its contribution to society.

Breville is a committed signatory to the Australian Packaging Covenant in the reduction of the potential impact of its products, packaging and warehouse operations. It has also implemented improved waste reduction and recycling practices in its global test kitchen.

We are proud to integrate actions and goals into existing business systems so that sustainable packaging considerations become 'just how we do business'. Success is being achieved via cross functional teams working together to implement



the Group's Sustainable Packaging Policy.

Breville purchases, when possible, products that contain recycled content to help sustain local markets for waste packaging and other materials diverted from landfill.

## Ethical sourcing

Breville Group is committed to conducting business in a socially responsible manner and managing its business to reflect high ethical and moral values. We expect our vendors to respect and adhere to the same philosophy in the operation and management of their businesses and reserve the right not to do business with vendors that do not share and demonstrate our commitment to compliance with local and internationally accepted labour and employment laws.

The Group has an ethical sourcing requirements code ('code') which sets out the minimum requirements and expectations that all vendors, including sub-contractors engaged by vendors, must comply with. The code specifies compliance in areas such as wages and benefit policies, child labour, working hours, discrimination, health and safety and environmental practices. The Group monitors the vendors' compliance with the code, which may include a visit by the Group or its representatives to their factories.

## Breville Group in the community

Breville Group continues to contribute to a variety of charitable activities as a sponsor, product partner and fundraiser. In the 2014 fiscal year, the charity committee donated both cash and products to various charitable organisations.

# Accolades



## Australian Design Award

2014	BES980 The Oracle Espresso
2013	BSG1974 the Original '74
2012	BDC600 You Brew Drip Coffee Machine
2011	BFP800 Food Processor
2010	BGR820 Smart Grill
2007	BES400 Espresso Machine
2006	BJE200 Juice Fountain
2005	800CP Citrus Press
2001	Engineering JE90 Juicer



## Australian Design Mark

2014	BBL910 The Boss Superblender
2013	BRC600 The Multi Chef
2013	BEF100 The Thermal Pro Grill
2012	BCI600 Smart Scoop Ice Cream Maker
2012	BES900 Dual Boiler Espresso Machine
2011	BCG800 Smart Grinder
2011	BTM800 Tea Maker
2010	BEM800 Wizz Planetary Mixer
2010	BOV800 Smart Oven
2010	BES820 Variable Temperature Kettle
2010	BES860 Fresca Espresso Machine
2008	BKT500 ikon Toaster & Kettle
2008	BTA800 Professional Series Toaster
2008	BBL800 Professional Series Blender
2007	BJE510 ikon Juicer
2007	BBL600 ikon Blender
2006	BKE450 Moda Kettle
2005	CT70 Toaster
2005	SK500 & 550 ikon Kettles
2005	800ES Professional Series Espresso Machine
2004	800JE Juicer
2004	WC15 Wine Chiller
2003	CBL25/30 Moda Bar Blenders
2003	SG Series Sandwich Presses
2003	EW40 Ultimate Wok
2001	AV4 Hairdryer



## iF Design Award

2008	BES820 Espresso Machine
2008	BTA820&840 Professional Toasters
2007	BES820 Espresso Machine
2006	800CP Citrus Press

## Gold iF Design Selection

2008	BES820 Espresso Machine
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## Powerhouse Museum Selection

2007	BBL600 ikon Blender
2006	800ES Espresso Machine
2005	800CP Citrus Press
2002	JE90 Juice Fountain Juicer
1993	'Roll-a-wave' - Hair Curler
1984	'The Breville' - Washing Machine
1981	K488 - 'Super Steam and Spray' Iron



## Red Dot Design Award

### Red Dot Design Award

2014	BES980 The Oracle Espresso
2014	BMO734 The Quick Touch
2014	BTA720 + 730 The Lift and Look Pro
2014	BWM640 The Smart Waffle
2013	BEF100 The Thermal Grill Pro
2013	BRC600 The Multi Chef
2012	BDC600XL You Brew
2012	BFP800 Kitchen Wizz Pro
2008	BTA820/840 Toaster
2008	BES400 Espresso Machine

### Honourable Mention

2013	BBL605 Kinetix Control Blender
2011	BKE820 Kettle



## Design Korea 'Worlds Best Design Show'

### Special Selected Product from Australia

2005	WC15 Wine Chiller
2005	800CP Citrus Press



## Good Design Award Chicago Athenaeum

2012	BOV800 Smart Oven
2012	BFP800 Kitchen Wizz Pro
2012	BTM800 Tea Maker
2012	BCG800 Smart Grinder
2006	BES400 Espresso Machine

## Shopsmart Award

BOV800	Best Toaster Oven
BOV650	Best Toaster Oven

## Williams Sonoma Vendor Appreciation

2013	Most Innovative
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## Housewares Design Award New York

### Best In Category

2008	BBL800 Professional Series Blender
2006	800ES Professional Series Espresso Machine

### Best In Industry

2008	BBL800 Professional Series Blender
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### Shortlisted

2008	BKC600XL Single Cup Brewer
2006	800GR Grill
2004	SG820 Grill



## IDEA International Design Excellence Awards

2014 Bronze	BES980 The Oracle Espresso
2014 Finalist	BWM640 The Smart Waffle
2014 Finalist	BTA720 + 730 The Lift and Look Pro
2013 Bronze	BES900 Dual Boiler Espresso
2013 Finalist	BFP800 Kitchen Wizz Food Processor
2013 Finalist	BBL 605 Kinetix Control Blender
2013 Finalist	BDC600 You-Brew Drip Coffee Machine
2007 Bronze	BBL600 Blender



## Home Beautiful Awards

2010	Breville Smart Oven <i>Finalist</i>
2007	Snack 'n' Sandwich Toaster <i>Design Icon</i>
2007	BES400 Espresso Machine <i>Winner</i>
2006	BKE450 Kettle <i>Winner</i>
2003	EW40 Ultimate Wok <i>Finalist</i>
2002	JE90 Juice Fountain <i>Highly Commended</i>

## Consumer reports

2012	Food Processors #1 BFP800 Sous Chef
2011	Immersion Blender Review #1 BSB510 Control Grip
2010	Toaster Ovens Review #1 BOV800 #2 BOV650

## House & Garden Style Awards

2010	Tea Maker - Winner Kitchen
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# Breville Group Limited

## Financial report 2014

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# Directors' report

The board of directors of Breville Group Limited (company) has pleasure in submitting its report in respect of the group for the year ended 30 June 2014.

## Board of directors

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

### Steven Fisher

**Non-executive chairman**

**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. Mr Fisher was non-executive director until his appointment as non-executive chairman on 28 May 2013.

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

### Tim Antonie

**Non-executive director** - appointed 18 December 2013, effective 19 December 2013

**BEcon**

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

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

- Premier Investments Ltd #
- Village Roadshow Limited #

# denotes current directorship

### Sally Herman

**Non-executive director**

**BA, GAICD**

Ms Herman has had a long career in financial services in both Australia and the United States, including 16 years with the Westpac Group, running business units in most operating divisions of the Group. Ms Herman is now a full-time Sydney based non-executive director on both commercial and not for profit boards. She is actively involved in the community, with a particular interest in education, the arts and disability services.

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

- Premier Investments Ltd #
- FSA Group Ltd #

# denotes current directorship

### 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 a Melbourne firm of chartered accountants and also served on that firm's national and international boards. He is currently a consultant with Grant Thornton. He is also a director of Peter MacCallum Cancer Foundation Ltd.

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

### Steven Klein

**Non-executive director**

**LLB, B.Com**

Mr Klein is a Principal of SBA Law. He has had over 25 years experience acting on behalf of both public and private companies in merger and acquisition transactions.

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

### Lawrence Myers

**Non-executive director** - appointed 19 August 2013, effective 1 September 2013

**B.Acct, CA, CTA**

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

Effective 20 August 2014, Mr Myers was appointed the company's lead independent director.

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

## Board of directors continued

### 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. Mr Weiss is chairman of the people and performance committee.

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

- Altium Limited #
- OrotonGroup Ltd #
- iBuy Limited #
- 3P Learning Limited #
- iProperty Group Ltd
- GLG Corp Limited

# denotes current directorship

### John Schmoll

Non-executive director - resigned 19 August 2013, effective 1 September 2013

B.Com, FCA, FAICD

Mr Schmoll completed his executive career on his retirement in 2002 as Chief Financial Officer of Coles Myer Ltd. Prior to this he held senior corporate and professional roles in Australia and South Africa including Arthur Young and Edgars Stores Ltd (South Africa's largest apparel and homewares retailer). Since his retirement he has accepted various non-executive director positions and undertaken some executive coaching roles.

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)

# denotes current directorship

## Company secretaries

The names and details of the company's company secretaries in office during the year and until the date of this report are as below. The company secretaries were in office for the periods as indicated below.

### Mervyn Cohen

B.Com, B.Acc, CA

Mr Cohen is a chartered accountant and has over 20 years' experience in senior financial roles after beginning his career in Audit and Advisory. Mr Cohen is also Chief Financial Officer of the company, a position he had held since October 2006.

### Sasha Kitto - appointed 26 June 2014

LLB, ACA

Ms Kitto is a chartered accountant and has over 15 years' experience as a practising chartered accountant and in senior finance roles.

## 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.

## 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.

## Operating and financial review

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

## Company overview

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

In line with this strategy, the Group has:

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

# Directors' report continued

## Operating and financial review continued

### Principal activities

During the year, the principal activities of the Group were the innovation, development, marketing and distribution of small electrical appliances. In Australia and New Zealand, the Group trades under its company owned brands, *Breville*, *Kambrook* and *Ronson* and also distributes a range of Philips products in the personal care and garment care categories under a license agreement with Philips.

In North America, the Group distributes Breville branded products through premium channels. Up until 30 June 2013, the Group was also the primary distributor in Canada of a range of Keurig branded single serve coffee machines and portioned coffee capsules.

During May 2013, the Group launched a business in the UK marketing and distributing Breville designed premium flagship products under a new company owned brand, *Sage*.

The Group's Hong Kong office performs the functions of a group procurement and quality assurance centre and also, a supplier of primarily Breville designed products to distributors globally. These distributors are located outside of the Group's principal markets of Australia, New Zealand, North America and UK. The products sold to distributors located in Europe (excluding UK) are sold on a non-Breville branded basis. The products sold to distributors outside of Europe, including in the Asia Pacific region, the Middle East and South America, are Breville branded products.

### Strategic initiatives

The Group continues to pursue a number of strategic growth initiatives including establishing important alliances with key industry participants and internationally recognised "food thinkers".

The Group has:

- Continued its investment in product development and marketing;
- Entered into the portioned coffee market in Australia and New Zealand in partnership with Nespresso;
- Increased its marketing and product development resources to support growth in the Rest of World segment;
- Launched into the UK;
- Continued to collaborate with Heston Blumenthal as the Group's global ambassador for global advertising and marketing communication;
- Subsequent to 30 June 2014, acquired the culinary division of the USA-based business PolyScience, one of the market leaders in the sous-vide category in the commercial and professional markets. The product range includes sous-vide, vacuum sealers and other complementary products.

### Group operating results

Year to 30 June	2014 \$m	2013 \$m	% Change
Revenue	<b>541.6</b>	486.5	<b>11.3%</b>
EBITDA	<b>77.9</b>	78.9	<b>(1.2%)</b>
EBIT	<b>70.4</b>	71.6	<b>(1.6%)</b>
Net profit after taxation	<b>48.8</b>	49.7	<b>(1.9%)</b>
Earnings per share EPS (cents)	<b>37.48</b>	38.23	<b>(1.9%)</b>
Return on equity (%) <sup>1</sup>	<b>22.9%</b>	24.7%	
Dividends per share (cents)	<b>27.0</b>	26.0	<b>3.8%</b>
Net cash (\$m)	<b>47.0</b>	43.4	

Minor differences may arise due to rounding

<sup>1</sup> ROE is calculated based on NPAT for the 12 months ended 30 June 2014 (2013: 12 months ended 30 June 2013) divided by shareholders' equity at 30 June.

Revenue of the consolidated entity for the year was \$541.6m which was 11.3% higher than the consolidated revenue for the previous corresponding year of \$486.5m.

Earnings before interest and tax (EBIT) decreased 1.6% on the previous corresponding year to \$70.4m. This decrease was driven primarily by the decrease in Keurig commission income, following the cessation of the majority of the Keurig distribution arrangement in Canada in June 2013.

The Group's profit after income tax was \$48.8m which approximated the earnings of the previous corresponding year of \$49.7m.

The basic earnings per share for the consolidated entity was 37.48 cents per share (2013: 38.23 cents per share).

### Segment results

Year to 30 June	REVENUE			EBIT		
	2014 \$m	2013 \$m	% Change	2014 \$m	2013 \$m	% Change
Australia and New Zealand (ANZ)	<b>261.6</b>	240.9	<b>8.6%</b>	<b>24.9</b>	27.3	<b>(9.1%)</b>
North America	<b>200.2</b>	192.4	<b>4.1%</b>	<b>30.1</b>	37.9	<b>(20.5%)</b>
Rest of World	<b>79.8</b>	51.1	<b>56.1%</b>	<b>20.2</b>	15.7	<b>28.8%</b>
Other	-	2.1		<b>(4.7)</b>	(9.3)	
<b>TOTAL</b>	<b>541.6</b>	486.5	<b>11.3%</b>	<b>70.4</b>	71.6	<b>(1.6%)</b>

Minor differences may arise due to rounding



## Operating and financial review continued

### Segment results continued

#### ANZ

Overall, the ANZ business performed well and gained market share throughout the year in a retail market environment where consumers remained cautious with their spending.

Revenues of \$261.6m were 8.6% higher than the prior corresponding year. Despite increased revenues, a stronger USD over the period compared to the prior year especially in the second half placed increased pressure on the landed cost of products resulting in a fall in EBIT by 9.1% to \$24.9m (2013: \$27.3m). EBIT margin was also unfavourably impacted by a highly competitive marketplace.

#### North America

North American revenue for the year increased by 4.1% to \$200.2m despite a decline in Keurig commission income of \$15.4m to \$1.7m (2013: \$17.1m).

