Annual report 2016

Breville
Thought for food.

Breville Group Limited
Annual report 2016

Contents:

Annual general meeting:

Monday 21 November 2016 at 10am

Ground Floor, Suite 2, 170-180 Bourke Rd,

Alexandria NSW 2015.

(front cover)

the Control Freak™

where precision meets control

Chairman's review

"The transformation into a scalable, global, innovation-driven product company has begun"

During the 2016 financial year, the Breville Group delivered a result with growth in both Group revenue and EBIT. This result was accomplished whilst simultaneously executing the Group's transformation program in a challenging and highly competitive global market.

Group revenues increased by 9.4% on the prior year to $576.6m, underpinned by the continued growth from Breville designed and developed products. EBIT for the year finished at $73.7m, being 5.9% higher than the prior year and net profit after tax increased by 7.5% to $50.2m.

North American revenue, in AUD, increased by 24.0% to $251.8m, with growth coming from new product releases and sustained performance of existing products in the key beverage and cooking categories. In ANZ, revenues for the year of $242.6m were marginally lower than the prior year. Pleasingly ANZ still achieved increases in revenues from Breville designed and developed products, but these increases were insufficient to offset the decline in revenues from the highly competitive and price driven 'sourced products' segment. Rest of World segment revenues, in AUD, increased by 4.3% to $82.3m, although in constant currency, segment revenues were lower than the prior year. The UK business continues to perform solidly.

The growth in Group EBIT was primarily driven by the strong performance in North America, which reported EBIT increasing by 36.9% in AUD to $43.6m, compensating for the ANZ segment, where EBIT decreased by $1.7m to $16.6m. The decrease in ANZ EBIT resulted primarily from the negative margin impact of the strengthened USD and a highly competitive market, which was partially offset by the sales mix shift towards higher margin Breville designed and developed products. Rest of World segment EBIT was 8.4% higher at $22.1m, with improved EBIT margin driven by a shift to higher margin products in both the Rest of World distribution business and the UK.

Under the leadership and vision of CEO Jim Clayton, the Group is well placed for global growth, with a number of key strategic levers in execution phase under the transformation program. With faster development cycles and global product launches, end-to-end transformation of our Group go-to-market process, and progression toward a Group-wide business application stack, the building blocks for future scalability of the business are being positioned. Further scalability is anticipated through the implementation of a consolidation warehouse in China, which is expected to be operational in the second half of the 2017 financial year.

The Board increased the level of dividends for the year to 28.5 cents per share from 27.0 cents per share in the prior year, demonstrating its confidence in Breville's global growth potential, the Group's strong balance sheet, and the continued commitment to providing strong returns to shareholders.

On behalf of the Board, I would like to take this opportunity to welcome Kate Wright, who joined the Board on 1 September 2016 as a non-executive director. I encourage all shareholders to attend the annual general meeting in November to join us in formally welcoming Kate.

Finally, I would like to thank my Board colleagues, the many Breville team members around the globe for their dedication and hard work, and our shareholders, customers and suppliers for their continued support.

Steven Fisher
Non-executive chairman

the **Toast Select™ Luxe**
2 slice toaster with progress indicator

CEO's review

"Despite the challenging nature of the global market, the Group was able to deliver in line with our expectations, while simultaneously making meaningful progress on our transformation program. I look forward to continue building on this success."

Financial summary

$ Millions except where indicated	30 June 2016	30 June 2015
Revenue	**576.6**	527.0
EBIT	**73.7**	69.6
Net profit after tax	**50.2**	46.7
Earnings per share (cents)	**38.6**	35.9
Return on equity (%)	**20.4**	20.2

During the year the Group has refined its strategic path and commenced execution of its transformation program, whilst simultaneously delivering Group revenue and earnings expectations.

The North American business has continued its strong growth with reported revenue up 24.0% to $251.8m (FY15: $203.1m), with constant currency growth of 10.3% reflecting the ongoing positive growth since the juicing category re-set, which commenced in calendar year 2014. North American EBIT in AUD for the year increased by 36.9% to $43.6m (FY15: $31.9m) driven by the increase in revenue and a more favourable product mix. The segment EBIT margin, which increased to 17.3% from 15.7% in the prior year, was also assisted by the introduction of new innovative products at higher margins.

In ANZ, Breville designed and developed products ("Breville Global") performed well with revenue increasing by 11.2%; however, trading remained difficult in the mid-market segment, which comprises revenues from 'sourced products', internally referred to as "Breville Local". The price driven nature of this segment, coupled with discount retailers favouring their own brands in the entry to mid-price points, contributed to the decline in the revenue of this market segment.

ANZ EBIT for the year decreased by 9.4% to $16.6m (FY15: $18.3m), being negatively impacted by the strengthened USD and the inability, due to market pressures, to process compensating wholesale price increases across the entire range. The impact of the USD on margins was partially offset by the sales mix shift towards the higher margin Breville Global products and cost efficiency savings.

The Rest of World segment increased revenue in AUD by 4.3% to $82.3m (FY15: $78.8m). In constant currency segment revenues were less than the prior year, with the Rest of World distribution business revenues negatively impacted by a number of our distribution partners' exposure to the strengthening USD and specific issues in some of the markets in which they operate. The UK business continued its solid performance with revenue growing by 15.2% in AUD or 7.4% in constant currency as both the customer base and product range expanded.

Rest of World EBIT of $22.1m (FY15: $20.3m) was 8.4% higher. The segment EBIT margin improved to 26.8% from 25.8%, driven by a shift to higher margin products in both the Rest of World distribution business and the UK.

During my first year at Breville, the Group has begun its transition from an Australian company, which sells products globally, to a truly global business selling products locally. I am pleased to report that we have moved from the planning to the execution phase of the transformation program which is tracking to our timeline.

CEO's review continued

The transformation program is focused on the three key strategic levers, with progress against each as follows:

- **Transition into a global, innovation-driven product company**: shorten development cycles and accelerate new global product releases, increase the relative investment in R&D and marketing and align the Group behind the go-to-market models of 'Global' and 'Local' businesses.
  - A new innovative product, with an original target release date of September 2017 has been accelerated to a fully marketed launch in October/November 2016
  - Structural changes made to the ANZ 'product' function will enable acceleration of new product introductions and better alignment with retailers and customers
- **Market expansion and optimisation**: improving go-to-market and geographic footprint effectiveness, expanding into new channels and helping distribution partners grow more quickly.
  - Sales force effectiveness: multi-country pilots have been run to identify opportunities
  - Go-to-market: End to end re-architecture of the Group's go-to-market process has commenced
  - Rest of World distributors: Market-back pricing has been extended to other distributors
  - North American Nespresso partnership: distribution to commence in the second half of FY17
- **Scalable, global platform**: a corporate platform designed to scale efficiently and effectively which allows granular management of global product flow and gives 360° visibility of our customers and common visibility across the Group (ERP, Customer Relationship Management (CRM), Ecommerce, Sales and Operational Planning (S&OP).
  - S&OP process implemented in the second half of FY16, with benefits to begin flowing in FY17
  - ERP system in Canada became operational and the USA ERP implementation will follow in September 2016
  - Further scalability is anticipated through the establishment of a consolidation warehouse in China, which is expected to be operational in the second half of FY17.

FY16 was a year of organisational structure and alignment and planning. FY17 will be one of transformational execution. The focus on the acceleration of new global product introductions and releases will continue, and the re-architecture of the go-to-market process will progress. The cost structure re-allocation towards product and marketing will commence with the transition from spending 8.4% of net sales (FY16) to 12% of net sales, a process that is expected to progress over multiple future reporting periods. Core global systems and the consolidation warehouse will be fully operational by the close of FY17.

On a personal note, I am encouraged by the progress we have made during the year and the passion and capability demonstrated by the Breville Group team. I would like to thank the Board and the Breville Group team for their ongoing support and counsel.

Jim Clayton
Chief executive officer

Strategy and brands

Breville Group's primary strategy is the design and development of the world's best kitchen appliances together with effective distribution and marketing of their performance benefits on a global scale.

The Breville brand is at the core of this strategy representing the majority of the Group's revenues and marketing activities. There are however, a number of additional company owned brands and brand partners in different geographies that assist in the delivery of the business strategy.

In line with its global strategy, the company is focused on the design and development of Breville branded products supplied to the premium kitchen segment of the market (internally referred to as 'Breville Global') but still enjoys reasonably broad distribution in Australia and New Zealand of 'sourced products' (internally referred to as 'Breville Local'), some of which also carry the Breville brand, but may also be branded Kambrook.

North America

In North America, the Group distributes its range of premium internally designed and developed kitchen products under the Breville brand primarily through premium channels and its own online retailing platform. From the second half of the 2017 financial year, the Breville brand will include a range of Breville co-branded Nespresso coffee machines as one of Nespresso's machine partners in North America.

Since July 2014, North American revenues have also included a USA based culinary division - PolyScience, one of the world's market leaders in premier sous vide cooking in both the commercial and professional markets.

Australia and New Zealand

In Australia and New Zealand, the Group primarily trades under its company owned brands, Breville and Kambrook and also distributes a range of Philips products in the garment and personal care categories under a licence agreement.

The Kambrook brand extends 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 and performance.

Europe

In the United Kingdom and Europe the Breville brand is not owned or operated by the Breville Group.

In the United Kingdom, the Group markets and distributes its Breville premium designed and developed Breville Global kitchen products under the company owned brand Sage™ which is endorsed by internationally acclaimed chef Heston Blumenthal.

Within Europe, the Group has a number of partners who market Breville's premium designed and developed products under their own brands or under the Sage™ brand. In addition to endorsing the Sage™ brand, Heston Blumenthal also plays the role of being Breville's global brand ambassador in all markets outside of Europe.

Rest of the World

In the Asia Pacific region and the Middle East, the Group markets 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.

Strategy and brands continued

Breville - Thought for Food™

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

During the 1960's, Bill's son John focused the organisation on solving common kitchen problems and founded 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 across packaging, point of sale and all other consumer marketing touch points.

Breville's strategy of 'Food Thinking' and creativity remains relevant today and it continues to gain momentum. The strategy centres around:

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

Breville's appreciation for food science and culinary trends has led to a fostering of relationships with several high profile food thinkers including world renowned baristas and chefs, some of which 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 the United Kingdom, the Group distributes its premium designed and developed products under the 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 North America, with distribution limited primarily to premium retailers. The Group continues to invest in marketing activity for the Sage™ by Heston Blumenthal® brand to solidify the brand's 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 encompasses 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.

PolyScience

Breville Group acquired the PolyScience culinary division in July 2014. PolyScience which was initially a supplier of temperature control equipment to the medical industry 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 and vacuum evaporations systems.

Innovation & product development

The core driving the Group's growth continues to be investment in product development and a focus on design and innovation. Breville has deepened its understanding of food, and how the consumer interacts 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 and via the development of a portfolio of patented innovative products for future sustainable growth.

the Smoking Gun™
Wood smoke infuser

Strategy and brands continued

People - creativity & food thinkers

Breville enjoys the benefits of highly experienced talent across all departments and geographies. Integrated throughout its food thinking culture, the passion, creativity and insight of staff has helped to consistently bring world class innovative products to consumers around the world. The team continues to be awarded both domestically and internationally, with multiple design awards, and recognition through mainstream media.

Breville Group invests in the training and education of its team, building strong, collaborative links with world experts in food thinking and technology. The Group is also involved in several consumer facing and chef liaison activities.

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 around 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.

the One° Precision Poacher™

With probe control
Perfect eggs, any texture, every time.

During the 2016 financial year, the Group continued to grow its highly talented and experienced team, bringing on board additional experience and expertise, particularly in the areas of marketing, product design and development, and logistics.

Process and mindset change for the future

The Group, in addition to investing in logistical, marketing and product design and development talent, has recently begun shifting its go-to-market process. With the objective of an aligned calendar setting, both within Breville itself, as well as with the Group's manufacturing and retail channel partners, the Group seeks to fully leverage an increasing number of new product introductions to drive the business and the overall brand.

By ensuring that the 'go-to-market' process is aligned functionally, regionally and with our external partners, the Group has set an objective, to launch product, with impact at a single moment in time, across a number of markets under the global distribution footprint, in order to ensure that the Group will reap the full potential of its innovation and design excellence. The Group is at the beginning stages of the process, and will begin to see preliminary results in the second half of the 2017 financial year, with full benefit coming on line in the 2018 financial year.