Full year sales revenue from Breville products of \$198.5m (2013: \$175.3m) increased by 13.2%.

Following a very strong first half result which recorded a 29.9% increase in revenue from Breville products, second half North American revenues from Breville products finished 8.4% lower than the prior corresponding period.

Second half revenue was adversely impacted by strong purchasing by major retailers late in the first half in anticipation of strong retail sales in post-Christmas trading, followed by adverse weather conditions which impacted many retailers.

In addition, the juicing category which had exhibited exponential growth over the past two and a half years, experienced increased competition and an overall decline as consumer demand shifted to blending in the second half.

Full year EBIT decreased by 20.5% from \$37.9m to \$30.1m primarily due to the fall in the high margin Keurig commission income.

#### Rest of World

Total revenue from this segment, comprising the rest of the world distribution business supplied from Hong Kong (previously the International Distributors segment) and for the first time, the new UK business, increased by 56.1% to \$79.8m and EBIT increased by 28.8% to \$20.2m (2013: \$15.7m).

The higher revenues were derived equally from the rest of world distribution business and the UK. The UK was recorded within the Group's Other reporting segment in the prior year given that trading commenced in May 2013.

Strong orders from European strategic partners and growth in the Middle East and Asian geographies contributed to the higher revenues from the rest of world distribution business.

The UK business delivered a positive earnings' result in its first full year of operation.

#### Other

Represents the Group's shared service facility, including the Group's design and development and global marketing functions. This segment also incurs the amortisation charge on capitalised product development projects. The movement from prior year is primarily attributable to a net over recovery of intra-group charges and lower group employee short term incentive expense. The prior year comparative includes revenues and costs associated with the UK business.

### Advertising and marketing expenses

Consistent with the Group's intention of building awareness of its brands locally and internationally, the Group maintained its investment in growth driving marketing activities. The importance of online consumer research, reviews and communication continues to increase. The Group continues to invest in communicating its products' features and benefits through traditional and digital media, including emerging social media channels. In the online world of consumer reviews, consumer blogs and online sales, the quality and performance of Breville's products together with credible endorsements, will be a key to the Group's future success.

### Financial position

The investment in working capital was marginally lower than the prior year. The level of inventory at year end increased by \$10.5m compared to the prior year as a result of the fall in juicer sales in North America in the second half and associated time lag to reset the procurement supply chain as well as a wider range of new products.

Trade and other receivables at year end were \$12.3m lower driven by the softer total North American revenue in the second half of the year (including substantially decreased Keurig commission income).

The Group's net cash position at 30 June 2014 was \$47.0m compared to \$43.4m at the same time last year.

Operating cash flow for the year was \$51.2m (2013: \$37.0m).

# Directors' report continued

## Operating and financial review continued

### Capital expenditure

The Group continues to invest in efficiency and cost improvement projects to support a larger and more geographically diverse business.

In the second half of the 2014 financial year, the Australian distribution business relocated and commenced operating from a new leased distribution centre in Minto, New South Wales.

During the 2015 financial year, the Group will relocate its Sydney-based Australian business and corporate head office to new leased premises and will also during the first half of the 2015 year commence the implementation of a new Group-wide enterprise resource planning system (ERP).

### Foreign exchange exposures

The Group operates in a number of countries and is subject to a number of exchange rate influences on its earnings.

Firstly, the Group has a *transactional* exposure as its product purchases are primarily paid for in US dollars. In Australia, New Zealand, Canada and the UK, the exchange rate impacts product costs as the US dollar changes relative to those currencies. A stronger US dollar will generally have a negative effect on the Group's reported earnings in terms of this *transactional* exposure.

The Group also has a *translational* exposure as its international earnings, a large portion of which are denominated in US dollars, are translated into Australian dollars for reporting purposes. A higher US dollar relative to the Australian dollar will generally have a positive effect on the Group's reported earnings in terms of this *translational* exposure.

The *transactional* and *translational* exposures are considered to result in a partial natural hedge from a Group perspective. A weak Australian dollar is likely to have an adverse impact on the Australian segment's earnings (as a result of higher landed costs) but a positive impact on the translation of non-Australian dollar denominated results.

### Consumer demand risk

Given the Group's reliance on consumer discretionary spending, adverse changes to the general economic and retail landscape and consumer sentiment in the principal markets in which the Group operates, can impact its financial results. The Group mitigates this risk by continued communication with its consumers to gain greater insight into the changing world of food and beverage trends and by keeping abreast with global economic and consumer data and industry trends.

### Margin risk

The highly competitive nature of the small domestic appliance market together with changes in manufacturing costs, including commodity prices, could have an impact on the Group's financial results. This risk is mitigated by protecting the Group's intellectual property, brand building initiatives, introducing elements of variability into its cost structure and strengthening its long term supplier relationships.

### Group strategies and prospects

The ongoing investment in innovation and an increasing portfolio of some of the world's best kitchen products, provides a strong platform to expand the Group's geographic reach and continue to grow global volumes. Although the economic environment remains uncertain, our product development and brand management strengths and a strong balance sheet, mean that the Group is well positioned for the future and the growth opportunities that lie ahead.

### Risk management

The company's risk management is discussed in the corporate governance statement on page 31.

### Dividends

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

	Cents per ordinary share	\$'000
<b>Final dividends recommended:</b>	<b>13.0</b>	<b>16,912</b>
<b>Dividends paid in the year:</b>		
Interim FY14 dividend paid	14.0	18,213
Final FY13 dividend paid	12.0	15,611

### 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
S. Fisher	50,288
T. Antonie	-
S. Herman	8,000
D. Howell	100,000
S. Klein	117,189
L. Myers	10,000
S. Weiss	121,775

## 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:

S. Fisher	Non-executive chairman
T. Antonie	Non-executive director (appointed effective 19 December 2013)
S. Herman	Non-executive director
D. Howell	Non-executive director (resigned as chairman of audit and risk committee 19 December 2013)
S. Klein	Non-executive director
L. Myers	Non-executive director (appointed effective 1 September 2013) and chairman of audit and risk committee (appointed 19 December 2013)
J. Schmoll	Non-executive director (resigned as director 1 September 2013)
S. Weiss	Non-executive director and chairman of people and performance committee

#### (ii) Executives:

J. Lord	Group chief executive officer
S. Brady	General manager - global marketing
M. Cohen	Group chief financial officer
C. Dais	Group general manager - business development and operations

There were no changes of key management personnel after the reporting date.

### 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:

- Provide competitive rewards (for fixed and variable compensation) to attract high calibre employees;
- Link reward to sustained growth in shareholder value from dividends and growth in share price and the delivery of a consistent return on assets;
- Link rewards with the strategic goals and performance of the company; and
- Reinforce a competitive business strategy to deliver 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.

# Directors' report continued

## Remuneration report (audited) continued

### 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 2014 is detailed in Table 1 on page 23 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. No such external consultants were engaged for the year ended 30 June 2014. 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 22.

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.

Table 3 on page 25 of this report details the components (%) of the compensation of key management personnel of the Group.

### Fixed compensation

#### Objective

Fixed compensation is set 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 non-cash benefits.



## Remuneration report (audited) continued

### 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 established annually, 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% - 50% 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 and the board for approval.

The aggregate of the annual STI payments available for executives across the company is subject to the approval of the people and performance committee and the board and payments are typically paid in cash. 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 2014 financial year is nil (2013: 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 20% - 50% of their fixed annual compensation.

#### Structure – performance rights plan

LTI grants to executives and other employees (collectively "participants") are 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.

# Directors' report continued

## Remuneration report (audited) continued

### Variable compensation – long term incentive (LTI) continued

#### Structure – performance rights plan continued

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 hurdles, the right will vest and be convertible into shares.

The company uses time-based and financial-based hurdles. Earnings per share (EPS) is the financial-based 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.

In addition to the grant of performance rights awards which are subject to an EPS performance hurdle, performance rights awards may also be granted in accordance with the PRP as a retention award where the performance condition is continued employment with the company to vesting date.

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.

#### Other

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

## 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 23 and 24 of this report.

LTI Plan (for the year ended)	Performance hurdles/conditions	Number outstanding 30 June 2014 (Executive only)	Number outstanding 30 June 2013 (Executive only)
Performance rights June 2011	<ul style="list-style-type: none"> <li>- Issued for nil consideration.</li> <li>- Exercise price is \$0.</li> <li>- Term of three years and there are 2 performance hurdles each representing 50% of the total number of performance rights:                             <ul style="list-style-type: none"> <li>(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.</li> <li>(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.</li> </ul> </li> <li>- 100% vested as at 30 June 2014.</li> </ul>	-	135,000
	<ul style="list-style-type: none"> <li>- Issued for nil consideration.</li> <li>- Exercise price is \$0.</li> <li>- 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.</li> <li>- 100% vested as at 30 June 2014.</li> </ul>	-	47,000
Performance rights June 2012	<ul style="list-style-type: none"> <li>- Issued for nil consideration.</li> <li>- Exercise price is \$0.</li> <li>- Term of three years and there are 2 performance hurdles each representing 50% of the total number of performance rights:                             <ul style="list-style-type: none"> <li>(a) Base EPS hurdle – to vest, group's underlying EPS for the year ending 30 June 2014 must be at least 33.50 cents per share.</li> <li>(b) Stretch EPS hurdle – to vest, the group's underlying EPS for the year ending 30 June 2014 must be at least 36.50 cents per share.</li> </ul> </li> <li>- 0% vested as at 30 June 2014.</li> </ul>	<b>152,000</b>	152,000
	<ul style="list-style-type: none"> <li>- Issued for nil consideration.</li> <li>- Exercise price is \$0.</li> <li>- Term of up to twenty four months:                             <ul style="list-style-type: none"> <li>(a) 50% of the performance rights to vest, participants must be employed by the company on 3 December 2012.</li> <li>(b) 50% of the performance rights to vest, participants must be employed by the company on 2 December 2013.</li> </ul> </li> <li>- 100% vested as at 30 June 2014.</li> </ul>	-	34,500
Performance rights June 2013	<ul style="list-style-type: none"> <li>- Issued for nil consideration.</li> <li>- Exercise price is \$0.</li> <li>- Term of three years and there are 2 performance hurdles each representing 50% of the total number of performance rights:                             <ul style="list-style-type: none"> <li>(a) Base EPS hurdle – to vest, group's underlying EPS for the year ending 30 June 2015 must be at least 43.22 cents per share.</li> <li>(b) Stretch EPS hurdle – to vest, the group's underlying EPS for the year ending 30 June 2015 must be at least 47.33 cents per share.</li> </ul> </li> <li>- 0% vested as at 30 June 2014.</li> </ul>	<b>156,000</b>	156,000
	<ul style="list-style-type: none"> <li>- Issued for nil consideration.</li> <li>- Exercise price is \$0.</li> <li>- Term of 12 months and to vest, the group's underlying EPS for the year ending 30 June 2013 must be at least 42.00 cents per share.</li> <li>- Lapsed as at 30 June 2014.</li> </ul>	-	37,234 <sup>^</sup>
Performance rights June 2014	<ul style="list-style-type: none"> <li>- Issued for nil consideration.</li> <li>- Exercise price is \$0.</li> <li>- Term of three years and there are 2 performance hurdles each representing 50% of the total number of performance rights:                             <ul style="list-style-type: none"> <li>(c) Base EPS hurdle – to vest, group's underlying EPS for the year ending 30 June 2016 must be at least 46.00 cents per share.</li> <li>(d) Stretch EPS hurdle – to vest, the group's underlying EPS for the year ending 30 June 2016 must be at least 49.20 cents per share.</li> </ul> </li> <li>- 0% vested as at 30 June 2014.</li> </ul>	<b>84,000</b>	-

<sup>^</sup> this represents an STI award provided to the CEO following his appointment pursuant to his contract.

# Directors' report continued

## Remuneration report (audited) continued

### Group performance

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

<b>Year ended</b>	30 June 2010	30 June 2011	30 June 2012	30 June 2013	<b>30 June 2014</b>
Underlying basic earnings per share (cents)	21.98	27.61	35.35	38.23	<b>37.48</b>
Basic earnings per share (cents)	17.44	24.47	35.35	38.23	<b>37.48</b>
Total dividends (cents)	11.00	16.50	24.00	26.00	<b>27.00</b>
Share price at 30 June (\$)	2.14	3.30	4.38	7.06	<b>8.11</b>

### 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 allowances (if applicable)). In accordance with the terms of the performance rights plan, any performance rights not vested at the date of termination will be forfeited and shall lapse, unless otherwise determined by the board.

### Prohibition on hedging by key management personnel

The group has adopted a policy which prohibits key management personnel and their closely related parties from entering into an arrangement that has the effect of limiting the exposure of a member of the key management personnel to risk relating to an element of that member's compensation. The policy complies with the requirements of s.206J of the Corporations Act 2001.

## Remuneration report (audited) continued

### Remuneration of key management personnel

Table 1: Remuneration for the year ended 30 June 2014

	Short-term employee benefits				Post-em- ployment benefits	Long- term employee benefits	Share- based payment	Total
	Salary & fees	Cash bonuses	Other	Total short term employee benefits	Super- annuation	Long service leave	Per- formance rights	
	\$	\$	\$	\$	\$	\$	\$	
<b>Non-executive directors</b>								
S. Fisher – chairman	183,066	-	-	183,066	16,934	-	-	200,000
T. Antonie (a)	54,259	-	-	54,259	5,019	-	-	59,278
S. Herman	102,975	-	-	102,975	9,525	-	-	112,500
D. Howell	109,037	-	-	109,037	10,086	-	-	119,123
S. Klein (b)	112,500	-	-	112,500	-	-	-	112,500
L. Myers (c)	91,905	-	-	91,905	8,501	-	-	100,406
J. Schmolli (d)	17,823	-	-	17,823	1,649	-	-	19,472
S. Weiss	115,789	-	-	115,789	10,711	-	-	126,500
<b>Sub-total non-executive directors</b>	<b>787,354</b>	<b>-</b>	<b>-</b>	<b>787,354</b>	<b>62,425</b>	<b>-</b>	<b>-</b>	<b>849,779</b>
<b>Other key management personnel</b>								
S. Brady	304,854	-	30,000	334,854	30,974	4,952	62,460	433,240
M. Cohen	373,400	-	30,000	403,400	25,000	5,951	81,997	516,348
C. Dais	468,913	73,441	-	542,354	-	-	57,471	599,825
J. Lord	725,000	-	-	725,000	25,000	8,594	167,957	926,551
<b>Sub-total executive KMP</b>	<b>1,872,167</b>	<b>73,441</b>	<b>60,000</b>	<b>2,005,608</b>	<b>80,974</b>	<b>19,497</b>	<b>369,885</b>	<b>2,475,964</b>
<b>Totals</b>	<b>2,659,521</b>	<b>73,441</b>	<b>60,000</b>	<b>2,792,962</b>	<b>143,399</b>	<b>19,497</b>	<b>369,885</b>	<b>3,325,743</b>

#### Note

(a) T. Antonie was appointed 18 December 2013, effective 19 December 2013.

(b) S. Klein is a principal of the legal firm SBA Law. His director's fees (which are subject to GST) were paid to SBA Law and are shown above net of GST.

(c) L. Myers was appointed 19 August 2013, effective 1 September 2013.

(d) J. Schmolli resigned 19 August 2013, effective 1 September 2013.



# Directors' report continued

## Remuneration report (audited) continued

### Remuneration of key management personnel continued

Table 2: Remuneration for the year ended 30 June 2013

	Short-term employee benefits				Post-em- ployment benefits	Long-term employee benefits	Share- based payment	Total
	Salary & fees	Cash bonuses	Other	Total short term employee benefits	Super- annuation	Long service leave	Per- formance rights	
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-executive directors</b>								
S. Fisher – chairman (a)	119,792	-	-	119,792	-	-	-	119,792
S. Herman (b)	34,139	-	-	34,139	3,073	-	-	37,212
D. Howell	116,055	-	-	116,055	10,445	-	-	126,500
S. Klein (c)	112,500	-	-	112,500	-	-	-	112,500
J Schmoll (d)	177,311	-	-	177,311	15,958	-	-	193,269
S. Weiss	116,055	-	-	116,055	10,445	-	-	126,500
<b>Sub-total non-executive directors</b>	<b>675,852</b>	<b>-</b>	<b>-</b>	<b>675,852</b>	<b>39,921</b>	<b>-</b>	<b>-</b>	<b>715,773</b>
<b>Other key management personnel</b>								
S. Brady	305,622	103,954	30,000	439,576	29,576	5,080	100,079	574,311
M. Cohen	373,400	139,024	30,000	542,424	25,000	6,035	160,701	734,160
C. Dais	399,124	111,335	-	510,459	-	-	52,373	562,832
J. Lord (e)	725,000	343,390	-	1,068,390	25,000	27,527	305,107	1,426,024
<b>Sub-total executive KMP</b>	<b>1,803,146</b>	<b>697,703</b>	<b>60,000</b>	<b>2,560,849</b>	<b>79,576</b>	<b>38,642</b>	<b>618,260</b>	<b>3,297,327</b>
<b>Totals</b>	<b>2,478,998</b>	<b>697,703</b>	<b>60,000</b>	<b>3,236,701</b>	<b>119,497</b>	<b>38,642</b>	<b>618,260</b>	<b>4,013,100</b>

Note

(a) S. Fisher was appointed chairman on 28 May 2013.

(b) S. Herman was appointed a director on 1 March 2013.

(c) S. Klein is a principal of the legal firm SBA Law. His director's fees (which are subject to GST) were paid to SBA Law and are shown above net of GST.

(d) J. Schmoll resigned as chairman on 28 May 2013.

(e) Cash bonuses includes \$100,000 paid in relation to services performed during J. Lord's tenure as Acting CEO.

## Remuneration report (audited) continued

### Remuneration of key management personnel continued

Table 3: Key management personnel compensation mix

Name	Fixed compensation		Short term incentive		Long term incentive (a)	
	2014	2013	2014	2013	2014	2013
<b>Non-executive directors</b>						
S. Fisher	100.00%	100.00%	-	-	-	-
T. Antonie (b)	100.00%	-	-	-	-	-
S. Herman	100.00%	100.00%	-	-	-	-
D. Howell	100.00%	100.00%	-	-	-	-
S. Klein	100.00%	100.00%	-	-	-	-
L. Myers (c)	100.00%	-	-	-	-	-
J. Schmoll	100.00%	100.00%	-	-	-	-
S. Weiss	100.00%	100.00%	-	-	-	-
<b>Other key management personnel</b>						
S. Brady	85.58%	64.47%	-	18.10%	14.42%	17.43%
M. Cohen	84.12%	59.17%	-	18.94%	15.88%	21.89%
C. Dais	78.18%	70.91%	12.24%	19.78%	9.58%	9.31%
J. Lord	81.87%	54.52%	-	24.08%	18.13%	21.40%

(a) LTI values are based on the accounting value of performance rights.

(b) T. Antonie became key management personnel on 19 December 2013.

(c) L. Myers became key management personnel on 1 September 2013.

Table 4: Other key management personnel cash bonuses and share-based compensation

Name	Cash bonuses		Share-based compensation		
	% Earned 2014	% Forfeited 2014	Year granted	% Vested 2014	% Forfeited 2014
S. Brady		100.00%	2014	-	-
			2013	-	-
			2012	-	-
			2011	100.00%	-
M. Cohen		100.00%	2014	-	-
			2013	-	-
			2012	15.18%	-
			2011	100.00%	-
C. Dais	53.05%	46.95%	2014	-	-
			2013	-	-
			2012	-	-
			2011	-	-
J. Lord		100.00%	2014	-	-
			2013	-	-
			2012	26.26%	-
			2011	100.00%	-

# Directors' report continued

## Remuneration report (audited) continued

### Remuneration of key management personnel continued

Table 5: Shareholdings of key management personnel

Ordinary shares held\* in Breville Group Limited (number)

30 June 2014	Balance at 1 July 2013	On exercise of performance rights	Net change other (a)	Balance at 30 June 2014
<b>Directors</b>				
S. Fisher	50,288	-	-	50,288
T. Antonie	-	-	-	-
S. Herman	8,000	-	-	8,000
D. Howell	100,000	-	-	100,000
S. Klein	117,189	-	-	117,189
L. Myers	-	-	10,000	10,000
J. Schmoll (b)	100,000	-	(100,000)	-
S. Weiss	121,775	-	-	121,775
<b>Other key management personnel</b>				
S. Brady	276,732	39,000	-	315,732
C. Dais	-	-	-	-
M. Cohen	305,500	72,500	(70,000)	308,000
J. Lord	220,000	105,000	(40,000)	285,000
<b>Total</b>	<b>1,299,484</b>	<b>216,500</b>	<b>(200,000)</b>	<b>1,315,984</b>
	Balance at 1 July 2012	On exercise of performance rights	Net change other (a)	Balance at 30 June 2013
<b>Directors</b>				
S. Fisher	50,288	-	-	50,288
S. Herman	-	-	8,000	8,000
D. Howell	100,000	-	-	100,000
S. Klein	117,189	-	-	117,189
J. Schmoll	100,000	-	-	100,000
S. Weiss	121,775	-	-	121,775
<b>Other key management personnel</b>				
S. Brady	300,645	43,000	(66,913)	276,732
C. Dais	-	-	-	-
M. Cohen	279,000	56,500	(30,000)	305,500
J. Lord	134,000	86,000	-	220,000
<b>Total</b>	<b>1,202,897</b>	<b>185,500</b>	<b>(88,913)</b>	<b>1,299,484</b>

\* Held directly, indirectly or beneficially.

(a) 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.

(b) J. Schmoll resigned 19 August 2013, effective 1 September 2013 and ceased to be key management personnel on that date.

## Remuneration report (audited) continued

### Performance rights

**Table 6: Performance rights granted**

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

Grant date *	First exercise date	Last exercise date	Expiry date	Exercise price	Fair value per performance right at grant date (\$) (Note 27)	Vested and exercised 30 June 2014	Vested and exercised 30 June 2013
22 Dec 10 (a)	3 Sept 12	5 Oct 12	5 Oct 12	0.00	2.64	-	100%
22 Dec 10 (b)	2 Sept 13	4 Oct 13	4 Oct 13	0.00	2.54	100%	-
20 Apr 11 (c)	2 Sept 13	4 Oct 13	4 Oct 13	0.00	3.32	100%	-
12 Oct 11 (d)	1 Sept 14	3 Oct 14	3 Oct 14	0.00	2.41	-	-
23 Dec 11 (e)	3 Dec 12	4 Jan 13	4 Jan 13	0.00	2.47	-	100%
23 Dec 11 (f)	2 Dec 13	3 Jan 14	3 Jan 14	0.00	2.33	100%	-
2 Oct 12 (g)	3 Sept 15	5 Oct 15	5 Oct 15	0.00	4.73	-	-
2 Oct 12 (h)	3 Oct 13	5 Nov 13	5 Nov 13	0.00	5.19	100%	-
2 Oct 12 (i)	3 Oct 14	5 Nov 14	5 Nov 14	0.00	4.95	-	-
2 Oct 12 (j)	2 Sept 13	4 Oct 13	4 Oct 13	0.00	5.21	-	-
4 Oct 13 (k)	2 Sept 16	5 Oct 16	5 Oct 16	0.00	7.61	-	-

(a) 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) 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) Group underlying EPS for the year ending 30 June 2013 is at least 37.00 cents per share.

(d) 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 2014 is at least 33.50 cents per share) and Stretch EPS (group underlying EPS for the year ending 30 June 2014 is at least 36.50 cents per share).

(e) Performance condition being that participants must be employed by the company on 3 December 2012.

(f) Performance condition being that participants must be employed by the company on 2 December 2013.

(g) There are two performance hurdles each representing 50% of the total number of performance shares granted - Base EPS (group underlying EPS for the year ending 30 June 2015 is at least 43.22 cents per share) and Stretch EPS (group underlying EPS is at least 47.33 cents per share).

(h) Performance condition being that participant must be employed on 3 October 2013.

(i) Performance condition being that participant must be employed on 3 October 2014.

(j) Group EPS for the year ending 30 June 2013 is at least 42.00 cents per share. This performance right lapsed during the year to 30 June 2014, due to a failure to satisfy the performance criteria.

(k) There are two performance hurdles each representing 50% of the total number of performance shares granted - Base EPS (group underlying EPS for the year ending 30 June 2016, is at least 46.00 cents per share) and stretch EPS (group underlying EPS is at least 49.20 cents per share).

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

# Directors' report continued

## Remuneration report (audited) continued

### Performance rights continued

Table 7: Performance rights and options holdings of key management personnel

30 June 2014	Balance 30 June 2013	Granted as remuneration (a)	Vested and exercised	Other (b)	Balance 30 June 2014
<b>Other key management personnel</b>					
S. Brady	94,000	12,000	(39,000)	-	67,000
M. Cohen	135,500	15,000	(72,500)	-	78,000
C. Dais	53,000	14,000	-	-	67,000
J. Lord	279,234	43,000	(105,000)	(37,234)	180,000
	<b>561,734</b>	<b>84,000</b>	<b>(216,500)</b>	<b>(37,234)</b>	<b>392,000</b>

30 June 2013	Balance 30 June 2012	Granted as remuneration (a)	Vested and exercised	Other (b)	Balance 30 June 2013
<b>Other key management personnel</b>					
S. Brady	117,000	20,000	(43,000)	-	94,000
M. Cohen	168,000	24,000	(56,500)	-	135,500
C. Dais	31,000	22,000	-	-	53,000
J. Lord	238,000	127,234	(86,000)	-	279,234
	<b>554,000</b>	<b>193,234</b>	<b>(185,500)</b>	<b>-</b>	<b>561,734</b>

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

(b) Includes lapses.

### Other transactions and balances with key management personnel and their related parties services

Mr Klein is a principal of SBA Law and his director's fees are paid to SBA Law. These fees are subject to GST.

Fees totalling \$287,482 (inclusive of GST), including Mr Klein's director's fees, were invoiced by SBA Law during the current financial year (2013: \$336,514). These fees were all on arm's length terms.

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

	30 June 2014 \$'000	30 June 2013 \$'000
<b>Liabilities</b>		
Current liabilities	40	21
<b>Total liabilities</b>	<b>40</b>	<b>21</b>
<b>Revenues &amp; expenses</b>		
Employee expenses (director's fees)	113	113
Professional fees	148	193
<b>Total expenses</b>	<b>261</b>	<b>306</b>

The amounts shown above are GST exclusive.



## 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
<b>Number of meetings</b>	<b>13</b>	<b>4</b>	<b>3</b>
S. Fisher (a)	<b>13(c)</b>	<b>4</b>	<b>3</b>
T. Antonie (b)	<b>6</b>	<b>n/a</b>	<b>n/a</b>
S. Herman (d)	<b>13</b>	<b>n/a</b>	<b>3</b>
D. Howell	<b>13</b>	<b>4</b>	<b>3</b>
S. Klein (a)	<b>13</b>	<b>4</b>	<b>2</b>
L. Myers (e)	<b>11</b>	<b>3(c)</b>	<b>2</b>
J. Schmoll (e)	<b>2</b>	<b>1</b>	<b>1</b>
S. Weiss	<b>13</b>	<b>4</b>	<b>3(c)</b>

Note

- (a) S. Fisher and S. Klein resigned from the audit and risk committee effective 20 August 2014.
- (b) T. Antonie was not a director for the full year and is not a member of either the audit and risk committee or the people and performance committee.
- (c) Designates the current chairman of the board or committee.
- (d) S. Herman is not a member of the audit and risk committee but is a member of the people and performance committee.
- (e) L. Myers and J. Schmoll were not directors for the full year.

## Committee membership

As at the date of this report, the company had an audit and risk committee and a people and performance committee. The details of the functions and memberships of the committees 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. During the financial year, the company paid premiums in respect of contracts to insure the directors and officers of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premiums.

## Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement, against all claims by third parties arising from the audit, except to the extent that any losses are due to Ernst & Young's negligent, wrongful or wilful acts or omissions. No payments have been made to indemnify Ernst & Young during or since the financial year.