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

the Smart Oven™ Pro
With light and slow cook settings

Accolades

2016 CMC800 Control Freak Cooker
2016 BEM825 the Bakery Boss
2015 BMO700 Quick Touch Microwave
2015 BCP600 Citrus Press
2015 BBL405 the Kinetix Twist
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

2016 BPB620 Boss To Go Personal Blender
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

iF Design Award

2016 Thermal Pro Cookware
2016 BPB620 Boss To Go Personal Blender
2008 BES820 Espresso Machine
2008 BTA820&840 Professional Toasters
2007 BES820 Espresso Machine
2006 800CP Citrus Press

Gold iF Design Selection

2015 BES980 the Oracle Espresso
2015 BWM640 the Smart Waffle
2008 BES820 Espresso Machine

Australian Powerhouse Museum Selection

2007 BBL600 ikon Blender
2006 800ES Espresso Machine

German Red Dot Design Award

2015 BMO700 Quick Touch Microwave
2015 BCP600 Citrus Press
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 Drip Coffee Machine
2012 BFP800 Kitchen Wizz Pro
2008 BTA820/840 Toaster
2008 BES400 Espresso Machine

Honourable Mention

2013 BBL605 Kinetix Control Blender
2011 BKE820 Kettle

Good Design Award Chicago Anthenaeum

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

THE WALL STREET JOURNAL.

2010 BKE820 - Blue ribbon
2010 JE95XL Juice Fountain Plus - Best in Show
2006 SK500 Ikon Kettle - Best Overall

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

Shortlisted

2008 BKC600XL Single Cup Brewer
2006 800GR Grill

IDSA Design Award – USA
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 *Finalist*
2007 Snack 'n' Sandwich Toaster *Design Icon*
2007 BES400 Espresso Machine *Winner*
2006 BKE450 Kettle *Winner*

Cooks Illustrated Best Blender

2012 BBL605xl Hemisphere Control Blender

Cooks Illustrated Best Electric Juicer

2012 JE98xl Juice Fountain Plus

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

2013 BES980 the Oracle - Winner Kitchen & Dining
2010 Tea Maker - Winner Kitchen

Breville Group Limited Financial report 2016

Contents:

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 2016.

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.

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

Timothy Antonie

Non-executive director

BEcon

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

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

- Premier Investments Limited #
- Village Roadshow Limited #

# denotes current directorship

Sally Herman

Non-executive director

BA, GAICD

Ms Herman is an experienced non-executive director sitting on both public and private company boards in financial services, retailing, property and consumer goods. She had a long career in financial services in both Australia and the United States, including 16 years with the Westpac Group, running business units in most operating divisions of the Group. Ms Herman is based in Sydney and is actively involved in the community, with a particular interest in education, the arts and disability services. She also chairs the board of an independent girls' school.

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

- Suncorp Group Limited #
- Premier Investments Limited #
- FSA Group Limited

# denotes current directorship

Dean Howell

Non-executive director

FCA, CTA

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 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

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) and since August 2014 is 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 – *resigned 4 November 2015, effective 11 November 2015*

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.

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

- Altium Limited #
- OrotonGroup Limited
- Ensogo Limited (previously iBuy Limited) #
- 3P Learning Limited #

# 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 this entire period.

Mervyn Cohen

B.Com, B.Acc, CA

Mr Cohen is a chartered accountant and has over 25 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 has held since October 2006.

Sasha Kitto

LLB, FCA

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 Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191. The company is an entity to which the instrument applies.

Performance indicators

Management and the board monitor the financial performance of the 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:

- A strong and competitive product portfolio with proven success across the globe;
- A committed, quality team;
- An R&D culture that focuses on consumer needs and food challenges when developing new products, enabling the Group to maintain its premium product and market positioning;
- A track record of delivering growth outside of the ANZ region; and
- A strong balance sheet which provides a platform to take advantage of future opportunities.

Currently, the Group is executing two distinct go-to-market models:

- A 'global' go-to-market model, with a premium position in the kitchen appliance categories, selling globally primarily under the Breville and Sage brands; and
- A 'local' go-to-market model in ANZ, selling multiple brands, in multiple categories, across a full range of price points, from kitchen appliances to personal care and garment care.

During the year, the Group has refined its strategic direction and has commenced the execution of its transformation program, further detail of which is given on pages 18 and 19.

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 principally trades under its company owned brands, Breville and Kambrook 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. In the UK, the marketing and distribution of Breville designed products to premium retailers is under the company owned brand, Sage.

Directors' report
continued

Operating and financial review continued

Principal activities continued

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 either under the company owned Sage brand or 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.

Group operating results

Year to 30 June	2016 $m	2015 $m	% Change
Revenue	**576.6**	527.0	**9.4%**
EBITDA	**83.4**	77.0	**8.3%**
EBIT	**73.7**	69.6	**5.9%**
Net profit after taxation	**50.2**	46.7	**7.5%**
Earnings per share EPS (cents)	**38.6**	35.9	**7.5%**
Return on equity (%)[1]	**20.4%**	20.2%	
Dividends per share (cents)	**28.5**	27.0	**5.6%**
Net cash ($m)	**36.1**	32.8	

Minor differences may arise due to rounding

[1] *ROE is calculated based on NPAT for the 12 months ended 30 June 2016 (2015: 12 months end 30 June 2015) divided by shareholders' equity at 30 June.*

Revenue of the consolidated entity for the year was $576.6m which was 9.4% higher than the previous corresponding year of $527.0m.

Earnings before interest and tax (EBIT) increased by 5.9% on the previous corresponding year to $73.7m.

The Group's profit after income tax was $50.2m which increased 7.5% on the previous corresponding year of $46.7m.

The basic earnings per share for the consolidated entity was 38.6 cents per share (2015: 35.9 cents per share).

Segment results

	REVENUE			EBIT		
Year to 30 June	**2016 $m**	2015 $m	**% Change**	**2016 $m**	2015 $m	**% Change**
North America	**251.8**	203.1	**24.0%**	**43.6**	31.9	**36.9%**
Australia and New Zealand (ANZ)	**242.6**	245.1	**(1.0%)**	**16.6**	18.3	**(9.4%)**
Rest of World	**82.3**	78.8	**4.3%**	**22.1**	20.3	**8.4%**
Other	**-**	-	**-**	**(8.6)**	(0.9)	**-**
TOTAL	**576.6**	527.0	**9.4%**	**73.7**	69.6	**5.9%**

Minor differences may arise due to rounding

North America

The North American business has continued its strong growth with reported revenue for the financial year increasing to $251.8m (2015: $203.1m) or by 24.0% compared to the previous corresponding period (pcp). In constant currency, revenues for this segment increased by 10.3%, reflecting the ongoing positive growth since the juicing category re-set, which commenced in calendar year 2014.

Increased North American revenues were underpinned by new product releases as well as the sustained performance of the existing product range in the key categories of beverage and cooking. Core products in these categories include the range of espresso machines, mini ovens, toasters and kettles.

Reported EBIT for the year was 36.9% higher than pcp increasing to $43.6m (2015: $31.9m) driven by the increase in revenue along with a more favourable product mix. The segment EBIT margin, which increased to 17.3% (2015: 15.7%), was also assisted by the introduction of new innovative products at higher margins.

ANZ

Our ANZ segment, which sells multiple brands, in multiple categories, across a full range of price points, from kitchen appliances to personal care and garment care, continues to face market challenges in the mid-market segment.

Revenues for the year of $242.6m were marginally lower ($2.5m or 1.0%) than the pcp (2015: $245.1m).

In line with prior reporting periods, ANZ revenues from the Breville designed and developed products have continued to increase, being 11.2% higher than the pcp. The remaining revenues from 'sourced products' (internally referred to as 'Breville Local'), which account for a greater proportion of total revenue, have declined given the competitive nature of this segment of the market. The price driven nature of this segment, coupled with discount retailers favouring their own home brands in the entry to mid-price points, contributed to the decline in revenue of this market segment.

Operating and financial review continued

Segment results continued

ANZ continued

EBIT for the year decreased to $16.6m (2015: $18.3m), with the overall EBIT margin decreasing from 7.5% in the prior year to 6.9%. EBIT for the second half of the year clawed back some of the shortfall reported in the first half by increasing to $5.3m from $2.1m in the pcp.

The overall EBIT margin was negatively impacted by the strengthened USD and the inability, due to market pressures, to process wholesale price increases across the entire range. The impact of the strong USD was partially offset by the sales mix shift towards the higher margin Breville designed and developed products and cost efficiency savings.

Rest of World

This segment comprises the Rest of the World distribution business supplied from Hong Kong as well as the Group's UK business, which distributes Breville designed and developed products under company-owned brand, Sage.

Total segment revenue in AUD increased by 4.3% to $82.3m (2015: $78.8m). In constant currency, segment revenues were less than the pcp, with lower Rest of World distribution business revenues only partly offset by higher UK business revenues, which increased by 7.4%.

Revenue in the Rest of World distribution business was negatively impacted by a number of our distribution partners' markets being exposed to the effects of a strengthening USD, as well as specific issues affecting some of the markets in which our partners operate.

The UK business has continued its solid performance with revenue in AUD growing by 15.2%. This increase has resulted from both an expanded customer base as well as a wider product range.

Reported EBIT of $22.1m (2015: $20.3m) was 8.4% higher than pcp. The segment EBIT margin improved to 26.8% from 25.8% in the prior financial year, driven by a positive shift to higher margin products in both the Rest of World distribution business and the UK.

Other

The Group's Other reporting segment includes the Group's shared service facility, design and development and global marketing functions, as well as the depreciation/amortisation charge on Group assets including capitalised product development projects.

The net change from the prior year is mainly attributable to higher employee related expenses (mainly the Group short term and long term incentive expense) and increased depreciation/amortisation from new Group assets. These increases have been partially offset by an over-recovery of intra-group charges compared to the pcp.

Financial position

Working capital

The total investment in working capital ended $10.4m higher compared to that of the prior year, driven primarily by a decrease in trade and other payables.

Inventory balances at 30 June 2016 of $107.7m (2015: $108.3m) are $0.6m lower compared to the pcp and after excluding the translation effect at balance sheet date, are $1.9m lower. Likewise, inventory turns have improved.

The Group implemented a global 'sales and operations planning' (S&OP) process during the second half of the 2016 financial year. We are just beginning to see the benefits of this process change. We expect a majority of the benefit to be realised during the 2017 financial year.

The $10.3m reduction in trade payables compared to the prior year is primarily attributable to lower stock related purchases, a leading indicator of the S&OP process.

Receivables of $89.5m were flat compared to the prior year (2015: $88.7m).

Net cash at 30 June 2016 was $36.1m compared to $32.8m at the same time last year. Net cash flow generated from operating activities of $52.3m was higher than the pcp (2015: $45.7m).

Capital expenditure

The Group has continued its investment in efficiency, cost improvement and revenue driving projects to support a larger and more geographically diverse business, including the global roll out of a single business application stack: Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), eCommerce and S&OP.

Directors' report
continued

Operating and financial review continued

Material business risks

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

Risk	Nature of risk	Key actions to mitigate risk
Foreign exchange exposures	• Transactional exposure as its product purchases are primarily paid for in US dollars. • Translational exposure as its international earnings, a large portion of which are denominated in US dollars, are translated into Australian dollars for reporting purposes.	• 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 ANZ segment's earnings (as a result of higher landed costs) but a positive impact on the translation of non-Australian dollar denominated results. • Treasury policy requires hedging of a portion of expected purchases up to 18 months in advance.
Adverse global economic conditions and consumer demand	• Adverse changes to the general global economic and retail landscape and consumer sentiment in the principal markets in which the Group operates will impact its financial results.	• The Group mitigates this risk by continued communication with 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, will 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

During the year the Group has refined its strategic direction and has commenced the execution of its transformation program, focusing on the following key strategic pillars:

1) Transition into a global, innovation-driven product company

The Group is currently working on:

- Increasing the number of new global product releases;
- Shortening development cycles and accelerating new product introductions;
- Increasing the investment in R&D and marketing, which will be funded by cost efficiencies; and
- Aligning the Group behind the two distinct go-to-market models – 'global' and 'local'.

In the current year progress has been made against product milestones as follows:

- A new innovative product, which will deliver the best quality outcome of any such product in its category, originally had a target release date of September 2017. The Group has now successfully managed to bring this release date forward to October 2016.
- Structural changes made to the ANZ 'product' function, resulting in an integrated category management structure, will enable acceleration of new product introductions and better alignment of the product portfolio for both retailer and consumer needs.

Group strategies and prospects continued

2) Market expansion and optimisation

The Group will focus on accelerating growth through increasing the size of its addressable market by:

- Improving go-to-market and geographic footprint effectiveness;
- Expanding into new channels where appropriate, driving greater penetration into existing markets; and
- Helping distribution partners grow more quickly.

In the current year progress on market expansion and effectiveness was as follows:

- Sales force effectiveness: Multi-country pilots were undertaken to identify opportunities and improve the go forward sales force approach.
- Go-to-market: End-to-end re-architecture of the Group's go-to-market process to embrace the omni-channel approach, enabling the support of consumers through each stage of their decision and post decision cycle.
- Rest of World distributors: Market back pricing pilot was extended to other distributors and the future realignment of the supply chain is expected to overcome existing minimum order quantity (MOQ) challenges.
- North American Nespresso machine partnership: This distribution will commence in the second half of the 2017 financial year.

3) Scalable, global platform

To support accelerated growth, the Group needs a corporate platform designed to scale efficiently and effectively. Delivering against this requirement, the Group is transitioning from its historical, decentralised structure into a functional, global model, and, where appropriate, up-skilling key capabilities. A scalable, global platform will require the granular management of global product flow (inventory management) and the need for a Group-wide business application stack, giving 360° visibility of our customers and common visibility across the Group (ERP, Customer Relationship Management (CRM), eCommerce, S&OP).

During the second half of the 2016 financial year, the Group implemented a S&OP process and the ERP system in Canada become operational with the USA to follow in September 2016.

The roll out of the remaining Group-wide business application stack (ERP, CRM, eCommerce) is expected to be completed by the end of the 2017 financial year.

Further scalability is anticipated through the establishment of a consolidation warehouse in China, which is expected to be operational by February 2017.

Our commitment to sustainability and social responsibility

The Group is committed to ethical, responsible and sustainable conduct across the entire business and acknowledges the importance of respecting our stakeholders, including employees, shareholders, customers and suppliers.

People	Community	Environment	Business
• Attraction and retention • Development • Reward and recognition • Workplace safety • Diversity	• Charity donations • Community engagement	• Energy and emissions • Packaging stewardship • Waste and recycling	• Ethical sourcing principles and policies • Product responsibility • Anti-bribery and corruption

People

The Group enjoys the benefits of a highly experienced and talented team across all departments and geographies. Integrated throughout its food thinking culture, the passion, creativity and insight of staff has helped to consistently deliver world-class innovative products to consumers. The team continues to be awarded both domestically and internationally, with multiple design awards, and recognition through mainstream media.

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

Strongly committed to its core values of creativity, simplicity, insight and excellence in all departments, the Group recruits, trains, assesses and rewards employees on this basis. With a team anchored around 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.

The Group advocates diversity in its workforce, recognising the insight and creativity that it brings to the business. At the end of the year, Breville employed over 500 staff across seven countries. The Group believes that it is important for all team members to enjoy a workplace which is free from any form of discrimination; strongly supporting gender, age, sexual orientation, disability and cultural diversity at work.

Directors' report
continued

Operating and financial review continued

Our commitment to sustainability and social responsibility continued

People continued

Ensuring a safe workplace is another business commitment and the Group culture encourages all employees to be responsible for all aspects of health and safety and employees participate in regular work health and safety audits. At Minto, the Group's state of the art warehouse in Australia, operator safety was one of the key drivers of design, including a pedestrian rail and guard system. The Group is committed to reducing hazards and co-ordinating active safety committees at each site.

Environment

Energy, packaging and waste are our key environmental impact areas. The Group is striving to incorporate sustainable decisions into operational facilities such as the new head office in Australia, which has been operational for the full year, and has a number of energy efficient features to reduce energy usage including movement and light sensors to minimise use of lighting, limitations/timers on plant use (air conditioning, heating) and measurement of power usage. In the Group's Australian warehouse, lighting power consumption has been reduced significantly through the very successful daylight harvesting program which provides excellent natural lighting. The Group will continue its focus and investment on energy efficient operations.

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

The Group has implemented improved waste reduction and recycling practices including recycling of cardboard, paper, plastics and organic waste.

Business

Ethical sourcing

The Group is committed to conducting business in a socially responsible manner and managing its business to reflect high ethical and moral values. The Group expects that its supply partners will not be a party to any violation of basic Human Rights including:

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

The Group expects its supply partners to respect and adhere to the same philosophy in the operation and management of their businesses and reserves the right not to do business with vendors that do not share and demonstrate commitment to compliance with local and internationally accepted labour and employment laws.

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

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

The company has zero tolerance for the use of child labour, prison labour or forced labour in the manufacture of its products.

Suppliers are required to contractually recognise the code and acknowledge their acceptance of its requirements. New key suppliers are required to undergo an independent audit to verify that they are in compliance with local laws and safety conditions.

Factory visits are conducted by senior management on a regular basis. The Group also uses internationally recognised independent audit firms to verify compliance with local laws and safety conditions at selected vendors and compliance with the Breville Group ethical sourcing policy. Any violations of the Breville Group code are reported to the vendor for follow up and corrective action. Where the Group requires zero tolerance or where the vendor or factory does not demonstrate a willingness to comply, the Group reserves the right to discontinue doing business with the vendor/factory.

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

Operating and financial review continued

Our commitment to sustainability and social responsibility continued

Business continued

Product responsibility

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

Anti-bribery and corruption

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

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

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

Risk management

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

Dividends

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

	Cents per ordinary share	$’000
Final dividend recommended:	14.0	18,213
Dividends paid in the year:		
Interim FY16 dividend paid	14.5	18,864
Final FY15 dividend paid	13.0	16,912

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	70,288
T. Antonie	-
S. Herman	20,000
D. Howell	110,000
S. Klein	147,189
L. Myers	130,000

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.

The remuneration report is presented under the following headings:

1. Details of key management personnel
2. Remuneration policy and link to performance
3. Detailed elements of remuneration
   i. Fixed annual remuneration
   ii. Short term incentives
   iii. Long term incentives
4. Executive remuneration outcomes (including link to performance)
5. Contractual arrangements of key management personnel
6. Non-executive director compensation
7. Remuneration of key management personnel
8. Other statutory information
9. Performance rights
10. Other

Directors' report
continued

Remuneration report (audited) continued

1. Details of key management personnel

Below are details of the KMP of the Group during the financial year ended 30 June 2016. Unless otherwise indicated, the individuals were KMP for the entire financial year.

(i) Directors:

S. Fisher	Non-executive chairman
T. Antonie	Non-executive director and effective 16 December 2015 acting chairman of people and performance committee
S. Herman	Non-executive director
D. Howell	Non-executive director
S. Klein	Non-executive director
L. Myers	Non-executive director and chairman of audit and risk committee
S. Weiss	Non-executive director and chairman of people and performance committee (resigned 4 November 2015, effective 11 November 2015)

(ii) Executives:

J. Clayton	Group chief executive officer – appointed 1 July 2015
S. Brady	General manager – product
M. Cohen	Group chief financial officer
C. Dais	Group general manager – business development and operations – ceased to be KMP 9 October 2015
M. Payne	Chief operating officer – appointed 30 November 2015
C. Torng	Global go-to-market officer – appointed 25 January 2016

There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

2. Remuneration policy and link to performance

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 committee reviews and determines the remuneration policy and structure annually to ensure it remains aligned to strategic goals and meets company remuneration principles. The group chief executive officer makes recommendations to the people and performance committee for consideration. From time to time the committee may also engage external remuneration consultants to assist with this review. No such external consultants were engaged for the year ended 30 June 2016.

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.

In particular, the board aims to ensure that remuneration practices:

- Provide competitive total rewards (for fixed and variable compensation) to attract and retain 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;
- Reinforce a competitive business strategy to deliver organisational success and enhanced shareholder value; and
- Provide transparency and are easily understood.

Employment contracts are entered into with executives. Details of the contracts are provided on page 28.

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*.

2. Remuneration policy and link to performance continued

Table 1: Remuneration framework

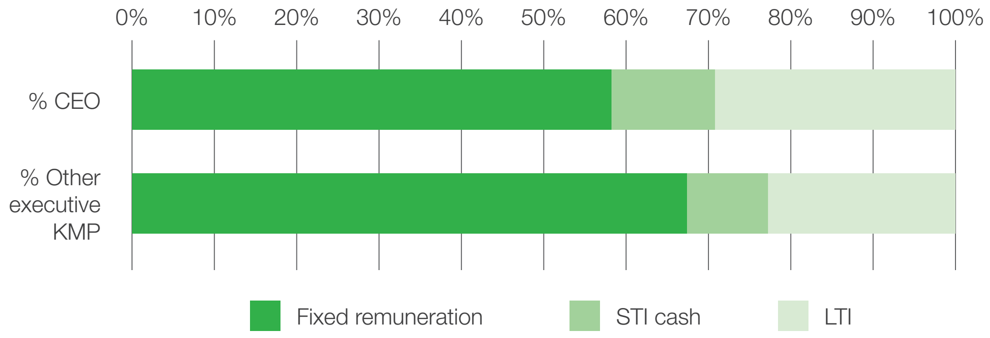
Element	Purpose	Performance metrics	Potential value	Changes for FY16
Fixed remuneration	Provide competitive market salary including superannuation and non-monetary benefits	None	Appropriate to position and competitive in the market	Reviewed annually based on company and individual performance, market compensation, internal relativities and external advice where appropriate
Short term incentives (STI)	Reward executives and other employees on the achievement of company and individual value adding performance objectives assessed annually	Financial objectives for both the group and business units, determined on an individual basis, aligned to enhance shareholder value	Depending on position and seniority employees are eligible for an annual incentive of between 20% and 50% of their fixed or base annual remuneration, which is dependent on achievement of financial objectives. This may be subject to a multiplier in accordance with a sliding scale	STI only payable where the target Group Net Profit before tax is met, regardless of whether other objectives are achieved
Long term incentives (LTI)	Reward executives and other employees in alignment with creation of shareholder value	Time based and performance based hurdles	Depending on position and seniority, employees are eligible for an LTI award of between 20% and 50% of their fixed annual remuneration	Historically EPS hurdles, Total Shareholder Return ('TSR') hurdles introduced for FY16 award grants

Balancing short-term and long-term performance

Sustainability of results is encouraged via long term incentives which are assessed using an absolute TSR hurdle over a two, three or four year period and are designed to promote long term stability in shareholder returns.

The target remuneration mix for FY16 is shown in table 2 below. It reflects the STI opportunity for the current year that will be available if the performance conditions are satisfied at target, and the value of the performance rights granted during the year, as determined at the grant date.

Table 2: Target remuneration mix for FY16



Directors' report
continued

Remuneration report (audited) continued

2. Remuneration policy and link to performance continued

Assessing performance and cancellation of unvested performance rights

The people and performance committee is responsible for assessing performance against KPIs and determining the STI and LTI to be awarded. To assist in this assessment, the committee receives detailed reports on performance from management which are based on independently verifiable data.

In the event of fraudulent or dishonest misconduct, the board may deem any unvested rights to have lapsed.

3. Detailed elements of remuneration

i) Fixed annual remuneration

Executives receive their fixed remuneration in cash or other non-cash benefits. Fixed remuneration is reviewed annually by the people and performance committee, or on role change. The committee reviews company and individual performance, relevant comparative market compensation, considers internal relativities and, where appropriate, external advice on policies and practices.

ii) Short term incentives (STI)

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

Who participates?	Executives and other employees
How is STI delivered?	Cash
What is the STI opportunity?	Executives and other employees are eligible for an annual incentive of between 20% and 50% of fixed or base annual remuneration. The incentive payment is based on the achievement of financial objectives which if satisfied, apply a multiplier in accordance with a sliding scale.
What are the performance conditions for each financial year?	The STI rewards executives and other employees for their contribution to achievement of Group financial outcomes. Actual STI payments are awarded to each executive or employee depending on the extent to which specific financial key performance indicators ("KPI's") are met. Regardless of achievement of other KPI's, if the Group net profit before tax hurdle is not achieved, no STI is payable. Other financial KPI's are specific to each participant, depending on their role. Financial performance measures were chosen as they represent the key drivers for short term success of the business and provide a framework for providing long-term value.
How is performance assessed?	At the end of the financial year and after consideration of performance against KPI's: • the people and performance committee recommends the amount of STI to be paid to the group chief executive officer for board approval; and • for the other executives and employees, the people and performance committee will seek recommendations from the group chief executive officer as appropriate. The group chief executive officer may recommend to the people and performance committee and the board, discretionary bonuses to recognise and reward key contributions from high performing executives and employees.

3. Detailed elements of remuneration continued

iii) Long term incentives (LTI)

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.

Who participates?	The LTI plan is only made available to executives and other employees ('participants') 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. 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 an LTI grant to the group chief executive officer, is then put to the board for approval.
How is LTI delivered?	Upon satisfaction of the performance hurdles, the performance rights will vest and be converted into fully paid ordinary shares in the company.
What is the LTI opportunity?	Depending upon their position and seniority in the organisation, executives and other employees are eligible for an annual LTI award of between 20% - 50% of their fixed annual remuneration.
What are the performance hurdles for the FY16 LTI grant?	Historically the LTI plan was subject to an EPS hurdle, however for the FY16 LTI grant, the Group uses TSR as the performance measure for the LTI plan, applying both an absolute and relative test. The absolute test requires that over the testing period, the TSR needs to be positive. If the TSR is negative over the testing period then the performance rights lapse. If the TSR is positive, the Group then uses a relative TSR compared to a predetermined peer group. The Group's percentile TSR performance is determined according to the Group's TSR performance ranking against the companies in the TSR peer group over each tranche's performance period. The vesting schedule is as follows:

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

Each tranche of the above performance award will be measured independently. If any tranche does not achieve its vesting conditions, that tranche shall lapse but this shall not preclude the other tranches from vesting should their respective performance conditions be met.