## 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 31.

## Performance rights

### Unissued shares

As at the date of this report and the reporting date, there were 920,000 potential unissued shares under performance rights (2013: 838,500). Refer to note 27 of the financial report for further details of the performance rights outstanding. Performance right holders do not have any right, by virtue of the performance right, to participate in any share issue of the company.

### Lapse of unvested performance rights

During the year, 37,234 unvested performance rights lapsed as performance hurdles were not met (2013: 131,000 following the cessation of employment of employees or executives).

# Directors' report continued

## 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 2014. This auditor's declaration forms part of this directors' report.

## Non-audit services

During the financial year ended 30 June 2014 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.



Steven Fisher  
Non-executive chairman

Sydney  
20 August 2014

# Corporate governance statement

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

The ASX principles that have been adopted are outlined below.

The company's corporate governance practices throughout the year ended 30 June 2014 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](http://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
Steven Fisher (chairman)	2004	10 years	Yes	No	2013
Tim Antonie <sup>1</sup>	2013	0 years	Yes	No	-
Sally Herman	2013	1 years	Yes	No	2013
Dean Howell <sup>1</sup>	2008	6 years	Yes	Yes	2011
Steven Klein <sup>1</sup>	2003	11 years	Yes	No	2011
Lawrence Myers	2013	0 years	Yes	Yes	2013
Samuel Weiss <sup>1</sup>	2008	6 years	Yes	Yes	2011

1. In accordance with the requirements of the company's constitution, Mr Antonie (appointed effective 19 December 2013) will seek election and 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.

### Appointment of board members

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

### Diversity policy

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

# Corporate governance statement continued

## Principle 1: Lay solid foundations for management and oversight 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 was made in Australia during the year with further women being trained;
- Issuing the company equal opportunity statement to recruiting agencies: This continued in Australia during the year;
- Explicit requirement of recruiting agencies to provide a gender balance of suitable, qualified, shortlisted candidates for interview: This initiative achieved further progress during the year;
- Promoting a safe workplace free from harassment or discrimination of any kind: Training and education programs which included topics on harassment, bullying, victimisation and discrimination were conducted in Australia and the United Kingdom during the year;
- Enhancing the gender balance of women in career development for those in senior and managerial roles; and
- Continue flexible working arrangements where operationally appropriate.

The proportion of women employees in the company and the current targets are as follows:

	30 June 2013	30 June 2014	Target by June 2015
Women on the board	17%	14%	25%
Women in senior executive roles	17%	17%	20%
Women in senior roles	25%	26%	30%
Women in company	50%	55%	50%

Senior executives are direct reports to the CEO or a business unit manager. Senior roles include senior executives and direct reports to senior executives or other employees with a strategically important role.

To assist the board in fulfilling its responsibilities in relation to diversity, the implementation of these objectives is overseen by the people and performance committee.

The people and performance committee shall:

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

### Workplace equality

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

### 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.

### 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 seven non-executive directors. The directors' report, on pages 12 and 13, outlines the relevant skills, experience and expertise held by each director in office at the date of this report.

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

Effective 20 August 2014, Mr Myers was appointed the company's lead independent director.

### 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 Lawrence Myers and Mr Samuel Weiss are independent directors. The following directors are not independent directors:

- Mr Steven Fisher (non-executive chairman) is employed by an entity associated with a substantial shareholder of the company;
- Mr Tim Antonie (non-executive director) is a non-executive director of Premier Investments Ltd, a substantial shareholder of the company; and
- Ms Sally Herman (non-executive director) is a non-executive director of Premier Investments Ltd, a substantial shareholder of the company; and
- Mr Steven Klein (non-executive director) is a principal of SBA Law which 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.

### 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.

### Board committees

The board has established the audit and risk committee and people and performance committee to assist in the execution of its duties and to allow detailed consideration of complex issues. The composition of these committees is shown on page 29.

### Nomination committee

During the year ended 30 June 2014, 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.

## 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.



# Corporate governance statement continued

## 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:

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

### Composition of committee

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

- Mr Lawrence Myers (chairman)
- Mr Dean Howell
- Mr Samuel Weiss

Effective 20 August 2014, Mr Steven Fisher and Mr Steven Klein resigned from the A&RC.

The directors' report, on page 29, 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 pages 12 and 13.

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

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

## Principle 5: Make timely and balanced disclosure

The company's continuous disclosure policy complies with the council's recommendation 5.1. This policy is available on the company's website at the 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 of briefings held with investors and analysts, including a record of those present and the time and place of the meeting.

## Principle 7: Recognise and manage risk

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

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

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

During the year ended 30 June 2014, the company did not have a separately established risk committee. All duties and responsibilities typically delegated to such a committee are the responsibility of the full board, with assistance from the A&RC.

## Principle 8: Remunerate fairly and responsibly

### People and performance committee

The board has a people and performance committee, comprising the following directors as at the date of this report:

- Mr Samuel Weiss (chairman)
- Mr Steven Fisher
- Ms Sally Herman
- Mr Dean Howell
- Mr Lawrence Myers

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 Ms Sally Herman 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 29.

### Remuneration disclosure

For details of the company's remuneration philosophy and framework, and the remuneration received by directors and executives in the current period, please refer to the remuneration report contained in the directors' report on pages 17 to 28.

# Income statement

## for the year ended 30 June 2014

	Note	30 June 2014 \$'000	30 June 2013 \$'000
Revenue	2(a)	541,615	486,547
Cost of sales	2(b)	(365,421)	(308,405)
<b>Gross profit</b>		<b>176,194</b>	178,142
Other income	2(c)	1,386	967
Employee benefits expenses	2(f)	(48,023)	(50,850)
Restructure costs (net)		-	(801)
Premises, lease & utilities expenses		(10,911)	(10,735)
Advertising and marketing expenses		(25,393)	(23,021)
Other expenses		(15,306)	(14,838)
<b>Earnings before interest, tax, depreciation &amp; amortisation (EBITDA)</b>		<b>77,947</b>	78,864
Depreciation & amortisation expense	2(d)	(7,499)	(7,252)
<b>Earnings before interest and tax (EBIT)</b>		<b>70,448</b>	71,612
Finance costs	2(g)	(1,939)	(1,656)
Finance income	2(g)	863	1,328
<b>Profit before income tax</b>		<b>69,372</b>	71,284
Income tax expense	3	(20,607)	(21,552)
<b>Net profit after income tax for the year attributable to members of Breville Group Limited</b>		<b>48,765</b>	49,732
		<b>Cents</b>	Cents
<b>Earnings per share for profit attributable to the ordinary equity holders of Breville Group Limited:</b>			
- basic earnings per share	4	37.48	38.23
- diluted earnings per share	4	37.48	38.23

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

# Statement of comprehensive income

## for the year ended 30 June 2014

	Note	30 June 2014 \$'000	30 June 2013 \$'000
<b>Net profit after income tax for the year</b>		<b>48,765</b>	49,732
<b>Other comprehensive (loss)/income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation differences	20(a)	<b>(690)</b>	5,279
Net change in fair value of cash flow hedges	20(c)	<b>(4,089)</b>	1,627
Income tax on other comprehensive income and other items taken directly to equity	3	<b>1,794</b>	871
<b>Other comprehensive (loss)/income for the year, net of income tax</b>		<b>(2,985)</b>	7,777
<b>Total comprehensive income for the year attributable to members of Breville Group Limited</b>		<b>45,780</b>	57,509

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

# Statement of financial position

## as at 30 June 2014

	Note	30 June 2014 \$'000	30 June 2013 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6	70,885	68,130
Trade and other receivables	7	78,442	90,770
Inventories	8	94,274	83,751
Other financial assets	9	7	2,110
Current tax assets	3	1,110	804
Other assets	10	2,629	2,833
<b>Total current assets</b>		<b>247,347</b>	248,398
<b>Non-current assets</b>			
Plant and equipment	11	6,860	3,739
Deferred tax assets	3	7,164	8,208
Intangible assets – other	12	50,333	47,663
Intangible assets – goodwill	13	24,558	24,558
<b>Total non-current assets</b>		<b>88,915</b>	84,168
<b>Total assets</b>		<b>336,262</b>	332,566
<b>Current liabilities</b>			
Trade and other payables	15	81,793	82,266
Borrowings	16	56	13,630
Current tax liabilities	3	5,037	9,102
Provisions	17	9,056	13,041
Other financial liabilities	18	1,967	13
<b>Total current liabilities</b>		<b>97,909</b>	118,052
<b>Non-current liabilities</b>			
Other payables		-	616
Borrowings	16	23,780	11,070
Provisions	17	1,527	1,632
<b>Total non-current liabilities</b>		<b>25,307</b>	13,318
<b>Total liabilities</b>		<b>123,216</b>	131,370
<b>Net assets</b>		<b>213,046</b>	201,196
<b>Equity</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	19	140,050	138,368
Reserves	20	(11,938)	(7,165)
Retained earnings	21	84,934	69,993
<b>Total equity</b>		<b>213,046</b>	201,196

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



# Statement of changes in equity

## for the year ended 30 June 2014

	Note	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
<b>At 1 July 2012</b>		138,760	(14,783)	53,435	177,412
Foreign currency translation reserve	20(a)	-	5,279	-	5,279
Cash flow hedges	20(c)	-	1,627	-	1,627
Income tax on items taken directly to equity	3	-	871	-	871
<b>Net income recognised directly in equity</b>		-	7,777	-	7,777
Profit for the year		-	-	49,732	49,732
<b>Total recognised income for the year</b>		-	7,777	49,732	57,509
Dividends paid	5(a)	-	-	(33,174)	(33,174)
Ordinary shares acquired by the Trustee of the Breville Group Performance Share Plan Trust	19(b)	(1,883)	-	-	(1,883)
Transferred to participants of the performance rights plan	19(b)	1,491	(1,491)	-	-
Share-based payments	20(b)	-	1,332	-	1,332
<b>At 30 June 2013</b>		138,368	(7,165)	69,993	201,196
Foreign currency translation reserve	20(a)	-	(690)	-	(690)
Cash flow hedges	20(c)	-	(4,089)	-	(4,089)
Income tax on items taken directly to equity	3	-	1,794	-	1,794
<b>Net income recognised directly in equity</b>		-	(2,985)	-	(2,985)
Profit for the year		-	-	48,765	48,765
<b>Total recognised income for the year</b>		-	(2,985)	48,765	45,780
Dividends paid	5(a)	-	-	(33,824)	(33,824)
Ordinary shares acquired by the Trustee of the Breville Group Performance Share Plan Trust	19(b)	(1,041)	-	-	(1,041)
Transferred to participants of the performance rights plan	19(b)	2,723	(2,723)	-	-
Share-based payments	20(b)	-	935	-	935
<b>At 30 June 2014</b>		140,050	(11,938)	84,934	213,046

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

# Cash flow statement

## for the year ended 30 June 2014

	Note	30 June 2014 \$'000	30 June 2013 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		592,001	633,869
Payments to suppliers and employees		(514,005)	(574,924)
Payment for surrender of lease		(5,445)	-
Finance costs paid		(1,939)	(1,656)
Income tax paid		(20,323)	(21,661)
Finance income received		863	1,328
<b>Net cash flows from operating activities</b>	6(b)	<b>51,152</b>	36,956
<b>Cash flows used in investing activities</b>			
Purchase of plant and equipment		(4,268)	(1,007)
Proceeds from sale of plant and equipment		33	63
Purchase of intangible assets		(8,360)	(8,187)
Proceeds from sale of intangible assets		228	-
<b>Net cash flows used in investing activities</b>		<b>(12,367)</b>	(9,131)
<b>Cash flows used in financing activities</b>			
Proceeds from borrowings		49,577	34,444
Repayment of borrowings		(48,726)	(16,767)
Irretrievable cash contributions paid to the Trustee of the Breville Group Performance Share Plan Trust to acquire ordinary shares	19(b)	(1,041)	(1,883)
Equity dividends paid	5(a)	(33,824)	(33,174)
<b>Net cash flows used in financing activities</b>		<b>(34,014)</b>	(17,380)
<b>Net increase in cash and cash equivalents</b>		<b>4,771</b>	10,445
Cash and cash equivalents at beginning of the year		66,550	53,082
Net foreign exchange difference		(436)	3,023
<b>Cash and cash equivalents at end of the year</b>	6(a)	<b>70,885</b>	66,550

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

# Notes to the financial statements

## for the year ended 30 June 2014

### Note 1. Summary of significant accounting policies

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

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

A description of the group's operations and of its principal activities is included in the operating and financial review in the directors' report on pages 13 to 16. 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.

#### (c) Basis of consolidation

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

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

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

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

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

#### (d) Significant accounting judgements, estimates and assumptions

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

##### Impairment of goodwill & intangibles with indefinite useful lives

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

##### Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise

# Notes to the financial statements

## for the year ended 30 June 2014

### Note 1. Summary of significant accounting policies continued

#### (d) Significant accounting judgements, estimates and assumptions continued

##### Taxes continued

on a wide variety of issues depending on the conditions prevailing in the respective group company's domicile. As the group assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

##### Warranty and faulty goods

Provision for warranty and faulty goods is recognised at the date of sale of the relevant products, at the group's best estimate of the expenditure required to settle the group's liability. Factors that could impact the estimated claim information include the success of the group's productivity and quality initiatives, as well as parts and labour costs. The related carrying amounts are disclosed in note 17.

##### Provision for make-good

The provision for make-good represents the value of expected future payments to be made in respect of restoration of leased premises under contracts that have clauses potentially requiring these premises to be restored to their original condition at the conclusion of the lease. The estimate may vary as a result of negotiations between the parties at the end of the lease term. The related carrying amounts are disclosed in note 17.

#### (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);
- CAD - Canadian dollars (HWI Canada, Inc., Holding HWI Canada, Inc. and Breville Canada, L.P.);
- NZD - New Zealand dollars (Breville New Zealand Limited);
- GBP - British pounds (BRG Appliances Limited); and
- RMB - Chinese Renminbi (Breville Services (Shenzhen) Company 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.