The absolute positive TSR was selected to ensure that absolute wealth creation is always aligned between shareholders and executives. Relative TSR was selected as the LTI performance measure as TSR provides alignment between comparative shareholder return and reward for executives.

In addition to the grant of performance rights with a TSR hurdle, certain performance rights were granted where the performance condition is continuing employment with the company to vesting date.

How will performance be assessed for the FY16 LTI grant?	TSR is calculated by an independent external adviser at the end of each performance period. Table 9 on page 33 provides details of the KMP performance rights under this plan.

Remuneration report (audited) continued

3. Detailed elements of remuneration continued

iii) Long term incentives (LTI) continued

When does the FY16 LTI vest?	The TSR performance rights will vest over a period of four years, with each tranche, which comprises 33% of the total award, required to meet its performance measures applying both an absolute test and a relative test as follows: a) Total shareholder return (TSR) from 30 June 2015 to 30 June 2017 b) Total shareholder return (TSR) from 30 June 2015 to 30 June 2018 c) Total shareholder return (TSR) from 30 June 2015 to 30 June 2019 Performance rights, where the performance condition is continuing employment with the company to vesting date, vest on the following dates: a) Participant must be employed on 31 December 2018 b) Participant must be employed on 25 January 2019 c) Participant must be employed on 25 January 2020 If the performance hurdle is not met, any unvested performance rights will lapse unless otherwise determined by the board.
How are grants treated on termination?	Generally, all outstanding unvested performance rights are forfeited upon an executive ceasing to be employed by the Group. The board has the discretion to allow a participant to exercise their performance rights without satisfying the employment condition.
Are there restrictions on disposal of performance shares following the vesting and exercise of FY16 performance rights?	The participant cannot sell, dispose, encumber or trade in performance shares without the prior written consent of the board until the earlier of: a) 2 years after the date of issue, transfer or allocation; b) 12 months after the date of cessation of employment; or c) Such other date as the board determines. Notwithstanding the foregoing, any trading in performance shares shall at all times be subject to the company's share trading policy.
Do participants receive dividends on unvested performance rights?	Participants do not receive distributions or dividends on unvested performance rights.
What happens if there is a change of control?	In the event of a takeover bid where the bidder and its associates become entitled to at least 50% of the voting shares of the company, any performance rights granted will vest where the board, in its absolute discretion, is satisfied that 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.

Remuneration report (audited) continued

4. Executive remuneration outcomes (including link to performance)

Table 3: LTI plans for which compensation has been included in the remuneration tables on pages 29 and 30 of this report.

LTI Plan (for the year ended)	Performance hurdles/conditions	**Number outstanding 30 June 2016 (Executive only)**	Number outstanding 30 June 2015 (Executive only)
Performance rights June 2013	- Issued for nil consideration. - Exercise price is $0. - Term of three years and there are 2 performance hurdles each representing 50% of the total number of performance rights: (a) Base EPS hurdle – to vest, group's underlying EPS for the year ending 30 June 2015 must be at least 43.22 cents per share. (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. - Lapsed as at 30 June 2016.	**-**	66,000
Performance rights June 2014	- Issued for nil consideration. - Exercise price is $0. - Term of three years and there are 2 performance hurdles each representing 50% of the total number of performance rights: (a) Base EPS hurdle – to vest, group's underlying EPS for the year ending 30 June 2016 must be at least 46.00 cents per share. (b) 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. - 0% vested as at 30 June 2016.	**27,000**	41,000
Performance rights June 2015	- Issued for nil consideration. - Exercise price is $0. - Term of three years and there are 2 performance hurdles each representing 50% of the total number of performance rights: (a) Base EPS hurdle – to vest, group's underlying EPS for the year ending 30 June 2017 must be at least 46.50 cents per share. (b) Stretch EPS hurdle – to vest, the group's underlying EPS for the year ending 30 June 2017 must be at least 51.50 cents per share. - 0% vested as at 30 June 2016.	**33,000**	52,000
Performance rights June 2016	- Issued for nil consideration. - Exercise price is $0. - Term of two to four years with vesting as follows, each representing 33% of the total number of performance rights: (a) Total shareholder return (TSR) from 30 June 2015 to 30 June 2017 applying both an Absolute Test and a Relative Test. (b) Total shareholder return (TSR) from 30 June 2015 to 30 June 2018 applying both an Absolute Test and a Relative Test. (c) Total shareholder return (TSR) from 30 June 2015 to 30 June 2019 applying both an Absolute Test and a Relative Test. - 0% vested as at 30 June 2016.	**108,700**	-
	- Issued for nil consideration - Exercise price is $0. - Participant must be employed by the company on 31 December 2018. - 0% vested at 30 June 2016.	**30,100**	-
	- Issued for nil consideration - Exercise price is $0. - Participant must be employed by the company on 25 January 2019. - 0% vested at 30 June 2016.	**44,350**	-
	- Issued for nil consideration - Exercise price is $0. - Participant must be employed by the company on 25 January 2020. - 0% vested at 30 June 2016.	**44,350**	-

Remuneration report (audited) continued

4. Executive remuneration outcomes (including link to performance) continued

Statutory performance indicators

The objective is to align executive remuneration to the Group's strategic and business objectives and the creation of shareholder wealth. Table 4 below shows measures of the Group's performance over the last 5 years as required by the *Corporations Act 2001*. However these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to executives. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

Table 4: Group performance over the past five years

Year ended	*30 June 2012*	*30 June 2013*	*30 June 2014*	*30 June 2015*	***30 June 2016***
Group gross profit ($m)	160.64	178.14	176.19	171.19	**191.05**
Group net profit before tax ($m)	64.67	71.28	69.37	67.76	**71.52**
Basic earnings per share (cents)	35.4	38.2	37.5	35.9	**38.6**
Total dividends per share (cents)	24.00	26.00	27.00	27.00	**28.50**
Share price at 30 June ($)	4.38	7.06	8.11	6.21	**7.49**

The Group annual FY16 STI has financial targets based on Group net profit before tax and Group gross profit. LTI has historically contained an EPS hurdle, however the performance rights awarded this financial year use either TSR as the performance measure or they are based on a continuing employment condition.

5. Contractual arrangements of key management personnel

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.

6. Non-executive director compensation

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

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 2016 is detailed in Table 5 on page 29 of this report.

Remuneration report (audited) continued

7. Remuneration of key management personnel

Table 5: Remuneration for the year ended 30 June 2016

	Short-term employee benefits				Post-employment benefits	Termination payments	Long-term employee benefits	Share-based payment	Total	Fixed remuneration	Performance related	
	Salary & fees	Cash bonuses	Other	Total short term employee benefits	Superannuation		Long service leave	Performance rights			STI	LTI
	$	$	$	$	$	$	$	$	$	%	%	%
Non-executive directors												
S. Fisher – chairman	183,066	-	-	183,066	17,391	-	-	-	200,457	100%	-	-
T. Antonie	109,008	-	-	109,008	10,356	-	-	-	119,364	100%	-	-
S. Herman	102,974	-	-	102,974	9,783	-	-	-	112,757	100%	-	-
D. Howell	77,795	-	-	77,795	34,962	-	-	-	112,757	100%	-	-
S. Klein (a)	112,500	-	-	112,500	-	-	-	-	112,500	100%	-	-
L. Myers	115,790	-	-	115,790	11,000	-	-	-	126,790	100%	-	-
S. Weiss (b)	40,081	-	-	40,081	3,808	-	-	-	43,889	100%	-	-
Sub-total non-executive directors	741,214	-	-	741,214	87,300	-	-	-	828,514			
Other key management personnel												
S. Brady	426,621	94,950	30,000	551,571	42,714	-	7,287	49,314	650,886	77.84%	14.59%	7.57%
J. Clayton (c)	770,000	222,000	90,791	1,082,791	30,000	-	13,117	66,306	1,192,214	73.82%	20.16%	6.02%
M. Cohen	465,000	93,240	30,000	588,240	35,000	-	8,054	54,907	686,201	78.41%	13.59%	8.00%
C. Dais (d)	125,707	-	-	125,707	-	300,388	-	(33,114)	392,981	108.43%	-	(8.43%)
M. Payne (e)	303,340	61,093	8,474	372,907	-	-	-	7,505	380,412	81.56%	16.43%	2.01%
C. Torng (f)	203,370	42,959	88,222	334,551	8,172	-	3,622	62,410	408,755	67.13%	13.40%	19.47%
Sub-total executive KMP	2,294,038	514,242	247,487	3,055,767	115,886	300,388	32,080	207,328	3,711,449			
Totals	3,035,252	514,242	247,487	3,796,981	203,186	300,388	32,080	207,328	4,539,963			

Note

(a) 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.

(b) S. Weiss resigned on 4 November 2015, effective 11 November 2015.

(c) J. Clayton was appointed on 1 July 2015 and became key management personnel on that date.

(d) C. Dais ceased employment on 9 October 2015 and ceased to be key management personnel on that date. Share-based payment for C. Dais includes the reversal of non-cash expenditure following cessation of employment and the forfeiture and lapse of unvested performance rights.

(e) M. Payne was appointed on 30 November 2015 and became key management personnel on that date.

(f) C. Torng was appointed on 25 January 2016 and became key management personnel on that date. Share-based payment expense for C. Torng includes a tranche where the performance condition is continuing employment with the company until vesting date.

Directors' report
continued

Remuneration report (audited) continued

7. Remuneration of key management personnel continued

Table 6: Remuneration for the year ended 30 June 2015

	Short-term employee benefits				Post-employment benefits	Termination payments	Long-term employee benefits	Share-based payment	Total	Fixed remuneration	Performance related	
	Salary & fees	Cash bonuses	Other	Total short term employee benefits	Superannuation		Long service leave	Performance rights			STI	LTI
	$	$	$	$	$	$	$	$	$	%	%	%
Non-executive directors												
S. Fisher – chairman	183,066	-	-	183,066	17,391	-	-	-	200,457	100%	-	-
T. Antonie	102,974	-	-	102,974	9,783	-	-	-	112,757	100%	-	-
S. Herman	102,974	-	-	102,974	9,783	-	-	-	112,757	100%	-	-
D. Howell	90,474	-	-	90,474	22,283	-	-	-	112,757	100%	-	-
S. Klein (a)	112,500	-	-	112,500	-	-	-	-	112,500	100%	-	-
L. Myers	115,789	-	-	115,789	11,000	-	-	-	126,789	100%	-	-
S. Weiss	115,789	-	-	115,789	11,000	-	-	-	126,789	100%	-	-
Sub-total non-executive directors	823,566	-	-	823,566	81,240	-	-	-	904,806			
Other key management personnel												
S. Brady (b)	372,061	-	30,000	402,061	38,196	-	30,677	(20,899)	450,035	104.64%	-	(4.64%)
M. Cohen (b),(c)	703,205	-	30,000	733,205	35,000	-	12,758	(26,667)	754,296	103.54%	-	(3.54%)
C. Dais (b)	473,052	-	-	473,052	-	-	-	(21,231)	451,821	104.70%	-	(4.70%)
J. Lord (d)	107,373	-	-	107,373	11,635	698,387	(62,779)	(205,382)	549,234	137.39%	-	(37.39%)
Sub-total executive KMP	1,655,691	-	60,000	1,715,691	84,831	698,387	(19,344)	(274,179)	2,205,386			
Totals	2,479,257	-	60,000	2,539,257	166,071	698,387	(19,344)	(274,179)	3,110,192			

Note

(a) 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.

(b) Share-based payment represents the net reversal of related non-cash expenditure due to the uncertainty in achieving the non-market vesting conditions.

(c) M. Cohen received additional remuneration as interim CEO in FY15.

(d) J. Lord ceased employment on 21 August 2014, and ceased to be key management personnel on that date. Share-based payment for J. Lord includes the reversal of non-cash expenditure following cessation of employment and the forfeiture and lapse of unvested performance rights.

8. Other statutory information

Table 7: Other key management personnel cash bonuses and share-based compensation

	Cash bonuses			Share-based compensation		
Name		% Earned	% Forfeited	Year granted	% Vested 2016	% Forfeited 2016
S. Brady	**2016**	**45.21%**	**54.79%**	**2016**	**-**	**-**
	2015	-	100.00%	2015	-	-
J. Clayton	**2016**	**39.64%**	**60.36%**	**2016**	**-**	**-**
	2015	-	-	2015	-	-
M.Cohen	**2016**	**39.64%**	**60.36%**	**2016**	**-**	**-**
	2015	-	100.00%	2015	-	-
C. Dais	**2016**	**-**	**-**	**2016**	**-**	**-**
	2015	-	100.00%	2015	-	100.00%
J. Lord	**2016**	**-**	**-**	**2016**	**-**	**-**
	2015	-	100.00%	2015	-	-
M. Payne	**2016**	**39.64%**	**60.36%**	**2016**	**-**	**-**
	2015	-	-	2015	-	-
C. Torng	**2016**	**39.64%**	**60.36%**	**2016**	**-**	**-**
	2015	-	-	2015	-	-

Directors' report
continued

Remuneration report (audited) continued

8. Other statutory information continued

Table 8: Shareholdings of key management personnel

Ordinary shares held* in Breville Group Limited (number)

30 June 2016	Balance at 1 July 2015	On exercise of performance rights	Net change other (a)	Balance at 30 June 2016
Directors				
S. Fisher	**50,288**	**-**	**20,000**	**70,288**
T. Antonie	**-**	**-**	**-**	**-**
S. Herman	**8,000**	**-**	**12,000**	**20,000**
D. Howell	**100,000**	**-**	**10,000**	**110,000**
S. Klein	**117,189**	**-**	**30,000**	**147,189**
L. Myers	**20,000**	**-**	**110,000**	**130,000**
S. Weiss (b)	**121,775**	**-**	**(121,775)**	**-**
Other key management personnel				
S. Brady	**350,732**	**-**	**-**	**350,732**
J. Clayton (c)	**-**	**-**	**135,000**	**135,000**
M. Cohen	**168,000**	**-**	**-**	**168,000**
C. Dais (d)	**20,700**	**-**	**(20,700)**	**-**
M. Payne (e)	**-**	**-**	**-**	**-**
C. Torng (f)	**-**	**-**	**-**	**-**
Total	**956,684**	**-**	**174,525**	**1,131,209**

* Held directly, indirectly or beneficially.

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

(b) S. Weiss resigned 4 November 2015, effective 11 November 2015.

(c) J. Clayton was appointed on 1 July 2015 and became key management personnel on that date.

(d) C. Dais ceased employment on 9 October 2015 and ceased to be key management personnel on that date.

(e) M. Payne was appointed on 30 November 2015 and became key management personnel on that date.

(f) C. Torng was appointed on 25 January 2016 and became key management personnel on that date.

30 June 2015	Balance at 1 July 2014	On exercise of performance rights	Net change other (a)	Balance at 30 June 2015
Directors				
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	20,000
S. Weiss	121,775	-	-	121,775
Other key management personnel				
S. Brady	315,732	35,000	-	350,732
M. Cohen	308,000	39,000	(179,000)	168,000
C. Dais	-	31,000	(10,300)	20,700
J. Lord (b)	285,000	47,000	(332,000)	-
Total	1,315,984	152,000	(511,300)	956,684

* Held directly, indirectly or beneficially.

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

(b) J. Lord ceased employment on 21 August 2014 and ceased to be key management personnel on that date.

Remuneration report (audited) continued

9. Performance rights

Table 9: Performance rights granted

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

Grant date *	First exercise date	Last exercise date	Expiry date	Exercise price	Fair value per performance right at grant date ($) (Note 18)	Vested and exercised 30 June 2016	Vested and exercised 30 June 2015
2 Oct 12 (a)*	3 Sept 15	5 Oct 15	5 Oct 15	0.00	4.73	-	-
2 Oct 13 (b)*	2 Sept 16	5 Oct 16	5 Oct 16	0.00	7.61	-	-
7 Oct 14 (c)*	4 Sept 17	5 Oct 17	5 Oct 17	0.00	6.10	-	-
12 Feb 16 (d)*	29 Aug 17	3 Oct 17	3 Oct 17	0.00	1.90	-	-
12 Feb 16 (d)*	29 Aug 18	3 Oct 18	3 Oct 18	0.00	2.07	-	-
12 Feb 16 (d)*	29 Aug 19	3 Oct 19	3 Oct 19	0.00	2.15	-	-
12 Feb 16 (e)	31 Dec 18	31 Mar 19	31 Mar 19	0.00	4.56	-	-
12 Feb 16 (f)	25 Jan 19	31 Mar 19	31 Mar 19	0.00	4.56	-	-
12 Feb 16 (g)	25 Jan 20	31 Mar 20	31 Mar 20	0.00	4.35	-	-

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

(a) 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).

(b) 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).

(c) 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 2017, is at least 46.50 cents per share) and stretch EPS (group underlying EPS is at least 51.50 cents per share).

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

(e) Participant must be employed by the company on 31 December 2018.

(f) Participant must be employed by the company on 25 January 2019.

(g) Participant must be employed by the company on 25 January 2020.

Remuneration report (audited) continued

9. Performance rights continued

Table 10: Performance rights holdings of key management personnel

30 June 2016	Balance 30 June 2015	Granted as remuneration (a)	Vested and exercised	Other (b)	Balance 30 June 2016
Other key management personnel					
S. Brady	**47,000**	**26,300**	**-**	**(20,000)**	**53,300**
J. Clayton (c)	**-**	**60,200**	**-**	**-**	**60,200**
M. Cohen	**57,000**	**25,300**	**-**	**(24,000)**	**58,300**
C. Dais (d)	**55,000**	**-**	**-**	**(55,000)**	**-**
M. Payne (e)	**-**	**16,000**	**-**	**-**	**16,000**
C. Torng (f)	**-**	**99,700**	**-**	**-**	**99,700**
	159,000	**227,500**	**-**	**(99,000)**	**287,500**

30 June 2015	Balance 30 June 2014	Granted as remuneration (g)	Vested and exercised	Other (b)	Balance 30 June 2015
Other key management personnel					
S. Brady	67,000	15,000	(35,000)	-	47,000
M. Cohen	78,000	18,000	(39,000)	-	57,000
C. Dais	67,000	19,000	(31,000)	-	55,000
J. Lord (h)	180,000	-	(47,000)	(133,000)	-
	392,000	52,000	(152,000)	(133,000)	159,000

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

(b) Includes forfeitures and lapses.

(c) J. Clayton was appointed on 1 July 2015 and became key management personnel on that date.

(d) C. Dais ceased employment on 9 October 2015 and ceased to be key management personnel on that date.

(e) M. Payne was appointed on 30 November 2015 and became key management personnel on that date.

(f) C. Torng was appointed on 25 January 2016 and became key management personnel on that date.

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

(h) J. Lord ceased employment on 21 August 2014 and ceased to be key management personnel on that date.

10. 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 $223,337 (inclusive of GST), including Mr Klein's director's fees, were invoiced by SBA Law during the current financial year (2015: $391,286). 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 2016 $'000	30 June 2015 $'000
Liabilities		
Current liabilities	**-**	21
Total liabilities	**-**	21
Expenses		
Employee expenses (director's fees)	**113**	113
Professional fees	**90**	243
Total expenses (GST exclusive)	**203**	356

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 (P&PC)
Number of meetings	**16**	**5**	**4**
S. Fisher (b)	**16(c)**	**(a)**	**4**
T. Antonie (d)	**14**	**1**	**3(c)**
S. Herman (e)	**13**	**(a)**	**3**
D. Howell	**12**	**4**	**2**
S. Klein (f)	**13**	**2**	**(a)**
L. Myers	**16**	**5(c)**	**4**
S. Weiss (g)	**4**	**2**	**1**

Board Committees

The current members, as at the date of this report, of the A&RC are L. Myers (chairman), D. Howell and S Klein.

The current members, as at the date of this report, of the P&PC are T. Antonie (acting chairman), D. Howell and L. Myers.

Notes

(a) Not a member of the relevant committee.

(b) S. Fisher resigned as a member of the P&PC on 29 June 2016.

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

(d) T. Antonie is the acting chairman of the P&PC. T. Antonie was appointed a member of the A&RC on 16 December 2015 and resigned at the conclusion of the A&RC meeting on 16 December 2015.

(e) S. Herman resigned as a member of the P&PC on 29 June 2016.

(f) S. Klein was appointed a member of the A&RC on 16 December 2015.

(g) S. Weiss resigned on 4 November 2015, effective 11 November 2015.

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, PricewaterhouseCoopers, as part of the terms of its audit engagement agreement, against certain liabilities to third parties arising from the audit engagement, except to the extent that any losses are due to PricewaterhouseCoopers negligent, wrongful or wilful acts or omissions. No payments have been made to indemnify PricewaterhouseCoopers during or since the financial year.

Directors' report
continued

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 37.

Performance rights

Unissued shares

As at the date of this report there were 1,040,400 potential unissued shares under the performance rights. At the reporting date, there were 696,700 potential unissued shares under performance rights (2015: 558,000). Refer to note 18 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, 46,000 unvested performance rights lapsed following the cessation of employment of employees or executives and 180,000 unvested performance rights lapsed as performance hurdles were not met. (2015: 180,000 unvested performance rights lapsed following the cessation of employment of employees or executives).

Auditor's declaration of independence

Attached on page 89 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 2016. This auditor's declaration forms part of this directors' report.

Non-audit services

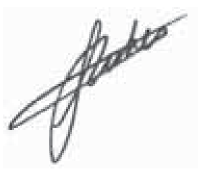
During the financial year ended 30 June 2016 the company's auditor, PricewaterhouseCoopers provided non-audit services to Breville Group entities. Details of the amounts paid to the auditor PricewaterhouseCoopers, for the provision of non-audit services during the year ended 30 June 2016 are set out in Note 20. These services primarily relate to tax compliance and advisory services.

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

Significant events after year end

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

Signed in accordance with a resolution of directors.



Steven Fisher
Non-executive chairman

Sydney
25 August 2016

Corporate governance statement

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

The ASX principles that have been adopted are outlined below.

The company's corporate governance practices throughout the year ended 30 June 2016 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 corporate, corporate governance section of the company's website brevillegroup.com

- selection and appointment of directors
- criteria for assessing independence
- code of conduct
- continuous disclosure policy
- share trading policy
- shareholder communications policy
- board charter
- audit and risk committee charter
- people and performance committee charter
- diversity policy
- workplace gender equality agency report
- ethical sourcing policy

Board skills matrix

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

Director	Appointed	Term in office	Qualifications	Non-executive	Independent	Last elected
Steven Fisher (chairman)	2004	12 years	B.ACC, CA (SA)	Yes	No	2015
Timothy Antonie	2013	2 years	BEcon	Yes	No	2014
Sally Herman	2013	3 years	BA, GAICD	Yes	No	2013
Dean Howell	2008	8 years	FCA, CTA	Yes	Yes	2014
Steven Klein	2003	13 years	LLB, B.Com	Yes	No	2014
Lawrence Myers	2013	2 years	B.Acct, CA, CTA	Yes	Yes	2015

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

- Corporate strategy and executive leadership
- Banking
- Legal and risk management
- Compliance and governance
- Accounting, tax and financial reporting, including financial analysis
- Mergers, acquisitions and capital raisings
- Human resources and executive remuneration
- Investor relations
- International business
- Marketing

Principle 1: Lay solid foundations for management and oversight

Role of the board and management

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

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

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

Corporate governance statement
continued

Principle 1: Lay solid foundations for management and oversight continued

Appointment of board members

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

As at the date of this annual report, all directors have a written agreement outlining their roles and responsibilities.

New directors receive a comprehensive briefing package prior to their appointment.

Company secretary

The company secretary is directly accountable to the board on all matters relating to the proper functioning of the board.

Diversity policy

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

Diversity policy objectives

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

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

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

	30 June 2015	30 June 2016	Target by June 2018*
Women on the board	14%	17%	25%
Women in senior executive roles	23%	29%	25%
Women in senior roles	27%	30%	30%
Women in company	50%	50%	50%

*Target set June 2015

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 at the corporate, corporate governance section.

Evaluating the performance of the board

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

Principle 1: Lay solid foundations for management and oversight continued

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 six non-executive directors. The directors' report, on pages 14 and 15, 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.

As Mr Fisher is not an independent director, the board has appointed Mr Myers as its 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" at the corporate, corporate governance section of the company's website, which is consistent with the council's recommendations. Independent directors of the company are those that are not involved in the day-to-day management of the company and are free from any real or reasonably perceived business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement.

In accordance with the definition of independence above, and the materiality thresholds outlined in the company's policy 'Criteria for assessing independence of directors', it is the board's view that Mr Dean Howell and Mr Lawrence Myers 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 Timothy Antonie (non-executive director) is a non-executive director of Premier Investments Ltd, a substantial shareholder of the company;
- Ms Sally Herman (non-executive director) is a non-executive director of Premier Investments Ltd, a substantial shareholder of the company; and
- Mr 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 35.

Corporate governance statement
continued

Principle 2: Structure the board to add value continued

Nomination committee

During the year ended 30 June 2016, 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 2.1 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.

The board brings independent judgement to decisions regarding the composition of the board. The process of recruiting a new director includes the evaluation of relevant skills, knowledge, experience, independence and diversity. The board endeavours to ensure appropriate succession planning, both at a board and senior executive level.

Principle 3: Promote ethical and responsible decision making

Code of conduct

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

Principle 4: Safeguard integrity in financial reporting

Audit and risk committee

The board has an audit and risk committee (A&RC), which operates under a charter approved by the board. It is the board's responsibility to ensure that an effective internal control framework exists within the consolidated entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The board has delegated the responsibility for 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;
- monitors and assesses the systems for internal compliance and control, legal compliance and risk management; and
- reviews and carries out an annual assessment of the company's risk management framework.