## Note 1. Summary of significant accounting policies continued

### (g) Foreign currency translation continued

#### (ii) Transactions and balances continued

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

#### (iii) Disposal of foreign operations

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

### (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.

### (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 may use 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.

# Notes to the financial statements

## for the year ended 30 June 2014

### Note 1. Summary of significant accounting policies continued

#### (k) Derivative financial instruments and hedging continued

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

##### Cash flow hedges

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

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

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

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

#### (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 10 years.

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

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

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

#### (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.



## Note 1. Summary of significant accounting policies continued

### (n) Intangible assets - other continued

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.

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	Internally generated and 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.

# Notes to the financial statements

## for the year ended 30 June 2014

### Note 1. Summary of significant accounting policies continued

#### (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.

#### (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.

## Note 1. Summary of significant accounting policies continued

### (q) Trade and other payables continued

#### 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.

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.

# Notes to the financial statements

## for the year ended 30 June 2014

### Note 1. Summary of significant accounting policies continued

#### (s) Provisions continued

##### Warranties and faulty goods

Provisions 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.

##### Provision for restructure

The provision for restructure represents the value of expected future payments to be made in respect of business restructuring.

##### Provision for make-good

The provision for make-good represents the value of expected future payments to be made in respect of restoration of leased premises under contracts that have clauses potentially requiring these premises to be restored to their original condition at the conclusion of the lease. The estimate may vary as a result of negotiations between the parties at the end of the lease term.

#### (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.

#### (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:

##### (i) 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.

##### (ii) Commission income

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

##### (iii) 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.

##### (iv) 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.

## Note 1. Summary of significant accounting policies continued

### (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.

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.



# Notes to the financial statements

## for the year ended 30 June 2014

### Note 1. Summary of significant accounting policies continued

#### (y) Income tax and other taxes continued

##### (iii) Tax consolidation legislation continued

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.

#### (ab) New accounting standards and interpretations

##### (i) Changes to accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards and interpretations noted below:

AASB 10 *Consolidated Financial Statements*

AASB 12 *Disclosure of Interests in Other Entities*

AASB 13 *Fair Value Measurement*

AASB 119 *Employee Benefits*

AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*

AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (early adopted)*

Other new standards that are applicable for the first time at 30 June 2014, did not affect Breville Group's accounting policies or any of the amounts recognised in the financial statements.

##### (ii) Accounting Standards and Interpretations issued but not yet effective

Relevant accounting standards that have been issued but are not yet effective are outlined below:

Title	Summary	Application Date	Impact on Group
AASB 9 Financial Instruments	Hedge accounting	01/04/14	Immaterial impact

The Group does not expect to adopt the new standard before its operative date. It would first be applied in the financial statements for the annual reporting period ending 30 June 2015.



## Note 2. Revenue and expenses

### (a) Revenue

	Note	30 June 2014 \$'000	30 June 2013 \$'000
Sale of goods		539,922	469,476
Commission income		1,693	17,071
<b>Total revenue</b>		<b>541,615</b>	<b>486,547</b>

### (b) Cost of sales

Costs of inventories recognised as an expense (includes write-down of inventory to net realisable value (note 8))		321,616	272,121
Costs of delivering goods to customers		20,646	19,809
Warranty provision		23,159	16,475
<b>Total cost of sales</b>		<b>365,421</b>	<b>308,405</b>

### (c) Other income

Other income		1,386	967
<b>Total other income</b>		<b>1,386</b>	<b>967</b>

### (d) Depreciation and amortisation expense

Depreciation – plant and equipment	11	2,119	2,127
Amortisation – computer software	12(b)	110	235
Amortisation – development costs	2(h)	5,270	4,890
<b>Total depreciation and amortisation expense</b>		<b>7,499</b>	<b>7,252</b>

### (e) Lease payments and other expenses included in income statement

#### Included in premises, lease & utilities expenses:

• Minimum lease payments – operating lease (excludes onerous leases)		8,587	8,235
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#### Included in other income/expenses:

• Net profit on disposal of plant and equipment		(22)	(7)
• Impairment of intangible assets – development cost		606	-
• Doubtful debts charge		37	124
• Bad debts written off		158	-
• Net foreign exchange loss		593	113
• Other product related costs		2,755	2,339

### (f) Employee benefits expenses

Wages & salaries, leave and other employee related benefits		44,904	47,518
Defined contribution plan expense		2,184	2,000
Share-based payments expense		935	1,332
<b>Total employee benefits expenses</b>		<b>48,023</b>	<b>50,850</b>

# Notes to the financial statements

## for the year ended 30 June 2014

	Note	30 June 2014 \$'000	30 June 2013 \$'000
<b>Note 2. Revenue and expenses continued</b>			
<b>(g) Finance costs/(income)</b>			
Finance costs paid or payable on borrowings and bank overdrafts:			
- interest		503	571
- other borrowing costs		1,436	1,085
Finance costs		1,939	1,656
Finance revenue		(863)	(1,328)
<b>Total net finance costs</b>		<b>1,076</b>	328
<b>(h) Research and development costs</b>			
Amortisation of previously capitalised development costs included in amortisation expense	2(d)	5,270	4,890
Research and development costs charged directly to the income statement		8,260	7,554
<b>Total research and development costs</b>		<b>13,530</b>	12,444
<b>Note 3. Income tax</b>			
The major components of income tax expense are:			
<b>Income statement</b>			
<b>Current income tax</b>			
Current income tax charge		19,145	22,757
Adjustments in respect of current income tax of previous years		(497)	(20)
<b>Deferred income tax</b>			
Relating to the origination and reversal of temporary differences		1,959	(1,185)
<b>Total income tax expense reported in the income statement</b>		<b>20,607</b>	21,552
<b>Statement of changes in equity</b>			
<b>Deferred income tax related to items charged or credited directly to equity</b>			
Foreign currency translation differences		(74)	(592)
Employee equity benefits reserve		(463)	(683)
Net (loss)/gain on revaluation of cash flow hedges		(1,257)	404
<b>Income tax benefit reported in equity</b>		<b>(1,794)</b>	(871)
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:			
<b>Profit before income tax</b>		<b>69,372</b>	71,284
At the parent entity's statutory income tax rate of 30% (2013: 30%)		20,812	21,385
• adjustments in respect of current income tax of previous years		(497)	(20)
• effect of different rates of tax on overseas income		(670)	(606)
• expenditure not allowable for income tax purposes		782	636
• other		180	157
<b>Income tax expense reported in the income statement</b>		<b>20,607</b>	21,552

### Note 3. Income tax continued

#### Deferred income tax

Deferred income tax at 30 June relates to the following:

#### Deferred tax liabilities

Brand names	1,875	1,875	-	-
Development costs	4,106	3,852	(254)	105
Accelerated depreciation for tax purposes	8	-	(8)	-
Foreign currency translation reserve	229	155	-	-

#### Gross deferred income tax liabilities

6,218 5,882

#### Deferred tax assets

Losses available for offset against future taxable income	166	180	(14)	180
Provisions and accruals	5,347	7,779	(2,432)	93
Employee benefits	2,290	3,517	(1,227)	686
Revaluation of inventories	885	678	207	(70)
Cash flow hedge reserve	610	(647)	-	118
Employee equity benefits reserve	1,278	1,428	118	522
Other	2,806	1,155	1,651	(449)

#### Gross deferred income tax assets

13,382 14,090

#### Net deferred income tax assets

7,164 8,208

#### Deferred tax (expense)/income

(1,959) 1,185

30 June 2014  
\$'000

30 June 2013  
\$'000

#### Current income tax

Current tax asset	1,110	804
Current tax liabilities	5,037	9,102

At 30 June 2014, there is no recognised or unrecognised deferred income tax liability (2013: \$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.

# Notes to the financial statements

## for the year ended 30 June 2014

### 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:

- 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
- 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.

	<b>30 June 2014</b>	30 June 2013
	<b>\$'000</b>	\$'000
<b>Note 4. Earnings per share</b>		
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
<b>Earnings used in calculating basic and diluted earnings per share:</b>		
<b>Net profit attributable to ordinary equity holders of Breville Group Limited</b>	<b>48,765</b>	49,732
	<b>Thousands</b>	Thousands
<b>Weighted average number of shares:</b>		
<b>Weighted average number of ordinary shares for basic earnings per share</b>	<b>130,095</b>	130,095
Effect of dilution:		
• share options	-	-
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>130,095</b>	130,095
<b>Weighted average number of exercised, forfeited or expired potential ordinary shares included in diluted earnings per share</b>	<b>-</b>	-

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

(a) Dividends on ordinary shares declared and paid during the year:

**Final franked dividend for the year ending 30 June 2013 of 12.0 cents per share (2013: final fully franked dividend for 2012 of 11.5 cents per share)**

Note	30 June 2014 \$'000	30 June 2013 \$'000
• Paid in cash (i)	15,611	14,961
<b>Final dividend</b>	<b>15,611</b>	14,961

**Fully franked interim dividend for the year ending 30 June 2014 of 14.0 cents per share (2013: interim dividend for 2012 of 14.0 cents per share (9.5 cents franked))**

• Paid in cash (i)	18,213	18,213
<b>Interim dividend</b>	<b>18,213</b>	18,213

**Total fully franked dividends declared and paid during the year of 26.0 cents per share (2013: partially franked 25.5 cents per share (21.0 cents franked))**

(i) Total dividends paid in cash	33,824	33,174
<b>Total dividends</b>	<b>33,824</b>	33,174

(b) Dividends on ordinary shares proposed and not recognised as a liability:

**Final fully franked dividend for 2014 of 13.0 cents per share (2013: final fully franked dividend of 12.0 cents per share)**

	16,912	15,611
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(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% (2013: 30%)	3,989	2,022
• franking credits that will arise from the payment of income tax payable as at the end of the year	2,567	6,914
	<b>6,556</b>	8,936

The amount of franking credits in the parent available for future reporting periods:

• impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as distribution to equity holders during the period	(7,248)	(6,691)
<b>Total franking credit balance</b>	<b>(692)</b>	2,245

The tax rate at which dividends are franked is 30% (2013: 30%).

# Notes to the financial statements

## for the year ended 30 June 2014

	Note	30 June 2014 \$'000	30 June 2013 \$'000
<b>Note 6. Cash and cash equivalents</b>			
<b>Cash at bank and on hand</b>	(a)	<b>70,885</b>	68,130

### Notes:

- (a) Cash at bank earns interest at floating rates based on daily bank deposit rates.
- (b) At 30 June 2014, the Group had available \$30,438,000 (2013: \$30,128,000) 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 \$70,885,000 (2013: \$68,130,000).

### (a) Reconciliation of cash flow statement:

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

Cash and cash equivalents		<b>70,885</b>	68,130
Bank overdraft	16	-	(1,580)
<b>Total cash and cash equivalents, net</b>		<b>70,885</b>	66,550

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

Net profit for the year		<b>48,765</b>	49,732
<b>Adjustments for:</b>			
Depreciation and amortisation		<b>7,499</b>	7,252
Share-based payments		<b>935</b>	1,332
Net gain on disposal of plant and equipment		<b>(22)</b>	(7)
Net fair value change on derivatives		-	(8)
Foreign exchange losses		<b>593</b>	113
<b>Changes in assets and liabilities:</b>			
Decrease/(increase) in:			
Trade and other receivables		<b>11,586</b>	(13,890)
Inventories		<b>(10,978)</b>	(19,310)
Prepayments		<b>239</b>	659
Other current assets		<b>(206)</b>	(385)
Non-current assets		<b>1,827</b>	(997)
Increase/(decrease) in:			
Current liabilities		<b>(9,322)</b>	19,580
Non-current liabilities		<b>236</b>	(7,115)
<b>Net cash flows from operating activities</b>		<b>51,152</b>	36,956

### (c) Disclosure of financing facilities

Refer to note 16.



## Note 7. Trade and other receivables

### Current

	Note	30 June 2014 \$'000	30 June 2013 \$'000
Trade receivables	(a)	78,085	88,865
Allowance for uncollectible receivables		(192)	(291)
<b>Trade receivables, net</b>		<b>77,893</b>	88,574
Other receivables	(b)	549	2,196
<b>Total current trade and other receivables</b>		<b>78,442</b>	90,770

### 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. A charge of \$37,000 (2013: \$124,000) 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 2014 \$'000	30 June 2013 \$'000
<b>Balance at beginning of year</b>	<b>291</b>	470
Charge for the year	37	124
Net foreign exchange	(5)	20
Amounts utilised	(131)	(323)
<b>Balance at end of year</b>	<b>192</b>	291

At 30 June 2014 an ageing analysis of those trade receivables which are past due but not impaired are as follows:

	30 June 2014 \$'000	30 June 2013 \$'000
1 – 30 days overdue	16,219	8,682
31 – 60 days overdue	122	149
61+ days overdue	10	8
<b>Total past due but not impaired</b>	<b>16,351</b>	8,839

Trade receivables past due but not impaired amount to \$16,351,000 (2013: \$8,839,000). Of this balance, \$13,803,000 (2013: \$6,851,000) 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 2014

	Note	30 June 2014 \$'000	30 June 2013 \$'000
<b>Note 8. Inventories</b>			
Finished goods (at lower of cost and net realisable value)	(a)	77,652	68,036
Stock in transit (at cost)		16,622	15,715
<b>Total inventories</b>		<b>94,274</b>	83,751
<b>Notes:</b>			
(a) Total net finished goods provision movements recognised in the income statement totalled a \$1,019,000 expense (2013: \$595,000 expense) for the group. This net expense (2013: expense) is included in the cost of inventories line in the cost of sales.			
<b>Note 9. Other financial assets</b>			
<b>Derivative assets</b>			
Forward exchange contracts – cash flow hedges		7	2,110
<b>Total other financial assets</b>		<b>7</b>	2,110
<b>Notes:</b>			
Derivative assets represent the fair value receivable arising from forward exchange contracts disclosed in note 18.			
<b>Note 10. Other assets</b>			
Prepayments		2,629	2,833
<b>Total other assets</b>		<b>2,629</b>	2,833
<b>Note 11. Plant and equipment</b>			
<b>At the beginning of the year</b>			
At cost (gross carrying amount)		25,896	30,948
Accumulated depreciation and impairment		(22,157)	(27,073)
<b>Net carrying amount</b>	(i)	<b>3,739</b>	3,875
<b>At the end of the year</b>			
At cost (gross carrying amount)		28,763	25,896
Accumulated depreciation and impairment		(21,903)	(22,157)
<b>Net carrying amount</b>	(i)	<b>6,860</b>	3,739
<b>(i) Reconciliation of the carrying amount</b>			
<b>Carrying amount at the beginning of year</b>		<b>3,739</b>	3,875
Additions		5,174	1,901
Disposals		(11)	(56)
Depreciation	2(d)	(2,119)	(2,127)
Net exchange difference		77	146
<b>Carrying amount at the end of year</b>		<b>6,860</b>	3,739

## Note 12. Intangible assets – other

	Note	30 June 2014 \$'000	30 June 2013 \$'000
Development costs	(a)	13,543	12,840
Computer software	(b)	5,215	3,020
Brand names	(c)	31,575	31,803
<b>Total intangible assets - other</b>		<b>50,333</b>	47,663

### 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 internally developed and 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 2014 (see note 14).

	Note	30 June 2014 \$'000	30 June 2013 \$'000
<b>(a) Development costs</b>			
<b>At the beginning of the year</b>			
At cost (gross carrying amount)		36,383	31,843
Accumulated amortisation and impairment		(23,543)	(18,653)
<b>Net carrying amount</b>	(i)	<b>12,840</b>	13,190
<b>At the end of the year</b>			
At cost (gross carrying amount)		40,034	36,383
Accumulated amortisation and impairment		(26,491)	(23,543)
<b>Net carrying amount</b>	(i)	<b>13,543</b>	12,840
<b>(i) Reconciliation of the carrying amount</b>			
<b>Carrying amount at the beginning of year</b>			
Carrying amount at the beginning of year		12,840	13,190
Additions – internal development		6,579	4,540
Impairment	2(e)	(606)	-
Amortisation	2(d)	(5,270)	(4,890)
<b>Carrying amount at the end of year</b>		<b>13,543</b>	12,840
<b>(b) Computer software</b>			
<b>At the beginning of the year</b>			
At cost (gross carrying amount)		5,631	3,695
Accumulated amortisation and impairment		(2,611)	(3,390)
<b>Net carrying amount</b>	(i)	<b>3,020</b>	305
<b>At the end of the year</b>			
At cost (gross carrying amount)		6,850	5,631
Accumulated amortisation and impairment		(1,635)	(2,611)
<b>Net carrying amount</b>	(i)	<b>5,215</b>	3,020

# Notes to the financial statements

## for the year ended 30 June 2014

	Note	30 June 2014 \$'000	30 June 2013 \$'000
<b>Note 12. Intangible assets – other continued</b>			
<b>(b) Computer software continued</b>			
<b>(i) Reconciliation of the carrying amount</b>			
<b>Carrying amount at the beginning of year</b>		<b>3,020</b>	305
Additions		<b>2,303</b>	2,943
Amortisation	2(d)	<b>(110)</b>	(235)
Net exchange difference		<b>2</b>	7
<b>Carrying amount at the end of year</b>		<b>5,215</b>	3,020
<b>(c) Brand names</b>			
At the beginning / end of the year			
<b>Net carrying amount</b>		<b>31,575</b>	31,803
<b>(i) Reconciliation of the carrying amount</b>			
<b>Carrying amount at the beginning of year</b>		<b>31,803</b>	31,803
Disposals		<b>(228)</b>	-
<b>Carrying amount at the end of year</b>		<b>31,575</b>	31,803
<b>Note 13. Intangible assets – goodwill</b>			
At the beginning and at the end of the year			
<b>Net carrying amount</b>		<b>24,558</b>	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
- Breville Australia
- North America Distribution
- New Zealand Distribution
- Rest of World Distributors

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

The discount rate applied to cash flow projections is 12.8% (2013: 13.4%). Cash flows beyond the approved 30 June 2014 budgets are extrapolated using a 3% growth rate (2013: 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 2014 \$'000	30 June 2013 \$'000
<b>Carrying amount of goodwill and brand names are allocated as follows:</b>			
<b>Breville Group</b>			
- brand names with indefinite useful lives		13,800	13,800
<b>Breville Australia</b>			
- goodwill		20,277	20,277
- brand names with indefinite useful lives		17,775	18,003
		<b>38,052</b>	38,280
<b>North America Distribution</b>			
- goodwill		1,764	1,764
<b>New Zealand Distribution</b>			
- goodwill		276	276
<b>Rest of World Distributors</b>			
- goodwill		2,241	2,241
		<b>56,133</b>	56,361
<b>All cash generating units</b>			
- goodwill	13	24,558	24,558
- brand names with indefinite useful lives	12(c)	31,575	31,803
<b>Total carrying amount of goodwill and brand names</b>		<b>56,133</b>	56,361

### Key assumptions used in value in use calculations for the cash generating units for 30 June 2014 and 30 June 2013

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.

# Notes to the financial statements

## for the year ended 30 June 2014

	Note	30 June 2014 \$'000	30 June 2013 \$'000
<b>Note 15. Trade and other payables</b>			
<b>Current</b>			
Trade payables – unsecured	(a)	78,437	77,909
Employee benefits	28	3,356	4,357
<b>Total current trade and other payables</b>		<b>81,793</b>	<b>82,266</b>

### 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 2014 \$'000	30 June 2013 \$'000
<b>Note 16. Borrowings</b>			
<b>Current</b>			
Bank overdrafts – on demand	6(a)	-	1,580
<b>Other loans:</b>			
- Cash advance facilities		-	11,998
- Term loan		56	52
<b>Total current borrowings</b>		<b>56</b>	<b>13,630</b>
<b>Non-current</b>			
<b>Other loans:</b>			
- Cash advance facilities		23,687	10,943
- Term loan		93	127
<b>Total non-current borrowings</b>		<b>23,780</b>	<b>11,070</b>

### Terms and conditions

The group operates under one primary facility with Australia and New Zealand Banking Group Limited (ANZ) enabling all jurisdictions to borrow under one global facility. The facility agreement has a number of financial covenants all of which have been fully complied with as at the years ended 30 June 2014 and 30 June 2013.

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 corporate guarantees in favour of the local bank (HSBC) which provides the day to day US and UK transactional banking facilities. A security agreement in favour of ANZ is in existence over the assets and undertakings of Breville USA, Inc and BRG Appliances Limited.

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

### Fair value

The carrying value and estimated net fair values of the borrowings held with banks (determined under Level 2, as described in note 18) approximates their fair value. Fair values of the Company's interest-bearing loans are determined by using a discounted cash flow method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The non-performance risk as at 30 June 2014 was assessed to be insignificant. Details regarding interest rate, foreign exchange and liquidity risk are disclosed in notes 18 and 23.



## Note 16. Borrowings continued

### Financing facilities available

At reporting date, the following financial facilities have been negotiated and were available to the group:

	Note	30 June 2014 \$'000	30 June 2013 \$'000
Facilities used at the reporting date	(a)	26,672	27,967
Facilities unused at the reporting date	(b)	36,398	34,859
<b>Total facilities</b>	(c)	<b>63,070</b>	62,826
<b>(a) Facilities used at the reporting date:</b>			
- Non-current cash advance facilities		23,687	10,943
- Current cash advance facilities		-	11,998
- Trade finance facilities		-	-
- Overdraft facilities		-	1,580
- Business transactions facilities		503	497
- Indemnity/guarantee facilities		1,947	2,093
- Documentary credit facilities		535	856
<b>Facilities used as at reporting date</b>		<b>26,672</b>	27,967
<b>(b) Facilities unused at the reporting date:</b>			
- Non-current cash advance facilities		15,693	5,200
- Current cash advance facilities		-	11,805
- Trade finance facilities		1,987	2,080
- Overdraft facilities		12,758	11,043
- Business transactions facilities		502	497
- Indemnity/guarantee facilities		1,752	713
- Documentary credit facilities		3,706	3,521
<b>Facilities unused as at reporting date</b>		<b>36,398</b>	34,859
<b>(c) Total facilities:</b>			
- Non-current cash advance facilities		39,380	16,143
- Current cash advance facilities		-	23,803
- Trade finance facilities		1,987	2,080
- Overdraft facilities		12,758	12,623
- Business transactions facilities		1,005	994
- Indemnity/guarantee facilities		3,699	2,806
- Documentary credit facilities		4,241	4,377
<b>Total facilities</b>		<b>63,070</b>	62,826

### Seasonal facility

Under the primary facility with ANZ, the group also has a seasonal facility available between October 2014 - January 2015 (2013: October 2013 - January 2014) of \$10,000,000 (2013: \$10,000,000) and a seasonal facility available between September 2014 and March 2015 (2013: October 2013 - March 2014) of \$7,951,654 (2013: \$7,113,154). These facilities are under the same terms and conditions as described above.

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

# Notes to the financial statements

## for the year ended 30 June 2014

	Note	30 June 2014 \$'000	30 June 2013 \$'000
<b>Note 17. Provisions</b>			
<b>Current</b>			
Warranty and faulty goods		7,203	4,908
Employee benefits – long service	28	1,449	1,502
Restructure provision		-	1,112
Provision for make good		220	396
Onerous lease contracts		184	5,123
<b>Total current provisions</b>	(a)	<b>9,056</b>	13,041
<b>Non-current</b>			
Employee benefits – long service	28	1,461	1,308
Onerous lease contracts		66	324
<b>Total non-current provisions</b>	(a)	<b>1,527</b>	1,632

	Warranty and faulty goods \$'000	Employee benefits - long service \$'000	Provision for restructure \$'000	Provision for make-good \$'000	Onerous lease contracts \$'000	Total \$'000
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### (a) Movement in provisions

#### Carrying amount at the beginning of the year:

Current	4,908	1,502	1,112	396	5,123	13,041
Non-current	-	1,308	-	-	324	1,632
<b>Total</b>	<b>4,908</b>	<b>2,810</b>	<b>1,112</b>	<b>396</b>	<b>5,447</b>	<b>14,673</b>

#### Movement in provisions during the year:

Additional provisions made in the year	23,159	431	-	-	-	23,590
Amounts utilised/reversed during the year	(20,730)	(328)	(1,112)	(176)	(5,194)	(27,540)
Net exchange differences	(134)	(3)	-	-	(3)	(140)
Net movement	2,295	100	(1,112)	(176)	(5,197)	(4,090)

#### Carrying amount at the end of the year:

Current	7,203	1,449	-	220	184	9,056
Non-current	-	1,461	-	-	66	1,527
<b>Total</b>	<b>7,203</b>	<b>2,910</b>	<b>-</b>	<b>220</b>	<b>250</b>	<b>10,583</b>

### 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.

## Note 17. Provisions continued

### Employee benefits – long service

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

### Provision for restructure

The provision for restructure represents the value of expected future payments to be made in respect of the restructure of the Canadian business unit following the cessation of the Keurig distribution agreement in Canada.

### Provision for make-good

The provision for make-good represents the value of expected future payments to be made in respect of restoration of leased premises under contracts that have clauses potentially requiring these premises to be restored to their original condition at the conclusion of the lease. The estimate may vary as a result of negotiations between the parties at the end of the lease term.

### 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	30 June 2014 \$'000	30 June 2013 \$'000
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## Note 18. Other financial liabilities

### Derivative liabilities

Forward exchange contracts – cash flow hedges	(i)	1,967	13
<b>Total other financial liabilities</b>		<b>1,967</b>	<b>13</b>

### Instruments used by the group

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

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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

# Notes to the financial statements

## for the year ended 30 June 2014

### Note 18. Other financial liabilities continued

#### (i) Forward exchange contracts - cash flow hedges

The majority of the group's inventory purchases from suppliers are denominated in US dollars (US\$). In order to manage exchange rate movements and to manage the inventory costing process, the group has entered into forward exchange contracts to purchase 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 2014 (2013: 0-12 months) and the cost of sales and where applicable the sale of goods within the income statement will be affected in the next financial year as the inventory is sold or the payments are made. At balance date, the details of outstanding contracts are:

	30 June 2014		30 June 2013	
	A\$'000	Average exchange rate	A\$'000	Average exchange rate
<b>Buy US\$ / Sell Australian \$</b>				
Buy US\$ - maturity 0-12 months (2013: 0-12 months)	<b>34,658</b>	<b>0.8887</b>	30,631	0.9549
<b>Buy US\$ / Sell New Zealand \$</b>				
Buy US\$ - maturity 0-5 months (2013: 0-5 months)	<b>1,731</b>	<b>0.8312</b>	2,494	0.8149
<b>Buy US\$ / Sell Canadian \$</b>				
Buy US\$ - maturity 0-6 months (2013: 0-6 months)	<b>10,587</b>	<b>0.9150</b>	8,514	0.9772
<b>Buy US\$ / Sell British £</b>				
Buy US\$ - maturity 0-6 months (2013: 0-5 months)	<b>2,348</b>	<b>1.6757</b>	3,095	1.5161
<b>Buy CHF / Sell Australian \$</b>				
Buy CHF - maturity 0-7 months (2013: nil)	<b>538</b>	<b>0.8367</b>	-	-
<b>Buy Euro / Sell Australian \$</b>				
Buy Euro - maturity 0-8 months (2013: nil)	<b>1,531</b>	<b>0.6859</b>	-	-

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 \$1,099,000 was credited to inventory (2013: \$257,000 debited) and \$2,947,000 was debited (2013: \$1,370,000 credited) to equity in respect of the group.