Composition of committee

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

- Mr Lawrence Myers (chairman)
- Mr Dean Howell
- Mr Steven Klein

Effective 16 December 2015, Mr Steven Klein was appointed to the A&RC. The directors' report, on page 35, 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 14 and 15.

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;
- 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 corporate, corporate governance section.

Principle 6: Respect the rights of shareholders

Communication policy

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

Electronic communication

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

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

Briefings

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

Principle 7: Recognise and manage risk

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

These include:

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

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

During the year ended 30 June 2016, the company did not have a separately established risk committee. All duties and responsibilities typically delegated to such a committee are the responsibility of the full board, with assistance from the A&RC.

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

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 Timothy Antonie (acting chairman)
- Mr Dean Howell
- Mr Lawrence Myers

In accordance with the council's recommendation 8.1, the people and performance committee comprises at least three members.

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 35.

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 21 to 34.

Consolidated income statement
for the year ended 30 June 2016

		Consolidated	
	Note	**30 June 2016 $'000**	30 June 2015 $'000
Revenue	3(a)	**576,573**	527,036
Cost of sales	3(b)	**(385,525)**	(355,842)
Gross profit		**191,048**	171,194
Other income		**1,355**	787
Employee benefits expenses	3(e)	**(57,887)**	(48,671)
Premises, lease & utilities expenses		**(11,350)**	(10,195)
Advertising and marketing expenses		**(21,587)**	(21,589)
Other expenses		**(18,167)**	(14,505)
Earnings before interest, tax, depreciation & amortisation (EBITDA)		**83,412**	77,021
Depreciation & amortisation expense	3(c)	**(9,680)**	(7,421)
Earnings before interest & tax (EBIT)		**73,732**	69,600
Finance costs	3(f)	**(2,549)**	(2,517)
Finance income	3(f)	**336**	680
Profit before income tax		**71,519**	67,763
Income tax expense	4	**(21,347)**	(21,083)
Net profit after income tax for the year attributable to members of Breville Group Limited		**50,172**	46,680
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of Breville Group Limited:			
- basic earnings per share	12	**38.6**	35.9
- diluted earnings per share	12	**38.6**	35.9

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

Consolidated statement of comprehensive income for the year ended 30 June 2016

		Consolidated	
	Note	**30 June 2016 $'000**	30 June 2015 $'000
Net profit after income tax for the year		**50,172**	46,680
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences		**1,646**	6,979
Net change in fair value of cash flow hedges		**(2,868)**	3,906
Income tax on other comprehensive income	4	**1,195**	(1,296)
Other comprehensive (loss)/income for the year, net of income tax		**(27)**	9,589
Total comprehensive income for the year attributable to members of Breville Group Limited		**50,145**	56,269

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

Consolidated statement of financial position as at 30 June 2016

		Consolidated	
	Note	**30 June 2016 $'000**	30 June 2015 $'000
Current assets			
Cash and cash equivalents	5	**59,978**	54,634
Trade and other receivables	6	**89,478**	88,747
Inventories	7	**107,722**	108,323
Other financial assets	15	**1,300**	2,548
Current tax assets	4	**34**	556
Total current assets		**258,512**	254,808
Non-current assets			
Plant and equipment	8	**11,789**	12,855
Deferred tax assets	4	**7,531**	6,238
Intangible assets	9	**92,135**	87,371
Total non-current assets		**111,455**	106,464
Total assets		**369,967**	361,272
Current liabilities			
Trade and other payables	6	**74,878**	85,207
Borrowings	14	**13,487**	76
Current tax liabilities	4	**3,700**	3,457
Provisions	6	**13,916**	13,282
Other financial liabilities	15	**2,223**	604
Total current liabilities		**108,204**	102,626
Non-current liabilities			
Other payables	6	**4,265**	4,295
Borrowings	14	**10,362**	21,768
Provisions	6	**1,131**	1,178
Total non-current liabilities		**15,758**	27,241
Total liabilities		**123,962**	129,867
Net assets		**246,005**	231,405
Equity			
Equity attributable to equity holders of the parent			
Issued capital	13	**140,050**	140,050
Reserves	13	**(4,930)**	(5,134)
Retained earnings		**110,885**	96,489
Total equity		**246,005**	231,405

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

Consolidated statement of changes in equity for the year ended 30 June 2016

Consolidated	Note	Issued capital $'000	Foreign currency trans-lation reserve $'000	Employee equity benefits reserve $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total equity $'000
2016							
At 1 July 2015		140,050	(2,430)	(4,033)	1,329	96,489	231,405
Foreign currency translation reserve		**-**	**1,646**	**-**	**-**	**-**	**1,646**
Cash flow hedges		**-**	**-**	**-**	**(2,868)**	**-**	**(2,868)**
Income tax on items taken directly to equity	4	**-**	**-**	**228**	**967**	**-**	**1,195**
Total other comprehensive (loss)/income for the year		**-**	**1,646**	**228**	**(1,901)**	**-**	**(27)**
Profit for the year		**-**	**-**	**-**	**-**	**50,172**	**50,172**
Total comprehensive (loss)/ income for the year		**-**	**1,646**	**228**	**(1,901)**	**50,172**	**50,145**
Dividends paid	11	**-**	**-**	**-**	**-**	**(35,776)**	**(35,776)**
Ordinary shares acquired by the Trustee of the Breville Group Performance Share Plan Trust	13(b)	**(415)**	**-**	**-**	**-**	**-**	**(415)**
Transferred to participants of the performance rights plan	13(b)	**415**	**-**	**(415)**	**-**	**-**	**-**
Share-based payments		**-**	**-**	**646**	**-**	**-**	**646**
At 30 June 2016		**140,050**	**(784)**	**(3,574)**	**(572)**	**110,885**	**246,005**
2015							
At 1 July 2014		140,050	(9,638)	(948)	(1,352)	84,934	213,046
Foreign currency translation reserve		-	6,979	-	-	-	6,979
Cash flow hedges		-		-	3,906	-	3,906
Income tax on items taken directly to equity	4	-	229	(300)	(1,225)	-	(1,296)
Total other comprehensive income/(loss) for the year		-	7,208	(300)	2,681	-	9,589
Profit for the year		-	-	-	-	46,680	46,680
Total comprehensive income/ (loss) for the year		-	7,208	(300)	2,681	46,680	56,269
Dividends paid	11	-	-	-	-	(35,125)	(35,125)
Ordinary shares acquired by the Trustee of the Breville Group Performance Share Plan Trust	13(b)	(2,620)	-	-	-	-	(2,620)
Transferred to participants of the performance rights plan	13(b)	2,620	-	(2,620)	-	-	-
Share-based payments		-	-	(165)	-	-	(165)
At 30 June 2015		140,050	(2,430)	(4,033)	1,329	96,489	231,405

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

Consolidated cash flow statement
for the year ended 30 June 2016

	Note	Consolidated 30 June 2016 $'000	Consolidated 30 June 2015 $'000
Cash flows from operating activities			
Receipts from customers		**609,297**	557,104
Payments to suppliers and employees		**(535,831)**	(491,472)
Finance costs paid		**(995)**	(2,134)
Income tax paid		**(20,518)**	(18,506)
Finance income received		**336**	680
Net cash flows from operating activities	5(b)	**52,289**	45,672
Cash flows used in investing activities			
Purchase of plant and equipment		**(1,832)**	(8,377)
Proceeds from sale of plant and equipment		**-**	14
Purchase of intangible assets		**(11,957)**	(14,141)
Net cash flows used in investing activities		**(13,789)**	(22,504)
Cash flows used in financing activities			
Proceeds from borrowings		**19,646**	21,609
Repayment of borrowings		**(17,413)**	(28,212)
Irretrievable cash contributions paid to the Trustee of the Breville Group Performance Share Plan Trust to acquire ordinary shares	13(b)	**(415)**	(2,620)
Equity dividends paid	11(a)	**(35,776)**	(35,125)
Net cash flows used in financing activities		**(33,958)**	(44,348)
Net increase/(decrease) in cash and cash equivalents		**4,542**	(21,180)
Cash and cash equivalents at end of the year		**54,633**	70,885
Net foreign exchange difference		**802**	4,928
Cash and cash equivalents at end of the year	5(a)	**59,977**	54,633

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

Notes to the financial statements
for the year ended 30 June 2016

Notes to the financial statements

Notes to the financial statements
for the year ended 30 June 2016

Key numbers

Note 1. Summary of significant accounting policies

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

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

A description of the group's operations and of its principal activities is included in the operating and financial review in the directors' report on pages 15 to 21. The directors' report is unaudited (except for the remuneration report) and does not form part of the financial report.

(a) Basis of preparation

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

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

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

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

(b) Statement of compliance

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

(c) Basis of consolidation

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

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

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

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

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

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

(d) Significant accounting judgements, estimates and assumptions

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

Impairment of goodwill & intangibles with indefinite useful lives

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

Share-based payment transactions

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

Note 1. Summary of significant accounting policies continued

(d) Significant accounting judgements, estimates and assumptions continued

Taxes

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

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

Warranty and faulty goods

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

(e) Notes to the financial statements

The notes to the financial statements have been restructured to make the financial report more relevant and readable, with a focus on information that is material to the operations, financial position and performance of the group.

Notes relating to individual line items in the financial statements now include accounting policy information where it is considered relevant to an understanding of these items. Details of the impact of new accounting policies and all other accounting policy information are disclosed in note 23 of the financial report.

Note 2. Operating segments

Operating segments

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

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

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 as well as the depreciation and amortisation charge on group assets including capitalised product development projects.

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 transactions between segments. Those transfers are eliminated on consolidation. Segment earnings before income tax ('EBIT') includes certain transfer prices and includes an allocation of head office costs.

Note 2. Operating segments continued

Year ended 30 June 2016	North America Distribution $'000	ANZ Distribution $'000	Rest of World $'000	Other $'000	Total $'000
Revenue					
Sale of goods	**251,306**	**242,569**	**82,252**	**-**	**576,127**
Commission income	**446**	**-**	**-**	**-**	**446**
Inter-segment revenue	**-**	**-**	**8,555**	**31,121**	**39,676**
Total segment revenue	**251,752**	**242,569**	**90,807**	**31,121**	**616,249**
Inter-segment elimination					**(39,676)**
Total consolidated revenue					**576,573**
Segment results					
EBITDA	**44,040**	**17,947**	**22,164**	**(739)**	**83,412**
Depreciation & amortisation	**(437)**	**(1,318)**	**(107)**	**(7,818)**	**(9,680)**
EBIT	**43,603**	**16,629**	**22,057**	**(8,557)**	**73,732**
Finance revenue					**336**
Finance costs					**(2,549)**
Profit before income tax					**71,519**
Other segment information					
Capital expenditure – plant and equipment	**104**	**616**	**95**	**929**	**1,744**
Capital expenditure – intangibles	**-**	**-**	**-**	**11,319**	**11,319**

Year ended 30 June 2015	North America Distribution $'000	ANZ Distribution $'000	Rest of World $'000	Other $'000	Total $'000
Revenue					
Sale of goods	202,573	245,122	78,830	-	526,525
Commission income	511	-	-	-	511
Inter-segment revenue	-	-	7,870	26,725	34,595
Total segment revenue	203,084	245,122	86,700	26,725	561,631
Inter-segment elimination					(34,595)
Total consolidated revenue					527,036
Segment results					
EBITDA	32,245	19,571	20,427	4,778	77,021
Depreciation & amortisation	(388)	(1,223)	(86)	(5,724)	(7,421)
EBIT	31,857	18,348	20,341	(946)	69,600
Finance revenue					680
Finance costs					(2,517)
Profit before income tax					67,763
Other segment information					
Capital expenditure – plant and equipment	321	3,444	92	4,225	8,082
Capital expenditure – intangibles	14	-	-	17,574	17,588

Note 3. Revenue and expenses

	Note	Consolidated 30 June 2016 $'000	Consolidated 30 June 2015 $'000
(a) Revenue			
Sale of goods		**576,127**	526,525
Commission income		**446**	511
Total revenue		**576,573**	527,036
(b) Cost of sales			
Costs of inventories recognised as an expense (includes write-down of inventory to net realisable value (note 7))		**340,733**	313,418
Costs of delivering goods to customers		**20,272**	20,413
Warranty provision		**24,520**	22,011
Total cost of sales		**385,525**	355,842
(c) Depreciation and amortisation expense			
Depreciation – plant and equipment	8	**3,032**	2,414
Amortisation – computer software	9	**1,086**	51
Amortisation – development costs	9	**5,383**	4,774
Amortisation – customer relationships	9	**179**	182
Total depreciation and amortisation expense		**9,680**	7,421
(d) Lease payments and other expenses included in consolidated income statement			
Included in premises, lease & utilities expenses:			
• Minimum lease payments – operating lease		**7,950**	7,244
Included in other income/expenses:			
• Net foreign exchange loss		**162**	973
• Other product related costs		**3,116**	2,966
(e) Employee benefits expenses			
Wages & salaries, leave and other employee related benefits		**54,805**	46,482
Defined contribution plan expense		**2,436**	2,354
Share-based payments expense		**646**	(165)
Total employee benefits expenses		**57,887**	48,671
(f) Finance costs/(income)			
Finance costs paid or payable on borrowings and bank overdrafts:			
- interest		**330**	338
- other borrowing costs		**1,359**	1,306
Interest on other payables – non current		**860**	873
Finance costs		**2,549**	2,517
Finance income		**(336)**	(680)
Total net finance costs		**2,213**	1,837

Notes to the financial statements
for the year ended 30 June 2016

Note 3. Revenue and expenses continued

		Consolidated	
	Note	**30 June 2016 $'000**	30 June 2015 $'000
(g) Research and development costs			
Amortisation of previously capitalised development costs included in amortisation expense	3(c)	**5,383**	4,774
Research and development costs charged directly to the income statement		**8,470**	8,961
Total research and development costs		**13,853**	13,735

Recognition and measurement

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 costs/income

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

Note 4. Income tax

	Consolidated 30 June 2016 $'000	Consolidated 30 June 2015 $'000
The major components of income tax expense are:		
Income statement		
Current income tax		
Current income tax charge	**20,967**	20,337
Adjustments in respect of current income tax of previous years	**(33)**	52
Deferred income tax		
Relating to the origination and reversal of temporary differences	**413**	694
Total income tax expense reported in the income statement	**21,347**	21,083
Statement of changes in equity		
Deferred income tax related to items charged or credited directly to other comprehensive income		
Foreign currency translation differences	**-**	(229)
Employee equity benefits reserve	**(228)**	300
Net (loss)/gain on revaluation of cash flow hedges	**(967)**	1,225
Income tax benefit reported in other comprehensive income	**(1,195)**	1,296
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the parent entity's applicable income tax rate is as follows:		
Profit before income tax	**71,519**	67,763
At the parent entity's statutory income tax rate of 30% (2015: 30%)	**21,456**	20,329
• adjustments in respect of current income tax of previous years	**(33)**	52
• effect of different rates of tax on overseas income	**101**	(544)
• expenditure not allowable for income tax purposes	**64**	789
• other	**(241)**	457
Income tax expense reported in the income statement	**21,347**	21,083

Notes to the financial statements
for the year ended 30 June 2016

Note 4. Income tax continued

	Consolidated		Consolidated	
	Statement of financial position		Income statement	
	30 June 2016 $'000	30 June 2015 $'000	**30 June 2016 $'000**	30 June 2015 $'000
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities				
Brand names	**1,875**	1,875	**-**	-
Development costs	**6,015**	4,587	**(1,428)**	(481)
Intangibles	**443**	495	**52**	(55)
Accelerated depreciation for tax purposes	**13**	24	**11**	(16)
Gross deferred income tax liabilities	**8,346**	6,981		
Deferred tax assets				
Losses available for offset against future taxable income	**-**	93	**(89)**	(87)
Provisions and accruals	**7,587**	7,211	**235**	1,155
Other long term payables	**1,283**	1,595	**(312)**	516
Employee benefits	**2,929**	1,988	**938**	(315)
Revaluation of inventories	**957**	867	**63**	(136)
Cash flow hedge reserve	**352**	(615)	**-**	-
Employee equity benefits reserve	**520**	218	**74**	(266)
Other	**2,249**	1,862	**43**	(1,009)
Gross deferred income tax assets	**15,877**	13,219		
Net deferred income tax assets	**7,531**	6,238		
Deferred tax expense			**(413)**	(694)
Current income tax				
Current tax asset			**34**	556
Current tax liabilities			**3,700**	3,457

At 30 June 2016, there is no recognised or unrecognised deferred income tax liability (2015: $nil) for taxes that would be payable on the unremitted earnings of certain of the group's subsidiaries, as the group has no current intention of distributing existing retained earnings in jurisdictions where liability for additional taxation exists should such amounts be remitted.

Note 4. Income tax continued

Recognition and measurement

Current tax

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

Deferred tax

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

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

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

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

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

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

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

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

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

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

Tax consolidation legislation

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

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

Notes to the financial statements
for the year ended 30 June 2016

Note 5. Cash and cash equivalents

		Consolidated	
	Note	**30 June 2016 $'000**	30 June 2015 $'000
Cash at bank and on hand	(a)	**59,978**	54,634

Notes:

- Cash at bank earns interest at floating rates based on daily bank deposit rates.
- At 30 June 2016, the Group had available $19,342,000 (2015: $25,287,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.
- The fair value of cash and cash equivalents is $59,977,000 (2015: $54,633,000).

(a) Reconciliation of cash flow statement:

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

	Note	30 June 2016 $'000	30 June 2015 $'000
Cash and cash equivalents		**59,978**	54,634
Bank overdraft	14	**(1)**	(1)
Total cash and cash equivalents, net		**59,977**	54,633

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

	30 June 2016 $'000	30 June 2015 $'000
Net profit for the year	**50,172**	46,680
Adjustments for:		
Depreciation and amortisation	**9,680**	7,421
Share-based payments	**646**	(165)
Net gain on disposal of plant and equipment	**-**	(14)
Foreign exchange losses	**162**	973
Changes in assets and liabilities:		
(Increase)/decrease in:		
Trade receivables, prepayments and other receivables	**(661)**	(1,620)
Inventories	**1,857**	(5,596)
Other current assets	**522**	555
Non-current assets	**(908)**	(160)
(Decrease)/increase in:		
Current liabilities	**(10,278)**	(3,913)
Non-current liabilities	**1,097**	1,511
Net cash flows from operating activities	**52,289**	45,672

(c) Disclosure of financing facilities

Refer to note 14.

Note 5. Cash and cash equivalents continued

Recognition and measurement

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

Note 6. Receivables, payables and provisions

	Note	Consolidated 30 June 2016 $'000	 30 June 2015 $'000
Trade and other receivables			
Current			
Trade receivables	(a)	**88,186**	86,696
Allowance for uncollectible receivables		**(359)**	(267)
Trade receivables, net		**87,827**	86,429
Prepayments		**891**	1,406
Other receivables	(b)	**760**	912
Total current trade receivables, prepayments and other receivables		**89,478**	88,747

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 $128,000 (2015: $53,000) has been recognised by the group as an expense in 'other expenses' for the current year for specific debtors for which such evidence exists.

At 30 June 2016 an ageing analysis of those trade receivables which are past due but not impaired are as follows:

	Consolidated 30 June 2016 $'000	 30 June 2015 $'000
1 – 30 days overdue	**4,898**	9,103
31 – 60 days overdue	**67**	1,204
61+ days overdue	**452**	381
Total past due but not impaired	**5,417**	10,688

Trade receivables past due but not impaired amount to $5,417,000 (2015: $10,688,000). Of this balance, $5,068,000 (2015: $9,040,000) is covered by insurance 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.

Note 6. Receivables, payables and provisions continued

Trade and other receivables continued

Recognition and measurement

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost. Bad debts are written off when incurred. An allowance for uncollectible 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. The carrying value and estimated net fair values of the trade and other receivables is assumed to approximate their fair value, being the amount at which the asset could be exchanged between willing parties.

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

		Consolidated	
	Note	**30 June 2016 $'000**	30 June 2015 $'000
Trade and other payables			
Current			
Trade and other payables – unsecured		**74,878**	85,207
Total current trade and other payables		**74,878**	85,207
Non current			
Other payables	(a)	**4,265**	4,295
		4,265	4,295

Notes:

(a) Relates to an earn-out in relation to the acquisition of PolyScience.

Recognition and measurement

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

		Consolidated	
	Note	**30 June 2016 $'000**	30 June 2015 $'000
Provisions			
Current			
Warranty and faulty goods	(a)	**8,462**	7,815
Employee benefits – annual leave	(a)	**3,329**	3,405
Employee benefits – long service	(a)	**2,125**	2,002
Onerous lease contracts	(a)	**-**	60
Total current provisions	(a)	**13,916**	13,282
Non current			
Employee benefits – long service	(a)	**1,131**	1,178
Total non-current provisions	(a)	**1,131**	1,178

Note 6. Receivables, payables and provisions continued

Provisions continued

Consolidated	Warranty and faulty goods $'000	Employee benefits - annual leave $'000	Employee benefits - long service $'000	Onerous lease contracts $'000	Total $'000
(a) Movement in provisions					
Carrying amount at the beginning of the year:					
Current	7,815	3,405	2,002	60	13,282
Non-current	-	-	1,178	-	1,178
Total	7,815	3,405	3,180	60	14,460
Movement in provisions during the year:					
Additional provisions made in the year	24,520	2,184	284	-	26,988
Amounts utilised during the year	(23,988)	(2,264)	(213)	(62)	(26,527)
Net exchange differences	115	4	5	2	126
Net movement	647	(76)	76	(60)	587
Carrying amount at the end of the year:					
Current	**8,462**	**3,329**	**2,125**	**-**	**13,916**
Non-current	**-**	**-**	**1,131**	**-**	**1,131**
Total	**8,462**	**3,329**	**3,256**	**-**	**15,047**

Recognition and measurement

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

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

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

Warranties and faulty goods

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

Employee benefits - annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

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

Notes to the financial statements
for the year ended 30 June 2016

Note 6. Receivables, payables and provisions continued

Provisions continued

Recognition and measurement continued

Employee benefits – long service

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

Note 7. Inventories

		Consolidated	
	Note	**30 June 2016 $'000**	30 June 2015 $'000
Finished goods (at lower of cost and net realisable value)	(a)	**94,803**	89,849
Stock in transit (at cost)		**12,919**	18,474
Total inventories		**107,722**	108,323

Notes:

(a) Total net finished goods provision movements recognised in the income statement totalled a $426,000 credit (2015: $962,000 credit) for the group. This net credit is included in the cost of inventories line in the cost of sales.

Recognition and measurement

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

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

Note 8. Non-current assets - plant and equipment

	Note	Consolidated 30 June 2016 $'000	 30 June 2015 $'000
At the beginning of the year			
At cost (gross carrying amount)		**32,081**	28,763
Accumulated depreciation and impairment		**(19,226)**	(21,903)
Net carrying amount		**12,855**	6,860
Reconciliation of the carrying amount:			
Carrying amount at the beginning of year		**12,855**	6,860
Additions		**1,744**	8,082
Reclassifications		**193**	107
Depreciation	3(c)	**(3,032)**	(2,414)
Net exchange difference		**29**	220
Carrying amount at the end of year		**11,789**	12,855
At the end of the year			
At cost (gross carrying amount)		**33,960**	32,081
Accumulated depreciation and impairment		**(22,171)**	(19,226)
Net carrying amount		**11,789**	12,855

Recognition and measurement

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

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

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

Note 9. Non-current assets - intangible assets

	Consolidated 30 June 2016 $'000	 30 June 2015 $'000
Development costs	**20,523**	16,730
Computer software	**8,069**	6,919
Brand names	**31,575**	31,575
Customer relationships	**1,474**	1,653
Goodwill	**30,494**	30,494
Total intangible assets (net carrying amount)	**92,135**	87,371

Note 9. Non-current assets - intangible assets continued

Consolidated 2016	Note	Development costs $'000	Computer software $'000	Brand names $'000	Customer relationships $'000	Goodwill $'000	Total $'000
At the beginning of the year							
At cost (gross carrying amount)		48,001	8,679	31,575	1,835	30,494	**120,584**
Accumulated amortisation and impairment		(31,271)	(1,760)	-	(182)	-	**(33,213)**
Net carrying amount		16,730	6,919	31,575	1,653	30,494	**87,371**
Reconciliation of the carrying amount:							
Carrying amount at the beginning of year		16,730	6,919	31,575	1,653	30,494	**87,371**
Additions		9,085	2,234	-	-	-	**11,319**
Reclassifications		91	-	-	-	-	**91**
Amortisation	3(c)	(5,383)	(1,086)	-	(179)	-	**(6,648)**
Net exchange difference		-	2	-	-	-	**2**
Carrying amount at the end of year		20,523	8,069	31,575	1,474	30,494	**92,135**
At the end of the year							
At cost (gross carrying amount)		**57,176**	**10,554**	**31,575**	**1,835**	**30,494**	**131,634**
Accumulated amortisation and impairment		**(36,653)**	**(2,485)**	**-**	**(361)**	**-**	**(39,499)**
Net carrying amount		**20,523**	**8,069**	**31,575**	**1,474**	**30,494**	**92,135**

Consolidated 2015	Note	Development costs $'000	Computer software $'000	Brand names $'000	Customer relationships $'000	Goodwill $'000	Total $'000
At the beginning of the year							
At cost (gross carrying amount)		40,034	6,850	31,575	-	24,558	103,017
Accumulated amortisation and impairment		(26,491)	(1,635)	-	-	-	(28,126)
Net carrying amount		13,543	5,215	31,575	-	24,558	74,891
Reconciliation of the carrying amount:							
Carrying amount at the beginning of year		13,543	5,215	31,575	-	24,558	74,891
Additions		7,966	1,851	-	1,835	5,936	17,588
Reclassifications		(5)	(102)	-	-	-	(107)
Amortisation	3(c)	(4,774)	(51)	-	(182)	-	(5,007)
Net exchange difference		-	6	-	-	-	6
Carrying amount at the end of year		16,730	6,919	31,575	1,653	30,494	87,371
At the end of the year							
At cost (gross carrying amount)		48,001	8,679	31,575	1,835	30,494	120,584
Accumulated amortisation and impairment		(31,271)	(1,760)	-	(182)	-	(33,213)
Net carrying amount		16,730	6,919	31,575	1,653	30,494	87,371

Note 9. Non-current assets - intangible assets continued

Recognition and measurement

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.