	Note	30 June 2014 \$'000	30 June 2013 \$'000
<b>Note 19. Issued capital</b>			
Ordinary shares – authorised, issued and fully paid	(a)	140,050	140,050
Ordinary shares – held by the Breville Group Performance Share Plan Trust	(b)	-	(1,682)
<b>Total contributed equity</b>		<b>140,050</b>	<b>138,368</b>

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

	Note	30 June 2014		30 June 2013	
		Number of shares	\$'000	Number of shares	\$'000
<b>(a) Movements in ordinary issued shares:</b>					
<b>Beginning and end of the year</b>		<b>130,095,322</b>	<b>140,050</b>	130,095,322	140,050
<b>(b) Movements in ordinary shares held by the Breville Group Performance Share Plan Trust:</b>					
<b>Beginning of the year</b>		<b>(249,000)</b>	<b>(1,682)</b>	(303,000)	(1,290)
<b>Movements during the year</b>					
Transferred to participants of the Breville Group Limited Performance Rights Plan	(i)	<b>370,500</b>	<b>2,723</b>	337,500	1,491
Ordinary shares acquired by the Breville Group Performance Share Plan Trust during the year - cash	(ii)	<b>(121,500)</b>	<b>(1,041)</b>	(283,500)	(1,883)
<b>End of the year</b>		<b>-</b>	<b>-</b>	(249,000)	(1,682)

(i) During the year the Trustee of the Breville Group Performance Share Plan Trust transferred 370,500 ordinary company shares (2013: 337,500) to participants in order to fulfil its obligations under the Breville Group Limited Performance Rights Plan.

(ii) During the year the Trustee of the Breville Group Performance Share Plan Trust acquired 121,500 ordinary shares (2013: 283,500) in order to fulfil its obligations under the Breville Group Limited Performance Rights Plan. The average value placed on these acquisitions was \$8.57 per share (2013: \$6.64). Details are provided in note 25(b) and note 27.

### (c) Performance rights over ordinary shares:

The company has a share-based payment performance rights scheme under which 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 920,000 (2013: 838,500) potential unissued ordinary shares in respect of performance rights that were outstanding.

# Notes to the financial statements

## for the year ended 30 June 2014

	Note	30 June 2014 \$'000	30 June 2013 \$'000
<b>Note 20. Reserves</b>			
Foreign currency translation reserve	(a)	<b>(9,638)</b>	(9,022)
Employee equity benefits reserve	(b)	<b>(948)</b>	377
Cash flow hedge reserve	(c)	<b>(1,352)</b>	1,480
<b>Total reserves</b>		<b>(11,938)</b>	(7,165)
<b>(a) Movement in foreign currency translation reserve</b>			
<b>Balance at beginning of year</b>		<b>(9,022)</b>	(14,893)
Currency translation differences		<b>(690)</b>	5,279
Tax effect of foreign currency translation reserve		<b>74</b>	592
<b>Balance at end of year</b>		<b>(9,638)</b>	(9,022)
<b>(b) Movement in employee equity benefits reserve</b>			
<b>Balance at beginning of year</b>		<b>377</b>	(147)
Share-based payments expense		<b>935</b>	1,332
Transferred to participants of the performance rights plan		<b>(2,723)</b>	(1,491)
Tax effect of employee equity benefits reserve		<b>463</b>	683
<b>Balance at end of year</b>		<b>(948)</b>	377
<b>(c) Movement in cash flow hedge reserve</b>			
<b>Balance at beginning of year</b>		<b>1,480</b>	257
Net (losses)/gains on cash flow hedges		<b>(4,089)</b>	1,627
Tax effect of net losses/(gains) on cash flow hedges		<b>1,257</b>	(404)
<b>Balance at end of year</b>		<b>(1,352)</b>	1,480

### Nature and purpose of reserves

#### Foreign currency translation reserve

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

#### Employee equity benefits reserve

This reserve is used to record the value of equity benefits provided to employees as part of their remuneration. Refer to note 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 2014 \$'000	30 June 2013 \$'000
<b>Note 21. Retained earnings</b>			
<b>Balance at beginning of the year</b>		<b>69,993</b>	53,435
Net profit for the year attributable to members of Breville Group Limited		<b>48,765</b>	49,732
Dividends	5(a)	<b>(33,824)</b>	(33,174)
<b>Balance at end of the year</b>		<b>84,934</b>	69,993

## 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 ANZ Distribution and North America Distribution operating segments distribute primarily small electrical appliances to retail customers in their geographical locations. The Rest of World operating segment distributes primarily small electrical appliances to distributors in international locations and also includes the UK business.

Other is not an operating segment and comprises the short term incentive plan and group's shared service facility, including the group's design and development, global marketing and supply chain functions. The prior year comparative includes the revenues and costs associated with the establishment of the new UK business which commenced trading in May 2013.

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

Transfer prices between operating segments are set at arm's 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 profit before income tax excludes certain transfer prices and includes an allocation of head office costs.

Year ended 30 June 2014	ANZ Distribution \$'000	North America Distribution \$'000	Rest of World \$'000	Other \$'000	Total \$'000
<b>Revenue</b>					
Sale of goods	261,621	198,508	79,793	-	539,922
Commission income	-	1,693	-	-	1,693
Inter-segment revenue	-	-	8,187	25,857	34,044
<b>Total segment revenue</b>	<b>261,621</b>	<b>200,201</b>	<b>87,980</b>	<b>25,857</b>	<b>575,659</b>
Inter-segment elimination					(34,044)
<b>Total consolidated revenues</b>					<b>541,615</b>
<b>Segment results</b>					
<b>EBITDA</b>	<b>25,983</b>	<b>30,432</b>	<b>20,242</b>	<b>1,290</b>	<b>77,947</b>
Depreciation & amortisation	(1,115)	(337)	(42)	(6,005)	(7,499)
<b>EBIT</b>	<b>24,868</b>	<b>30,095</b>	<b>20,200</b>	<b>(4,715)</b>	<b>70,448</b>
Finance revenue	817	27	5	14	863
Finance costs	(367)	(912)	(507)	(153)	(1,939)
<b>Profit before income tax</b>	<b>25,318</b>	<b>29,210</b>	<b>19,698</b>	<b>(4,854)</b>	<b>69,372</b>
<b>Other segment information</b>					
<b>Capital expenditure</b>	<b>3,821</b>	<b>242</b>	<b>112</b>	<b>999</b>	<b>5,174</b>



# Notes to the financial statements

## for the year ended 30 June 2014

### Note 22. Operating segments continued

Year ended 30 June 2013	ANZ Distribution \$'000	North America Distribution \$'000	Rest of World \$'000	Other \$'000	Total \$'000
<b>Revenue</b>					
Sale of goods	240,953	175,299	51,106	2,118	469,476
Commission income	-	17,071	-	-	17,071
Inter-segment revenue	-	-	7,179	22,696	29,875
<b>Total segment revenue</b>	240,953	192,370	58,285	24,814	516,422
Inter-segment elimination					(29,875)
<b>Total consolidated revenues</b>					486,547
<b>Segment results</b>					
<b>EBITDA</b>	28,296	38,479	15,688	(3,599)	78,864
Depreciation & amortisation	(951)	(600)	(8)	(5,693)	(7,252)
<b>EBIT</b>	27,345	37,879	15,680	(9,292)	71,612
Finance revenue	1,257	40	9	22	1,328
Finance costs	(318)	(898)	(125)	(315)	(1,656)
<b>Profit before income tax</b>	28,284	37,021	15,564	(9,585)	71,284
<b>Other segment information</b>					
<b>Capital expenditure</b>	848	262	3	788	1,901

## 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 forward exchange contracts and at times, foreign exchange option contracts and interest rate swaps. 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 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. Historically, fixed rate debt was 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. 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 2014, the group has the following exposure to interest rate risk:

	30 June 2014 \$'000	30 June 2013 \$'000
Cash at bank	70,885	68,130
Bank overdraft – on demand	-	(1,580)
Cash advance facilities	(23,687)	(22,941)
Term loan	(149)	(179)
<b>Net exposure</b>	<b>47,049</b>	43,430

At 30 June 2014, 0% of the group's borrowings (2013: 0%) are at a fixed rate of interest. The remaining 100% (2013: 100%) is exposed to floating rates. On a principal net receivable of \$47,049,000 (2013: \$43,430,000), at an average payable rate including margin of 2.5% (2013: 2.5%) and average receivable rate of 1.4% (2013: 2.3%), an increment of 0.5% in the market rates would result in a decrease in finance costs of \$437,000 (2013: \$421,000), conversely a decrement of 0.5% in the market rates would result in an increase in finance costs of \$323,000 (2013: \$333,000).

The group's net exposure to interest rate risk calculated as at 30 June 2014 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. All of the group's borrowings during the year (2013 average borrowings: 100%) are at a floating rate of interest. On an average principal net receivable during the year of \$31,936,000 (2013: \$35,688,000), at an average payable rate including margin of 2.5% (2013: 2.5%) and average receivable rate of 1.4% (2013: 2.3%), an increment of 0.5% in the market rates would result in a decrease in finance costs of \$160,000 (2013: \$178,000), conversely a decrement of 0.5% in the market rates would result in a decrease in finance costs of \$126,000 (2013: \$152,000).

# Notes to the financial statements

## for the year ended 30 June 2014

### Note 23. Financial risk management objectives and policies continued

#### Foreign currency risk

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

To hedge exposure arising from the purchase of inventories or payments in currencies other than the business unit's functional currency, 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 2014, the group has the following financial assets and liabilities exposed to foreign currency risk:

	30 June 2014 \$'000	30 June 2013 \$'000
Cash at bank	1,442	(37)
Trade and other receivables	2,287	3,286
Trade and other payables	(17)	(3,264)
Other financial assets – derivative assets	7	2,110
Other financial liabilities – derivative liabilities	(1,967)	(13)
<b>Net exposure</b>	<b>1,752</b>	<b>2,082</b>

At 30 June 2014, the group had hedged 57% (2013: 50%) of its foreign currency purchases extending to June 2015 (2013: June 2014). The remaining 43% (2013: 50%) 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 \$335,000 (2013: \$1,500). A decrement of 10% in the foreign exchange rates would result in an increase in other expenses of \$415,000 (2013: \$1,700).

In respect of net derivative assets and liabilities above, being the fair value of forward exchange contracts designated as cash flow hedges, a decrease of 10% in the US dollar exchange rate against local currencies, all other variables held constant, would result in an increase in equity of \$5,215,000 (2013: \$5,164,000). Conversely, an increase of 10% in the US dollar exchange rate against local currencies, all other variables held constant, would result in a decrease in equity of \$4,267,000 (2013: \$4,225,000).

#### 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 2014 and 30 June 2013 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).

## 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, Canada and the UK. As at 30 June 2014, 99.6% of the group's borrowings will mature in greater than one year (2013: 45%) and 0.4% (2013: 55%) 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 2014, the remaining contractual maturities of the group's financial liabilities are:

	30 June 2014 \$'000	30 June 2013 \$'000
Less than 1 year	83,846	95,931
Between 1 and 5 years	23,780	11,686
<b>Total financial liabilities</b>	<b>107,626</b>	107,617

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 2014			30 June 2013		
	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	81,793	-	81,793	82,266	616	82,882
Borrowings	86	23,780	23,866	13,652	11,070	24,722
Other financial liabilities	1,967	-	1,967	13	-	13
<b>Total</b>	<b>83,846</b>	<b>23,780</b>	<b>107,626</b>	95,931	11,686	107,617

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

# Notes to the financial statements

## for the year ended 30 June 2014

### 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 2014 \$'000	30 June 2013 \$'000
Within one year	6,431	11,824
After one year but not later than five years	12,567	22,206
More than five years	6,853	-
<b>Total future minimum rentals payable</b>	<b>25,851</b>	<b>34,030</b>

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 2014 \$'000	30 June 2013 \$'000
Within one year	300	1,787
After one year but not later than five years	-	4,346
<b>Total future minimum rentals receivable</b>	<b>300</b>	<b>6,133</b>

#### Contingencies

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

Cross guarantees given by Breville Group Limited, Thebe International Pty Limited, Breville Holdings Pty Limited and Breville Pty Limited are described in note 25(a).

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

Legal entity	Country of incorporation	Note	Equity interest	
			30 June 2014 %	30 June 2013 %
Thebe International Pty Limited	Australia	(a)	100	100
<i>Investments not held directly by Breville Group Limited:</i>				
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	(c)	-	100
HWI Export Limited	Hong Kong	(c)	-	100
Breville Services (Shenzhen) Company Limited	China		100	100
Breville Holdings USA, Inc.	USA		100	100
Breville USA, Inc.	USA		100	100
Holding HWI Canada, Inc	Canada		100	100
HWI Canada, Inc	Canada		100	100
Breville Canada, L.P. (formerly Anglo Canadian Housewares, L.P.)	Canada		100	100
BRG Appliances Limited	UK		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 Holdings Pty Limited under an assumption deed dated 19 December 2001. The effect of the deed is that Breville Group Limited has guaranteed to pay any deficiency in the event of winding up of either controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Breville Group Limited is wound up or if it does not meet its obligation under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The entities comprising the class order "closed group" are Breville Group Limited, Thebe International Pty Limited, Breville Pty Limited and Breville Holdings Pty Limited. The consolidated statement of financial position and income statement of the entities that are members of the "closed group" are detailed in notes 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 is funded by funds irretrievably contributed to it by the company and the Trustee uses these funds to either subscribe for a new issue of shares in the company or purchase shares on the ASX in order to fulfil its obligations under the Breville Group Limited Performance Rights Plan.

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

During the financial year ended 30 June 2014, the Trustee acquired 121,500 company shares (2013: 283,500). The average value placed on these acquisitions was \$8.57 per share (2013: \$6.64).

### (c) HWI Export Limited and Gannet Holdings Limited

HWI Export Limited and Gannet Holdings Limited were dissolved by deregistration on 27 June 2014.

# Notes to the financial statements

## for the year ended 30 June 2014

Note	30 June 2014 \$'000	30 June 2013 \$'000
<b>Note 25. Related party disclosure continued</b>		
<b>(i) Consolidated statement of financial position for class order closed group</b>		
<b>Current assets</b>		
Cash and cash equivalents	36,181	33,884
Trade and other receivables	51,439	48,366
Inventories	48,255	44,776
Other financial assets	7	1,712
Other assets	614	534
<b>Total current assets</b>	<b>136,496</b>	<b>129,272</b>
<b>Non-current assets</b>		
Other financial assets	22,084	27,225
Plant and equipment	11,008	5,571
Intangible assets	55,637	55,203
Deferred tax assets	2,030	2,734
<b>Total non-current assets</b>	<b>90,759</b>	<b>90,733</b>
<b>Total assets</b>	<b>227,255</b>	<b>220,005</b>
<b>Current liabilities</b>		
Trade and other payables	45,886	43,042
Current tax liabilities	2,567	6,914
Provisions	6,330	11,325
Other financial liabilities	1,612	-
<b>Total current liabilities</b>	<b>56,395</b>	<b>61,281</b>
<b>Non-current liabilities</b>		
Accounts payable	-	588
Provisions	1,350	1,291
<b>Total non-current liabilities</b>	<b>1,350</b>	<b>1,879</b>
<b>Total liabilities</b>	<b>57,745</b>	<b>63,160</b>
<b>Net assets</b>	<b>169,510</b>	<b>156,845</b>
<b>Equity</b>		
Issued capital	140,050	138,369
Reserves	(6,548)	(2,870)
Retained earnings	25(ii) 36,008	21,346
<b>Total equity</b>	<b>169,510</b>	<b>156,845</b>



## Note 25. Related party disclosure continued

### (ii) Consolidated income statement for class order closed group

	Note	30 June 2014 \$'000	30 June 2013 \$'000
<b>Profit from ordinary activities before income tax expense</b>		<b>65,791</b>	60,130
Income tax expense relating to ordinary activities		<b>(17,305)</b>	(16,293)
<b>Net profit</b>		<b>48,486</b>	43,837
Accumulated profits at the beginning of the year		<b>21,346</b>	10,683
Dividends paid or reinvested		<b>(33,824)</b>	(33,174)
<b>Accumulated profits at the end of the year</b>	25(i)	<b>36,008</b>	21,346

#### (a) Ultimate controlling entity

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

#### (b) Wholly owned group transactions

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

#### (c) Key management personnel

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

## Note 26. Parent entity information

As at and throughout the financial year ended 30 June 2014 the parent company of the group was Breville Group Limited.

### Results of the parent entity

	30 June 2014 \$'000	30 June 2013 \$'000
<b>Profit of the parent entity</b>	<b>35,485</b>	34,510
<b>Total comprehensive income of the parent entity</b>	<b>35,485</b>	34,510

### Financial position of the parent entity

	30 June 2014 \$'000	30 June 2013 \$'000
Current assets	<b>71,083</b>	74,792
Total assets	<b>145,540</b>	147,869
Current liabilities	<b>(2,567)</b>	(6,914)
Total liabilities	<b>(2,567)</b>	(6,914)
<b>Net assets</b>	<b>142,973</b>	140,955
<b>Equity attributable to the equity holders of the parent</b>		
Issued capital	<b>140,050</b>	138,368
Employee equity benefits reserve	<b>(948)</b>	377
Retained earnings	<b>3,871</b>	2,210
<b>Total shareholders' equity</b>	<b>142,973</b>	140,955

# Notes to the financial statements

## for the year ended 30 June 2014

### 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 corporate guarantees in favour of the local bank in the US and the UK (HSBC) which provides the day to day US and UK transactional banking facilities.

### Note 27. Share-based payment plans

#### 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 time-based and financial-based hurdles. Earnings per share (EPS) is the financial-based 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.

In addition to the grant of performance rights awards which are subject to an EPS performance hurdle, performance rights awards also may be granted in accordance with the PRP as a retention award where the performance condition is continued employment with the company to vesting date.

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 2014 there are 920,000 (2013: 1,124,734) 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 performance rights issued during the year:

	Note	30 June 2014		30 June 2013	
		Number of performance rights	WAEP	Number of performance rights	WAEP
<b>Outstanding at the beginning of the year</b>		<b>1,124,734</b>	<b>0.0000</b>	1,030,000	0.0000
Performance rights granted during the year		<b>203,000</b>	<b>0.0000</b>	563,234	0.0000
Performance rights exercised during the year		<b>(370,500)</b>	<b>0.0000</b>	(337,500)	0.0000
Performance rights lapsed during the year		<b>(37,234)</b>	<b>0.0000</b>	(131,000)	0.0000
<b>Outstanding at the end of the year</b>	(a)	<b>920,000</b>	<b>0.0000</b>	1,124,734	0.0000
<b>Exercisable at the end of the year</b>		<b>-</b>	<b>-</b>	-	-

Notes

(a) The outstanding balance as at 30 June 2014 is represented by:

Number of performance rights	Note *	Grant date	Vesting date	Expiry date	WAEP \$	Fair value at grant date (\$)
165,000	(i)	12-Oct-11	01-Sep-14	03-Oct-14	0.0000	2.41
157,000	(ii)	12-Oct-11	01-Sep-14	03-Oct-14	0.0000	2.41
177,500	(iii)	02-Oct-12	03-Sept-15	05-Oct-15	0.0000	4.73
177,500	(iv)	02-Oct-12	03-Sept-15	05-Oct-15	0.0000	4.73
40,000	(v)	02-Oct-12	03-Oct-14	05-Nov-14	0.0000	4.95
92,500	(vi)	02-Oct-13	02-Sept-16	05-Oct-16	0.0000	7.61
92,500	(vii)	02-Oct-13	02-Sept-16	05-Oct-16	0.0000	7.61
18,000	(viii)	10-Mar-14	02-Jan-17	02-Feb-17	0.0000	8.58
<b>920,000</b>					<b>0.0000</b>	

(i) These performance rights vest if the group's underlying EPS for the year ending 30 June 2014 is at least 33.50 cents per share.

(ii) These performance rights vest if the group's underlying EPS for the year ending 30 June 2014 is at least 36.50 cents per share.

(iii) These performance rights vest if the group's underlying EPS for the year ending 30 June 2015 is at least 43.22 cents per share.

(iv) These performance rights vest if the group's underlying EPS for the year ending 30 June 2015 is at least 47.33 cents per share.

(v) Performance condition being that the participant must be employed by the company on 3 October 2014.

(vi) These performance rights vest if the group's underlying EPS for the year ending 30 June 2016 is at least 46.00 cents per share.

(vii) These performance rights vest if the group's underlying EPS for the year ending 30 June 2016 is at least 49.20 cents per share.

(viii) Performance condition being that the participant must be employed by the company on 31 December 2016.

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

# Notes to the financial statements

## for the year ended 30 June 2014

### Note 27. Share-based payment plans continued

The average remaining contractual life for the performance rights outstanding at 30 June 2014 is between 1 and 3 years (2013: 1 and 3 years).

The exercise price for performance rights outstanding at the end of the year was \$0.00. (2013: \$nil).

The weighted average fair value of performance rights granted during the year was \$7.70 (2013: \$4.84).

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

The following table lists the inputs to the model used for the grants during the year ended 30 June 2014 and 30 June 2013:

	30 June 2014		30 June 2013			
	(Black-Scholes)	(Black-Scholes)	(Black-Scholes)	(Black-Scholes)	(Black-Scholes)	(Black-Scholes)
Grant date	<b>10 Mar 14</b>	<b>2 Oct 13</b>	2 Oct 12	2 Oct 12	2 Oct 12	2 Oct 12
Vesting date	<b>2 Jan 17</b>	<b>2 Sep 16</b>	3 Oct 14	3 Oct 13	2 Sept 13	3 Sep 15
Dividend yield (%)	<b>3.50</b>	<b>4.00</b>	5.00	5.00	5.00	5.00
Expected volatility (%)	<b>35.00</b>	<b>35.00</b>	35.00	35.00	35.00	35.00
Historical volatility (%)	<b>35.00</b>	<b>35.00</b>	35.00	35.00	35.00	35.00
Risk-free interest rate (%)	<b>3.00</b>	<b>2.86</b>	2.40	2.57	2.57	2.38
Expected life of performance right (years)	<b>2.8 years</b>	<b>2.9 years</b>	2.0 years	1.0 years	1.0 years	2.9 years
Performance right exercise price (\$)	<b>0.00</b>	<b>0.00</b>	0.00	0.00	0.00	0.00
Weighted average share price at grant date (\$)	<b>9.93</b>	<b>8.33</b>	5.74	5.74	5.74	5.74
Weighted average fair value at grant date (\$)	<b>8.58</b>	<b>7.61</b>	4.95	5.19	5.21	4.73

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

### Note 28. Employee benefits

	Note	30 June 2014 \$'000	30 June 2013 \$'000
The aggregate employee benefit liability is comprised of:			
Trade and other payables (current)	15	<b>3,356</b>	4,357
Provisions – long service (current)	17	<b>1,449</b>	1,502
Provisions – long service (non-current)	17	<b>1,461</b>	1,308
<b>Total employee benefits</b>		<b>6,266</b>	7,167

## Note 29. Key management personnel

### Compensation by category: key management personnel

	Note	30 June 2014 \$'000	30 June 2013 \$'000
Short-term		2,793	3,237
Post employment	(i)	143	119
Other long-term		20	39
Share-based payment		370	618
<b>Total</b>		<b>3,326</b>	<b>4,013</b>

(i) This includes defined contribution plans expense of \$143,000 (2013: \$119,000).

## Note 30. Auditor's remuneration

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

		30 June 2014 \$	30 June 2013 \$
Ernst & Young Australia – primary auditors			
- an audit or review of the financial report		325,000	335,000
Ernst & Young Australia's affiliates – primary auditors			
- an audit or review of the financial report		260,500	217,500
<b>Total auditor's remuneration</b>		<b>585,500</b>	<b>552,500</b>

## 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 2014 was authorised for issue in accordance with a resolution of the directors on 20 August 2014.

# 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 2014 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 2014.
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



Steven Fisher  
Non-executive chairman

Sydney  
20 August 2014

# Independent audit report



Ernst & Young Centre  
680 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
[www.ey.com/au](http://www.ey.com/au)

## 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 (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers 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 complied with 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 included in the directors' report.

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# Independent audit report continued



Ernst & Young Centre  
680 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
www.ey.com/au

## Opinion

In our opinion:

- a. 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 as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Report on the remuneration report

We have audited the Remuneration Report included in pages 17 to 28 of the directors' report for the year ended 30 June 2014. 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.

## Opinion

In our opinion, the Remuneration Report of Breville Group Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

P S Barnard  
Partner  
Sydney  
20 August 2014

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# Auditor's independence declaration



Ernst & Young Centre  
680 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
[www.ey.com/au](http://www.ey.com/au)

## 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 year ended 30 June 2014, 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.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'P S Barnard'.

P S Barnard  
Partner  
20 August 2014

# Shareholder information

## Substantial shareholders as at 8 September 2014

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

<b>Name</b>	<b>Number of ordinary shares</b>	<b>% of issued ordinary shares</b>
S. Lew Custodians Pty Limited	42,691,756	32.82%
Benelong Funds Management Group Pty Ltd	13,881,063	10.67%
Matthews International Capital Management, LLC	12,168,911	9.35%
Australian Super Pty Ltd	6,517,385	5.01%

## Distribution of shareholdings as at 8 September 2014

<b>Size of holding</b>	<b>Ordinary shareholders</b>
1 to 1,000	1,570
1,001 to 5,000	1,890
5,001 to 10,000	427
10,001 to 100,000	308
100,001 and over	37
<b>Total shareholders</b>	<b>4,232</b>
Number of ordinary shareholders with less than a marketable parcel	121

## Voting rights

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

## Twenty largest shareholders as at 8 September 2014

<b>Name</b>	<b>Shares</b>	<b>% IC</b>
Premier Investments Limited	35,552,910	27.33%
HSBC Custody Nominees (Australia) Limited	20,386,836	15.67%
J P Morgan Nominees Australia Limited	15,407,736	11.84%
BNP Paribas Noms Pty Ltd	9,781,268	7.52%
National Nominees Limited	9,511,235	7.31%
Citicorp Nominees Pty Limited	7,113,212	5.47%
Dancetown Pty Ltd	3,000,000	2.31%
Lew Family Investments Pty Ltd	1,891,461	1.45%
Lew Family Investments Ltd	1,535,718	1.18%
Citicorp Nominees Pty Limited	1,273,857	0.98%
S L Nominees Pty Ltd	711,667	0.55%
Nofusa Pty Limited	650,000	0.50%
Josseck Pty Limited	622,967	0.48%
UBS Wealth Management Australia Nominees Pty Ltd	608,117	0.47%
RBC Investor Services	510,484	0.39%
Woodross Nominees Pty Ltd	395,347	0.30%
Pacific Custodians Pty Limited	303,912	0.23%
RBC Investor Services	300,000	0.23%
Quotidian No 2 Pty Ltd	300,000	0.23%
Quotidian No 2 Pty Limited	300,000	0.23%
AMP Life Limited	290,305	0.22%
Invia Custodian Pty Limited	285,926	0.22%
<b>Total</b>	<b>110,732,958</b>	<b>85.12%</b>

<b>Unquoted equity securities</b>	<b>Number on issue</b>	<b>Number of holders</b>
Performance rights issued under the Breville Group Performance Rights Plan to take up ordinary shares	920,000*	16

\* Number of unissued ordinary shares under the performance rights. No person holds more than 20% or more of the securities.

# Company information

## Directors

### Steven Fisher

Non-executive chairman

### Tim Antonie

Non-executive director - *appointed 18 December 2013, effective 19 December 2013*

### Sally Herman

Non-executive director

### Dean Howell

Non-executive director

### Steven Klein

Non-executive director

### Lawrence Myers

Non-executive director - *appointed 19 August 2013, effective 1 September 2013*

Lead independent director - *appointed 20 August 2014*

### Samuel Weiss

Non-executive director

## Company secretaries

### Mervyn Cohen

Sasha Kitto - *appointed 26 June 2014*

## Registered office and principal place of business

Building 2  
Port Air Industrial Estate  
1A Hale Street  
Botany NSW 2019

Telephone (+61 2) 9384 8100

## Company websites

brevillegroup.com  
breville.com  
kambrook.com.au  
ronson.com.au  
sageappliances.co.uk

## ABN

Breville Group Limited ABN 90 086 933 431

## Share register

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

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

## Auditors

Ernst & Young  
680 George Street  
Sydney NSW 2000

## Bankers

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

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