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

(a) Development costs	
Internally generated or Acquired	Internally generated
Recognition	Capitalised at cost and 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. Research costs are expensed as incurred.
Useful lives	Finite
Amortisation method	Amortised straight line over the period of expected future sales, not exceeding 3 years, from the related project on a straight line basis.
Impairment test	Annually and more frequently when an indication of impairment exists. An impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. The amortisation method is reviewed at each year end.
(b) Computer software	
Internally generated or Acquired	Internally generated and acquired
Recognition	Capitalised at cost
Useful lives	Finite
Amortisation method	Amortised over the useful life, not exceeding 7 years, on a straight line basis.
Impairment test	When an indication of impairment exists. The amortisation method is reviewed at each year end.
(c) Brand names	
Internally generated or Acquired	Acquired
Recognition	Capitalised at cost or if acquired as part of a business combination at fair value at the date of acquisition.
Useful lives	Indefinite
Amortisation method	No amortisation
Impairment test	Annually and more frequently when an indication of impairment exists.
(d) Customer Relationships	
Internally generated or Acquired	Acquired
Recognition	Capitalised at cost or if acquired as part of a business combination at fair value at the date of acquisition.
Useful lives	Finite
Amortisation method	Amortised over the useful life, not exceeding 10 years, on a straight line basis.
Impairment test	Annually and more frequently when an indication of impairment exists. The amortisation method is reviewed at each year end.

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

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

Note 10. 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 10.6% (2015: 12.3%). Cash flows beyond the approved 30 June 2017 budgets are extrapolated using a 3% growth rate (2015: 3.0%), which is considered a reasonable estimate of the long-term average growth rate for the wholesale consumer products industry.

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

		Consolidated	
	Note	**30 June 2016 $'000**	30 June 2015 $'000
Carrying amount of goodwill and brand names are allocated as follows:			
Breville Group			
- brand names with indefinite useful lives		**13,800**	13,800
Breville Australia			
- goodwill		**20,277**	20,277
- brand names with indefinite useful lives		**17,775**	17,775
		38,052	38,052
North America Distribution			
- goodwill		**7,700**	7,700
New Zealand Distribution			
- goodwill		**276**	276
Rest of World Distributors			
- goodwill		**2,241**	2,241
		62,069	62,069
All cash generating units			
- goodwill	9	**30,494**	30,494
- brand names with indefinite useful lives	9	**31,575**	31,575
Total carrying amount of goodwill and brand names		**62,069**	62,069

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

Key assumptions used in value in use calculations for the cash generating units for 30 June 2016 and 30 June 2015

The key assumption on which management has based its cash flow projections when determining the value in use of the cash generating units is as follows:

- 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.

Recognition and measurement

Intangible assets – goodwill

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

Impairment of non-financial assets other than goodwill

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

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

Notes to the financial statements
for the year ended 30 June 2016

Capital management

Note 11. Dividends

	Note	Consolidated 30 June 2016 $'000	30 June 2015 $'000
(a) Dividends on ordinary shares declared and paid during the year:			
Final fully franked dividend for the year ending 30 June 2015 of 13.0 cents per share (2015: final fully franked dividend for 2014 of 13.0 cents per share)			
• Paid in cash	(i)	**16,912**	16,912
Final dividend		**16,912**	16,912
Partially franked interim dividend for the year ending 30 June 2016 of 14.5 cents per share (10.9 cents franked) (2015: interim dividend for 2015 of 14.0 cents per share (fully franked))			
• Paid in cash	(i)	**18,864**	18,213
Interim dividend		**18,864**	18,213
Total partially franked dividends declared and paid during the year of 27.5 cents per share (23.9 cents franked) (2015: 27.0 cents per share (fully franked))			
(i) Total dividends paid in cash		**35,776**	35,125
Total dividends		**35,776**	35,125
(b) Dividends on ordinary shares proposed and not recognised as a liability:			
Final partially franked dividend for 2016 of 14.0 cents per share (9.8 cents franked) (2015: final fully franked dividend of 13.0 cents per share)		**18,213**	16,912
(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% (2015: 30%)		**1,260**	3,051
• franking credits that will arise from the payment of income tax payable as at the end of the year		**585**	1,254
		1,845	4,305
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		**(5,464)**	(7,248)
Total franking credit balance		**(3,619)**	(2,943)

The tax rate at which dividends are franked is 30% (2015: 30%).

Note 12. Earnings per share

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Earnings used in calculating basic and diluted earnings per share:		
Net profit attributable to ordinary equity holders of Breville Group Limited	**50,172**	46,680
	Thousands	Thousands
Weighted average number of shares:		
Weighted average number of ordinary shares for basic and diluted earnings per share	**130,095**	130,095
Weighted average number of exercised, forfeited or expired potential ordinary shares included in diluted earnings per share	**-**	-

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

Recognition and measurement

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, 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;
- other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to the financial statements
for the year ended 30 June 2016

Note 13. Issued capital and reserves

	Note	Consolidated 30 June 2016 $'000	Consolidated 30 June 2015 $'000
Issued capital			
Ordinary shares – authorised, issued and fully paid	(a)	**140,050**	140,050
Ordinary shares – held by the Breville Group Performance Share Plan Trust	(b)	**-**	-
Total contributed equity		**140,050**	140,050

Ordinary shares

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

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.

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

	Note	Consolidated 30 June 2016 Number of shares	Consolidated 30 June 2016 $'000	Consolidated 30 June 2015 Number of shares	Consolidated 30 June 2015 $'000
(a) Movements in ordinary issued shares:					
Beginning and end of the year		**130,095,322**	**140,050**	130,095,322	140,050
(b) Movements in ordinary shares held by the Breville Group Performance Share Plan Trust:					
Beginning of the year		**-**	**-**	-	-
Movements during the year					
Transferred to participants of the Breville Group Limited Performance Rights Plan	(i)	**65,000**	**415**	362,000	2,620
Ordinary shares acquired by the Breville Group Performance Share Plan Trust during the year - cash	(ii)	**(65,000)**	**(415)**	(362,000)	(2,620)
End of the year		**-**	**-**	-	-

(i) During the year the Trustee of the Breville Group Performance Share Plan Trust transferred 65,000 ordinary company shares (2015: 362,000) 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 65,000 ordinary shares (2015: 362,000) in order to fulfil its obligations under the Breville Group Limited Performance Rights Plan. The average value placed on these acquisitions was $6.38 per share (2015: $7.24). Details are provided in note 16(b) and note 18.

Note 13. Issued capital and reserves continued

Issued capital continued

(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 18). At the end of the year there were 696,700 (2015: 558,000) potential unissued ordinary shares in respect of performance rights that were outstanding.

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
Reserves		
Foreign currency translation reserve	**(784)**	(2,430)
Employee equity benefits reserve	**(3,574)**	(4,033)
Cash flow hedge reserve	**(572)**	1,329
Total reserves	**(4,930)**	(5,134)

Nature and purpose of reserves

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

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

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

Note 14. Borrowings

		Consolidated	
	Note	**30 June 2016 $'000**	30 June 2015 $'000
Current			
Bank overdrafts – on demand	5(a)	**1**	1
Other loans:			
- Cash advance facilities		**13,479**	-
- Term loan		**7**	75
Total current borrowings		**13,487**	76
Non-current			
Other loans:			
- Cash advance facilities		**10,362**	21,745
- Term loan		**-**	23
Total non-current borrowings		**10,362**	21,768

Notes to the financial statements
for the year ended 30 June 2016

Note 14. Borrowings continued

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 2016 and 30 June 2015.

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. Breville Group Limited has issued corporate guarantees in favour of the local bank (HSBC) which provides the day to day US, Canadian and UK transactional banking facilities. A security agreement in favour of ANZ is in existence over the assets and undertakings of Breville USA, Inc. Borrowings may include Australian dollar, US dollar, Canadian dollar, 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 15) approximates their fair value. Fair values of the company's interest-bearing loans are determined by using a discounted cash flow method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The non-performance risk as at 30 June 2016 was assessed to be insignificant (2015: insignificant). Details regarding interest rate, foreign exchange and liquidity risk are disclosed in note 15.

		Consolidated	
	Note	**30 June 2016 $'000**	30 June 2015 $'000
Financing facilities available			
At reporting date, the following financial facilities have been negotiated and were available to the group:			
Facilities used at the reporting date	(a)	**27,711**	25,557
Facilities unused at the reporting date	(b)	**21,869**	29,185
Total facilities	(c)	**49,580**	54,742
(a) Facilities used at the reporting date:			
- Current cash advance facilities		**13,479**	-
- Non-current cash advance facilities		**10,362**	21,745
- Overdraft facilities		**1**	1
- Business transactions facilities		**515**	509
- Indemnity/guarantee facilities		**3,343**	3,157
- Documentary credit facilities		**11**	145
Facilities used as at reporting date		**27,711**	25,557
(b) Facilities unused at the reporting date:			
- Current cash advance facilities		**-**	-
- Non-current cash advance facilities		**12,807**	17,556
- Overdraft facilities		**6,535**	7,731
- Business transactions facilities		**515**	509
- Indemnity/guarantee facilities		**-**	282
- Documentary credit facilities		**2,012**	3,107
Facilities unused as at reporting date		**21,869**	29,185
(c) Total facilities:			
- Current cash advance facilities		**13,479**	-
- Non-current cash advance facilities		**23,169**	39,301
- Overdraft facilities		**6,536**	7,732
- Business transactions facilities		**1,030**	1,018
- Indemnity/guarantee facilities		**3,343**	3,439
- Documentary credit facilities		**2,023**	3,252
Total facilities		**49,580**	54,742

Note 14. Borrowings continued

Seasonal facility

Under the primary facility with ANZ, the group also has a seasonal facility available between October 2016 - January 2017 (2015: October 2015 – January 2016) of $8,000,000 (2015: $8,000,000) and a seasonal facility available between September 2016 and March 2017 (2015: September 2015 – March 2016) of $12,804,960 (2015: $11,056,191). 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.

Recognition and measurement

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

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

Note 15. Financial risk management

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

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

Recognition and measurement

Derivative financial instruments and hedging

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

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

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

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

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

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.

Note 15. Financial risk management continued

Recognition and measurement continued

Cash flow hedges continued

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

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

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

Interest rate risk

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

At 30 June 2016, the group has the following exposure to interest rate risk:

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
Cash at bank	**59,978**	54,634
Bank overdraft – on demand	**(1)**	(1)
Cash advance facilities	**(10,362)**	(21,745)
Term loan	**(13,486)**	(98)
Net exposure	**36,129**	32,790

At 30 June 2016, 0% of the group's borrowings (2015: 0%) are at a fixed rate of interest. The remaining 100% (2015: 100%) is exposed to floating rates. On a principal net receivable of $36,129,000 (2015: $32,790,000), at an average payable rate including line fee and margin of 1.9% (2015: 2.2%) and average receivable rate of 0.6% (2015: 1.2%), an increment of 0.5% in the market rates would result in a decrease in finance costs of $419,000 (2015: $382,000), conversely a decrement of 0.5% in the market rates would result in an increase in finance costs of $336,000 (2015: $304,000).

The group's net exposure to interest rate risk calculated as at 30 June 2016 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 (2015 average borrowings: 100%) are at a floating rate of interest. On an average principal net receivable during the year of $20,246,000 (2015: $26,042,000), at an average payable rate including margin of 1.9% (2015: 2.2%) and average receivable rate of 0.6% (2015: 1.2%), an increment of 0.5% in the market rates would result in a decrease in finance costs of $101,000 (2015: $130,000), conversely a decrement of 0.5% in the market rates would result in a decrease in finance costs of $68,000 (2015: $102,000).

Note 15. Financial risk management continued

Foreign currency risk

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

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

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

At 30 June 2016, the group has the following financial assets and liabilities exposed to foreign currency risk:

		Consolidated	
	Note	**30 June 2016 $'000**	30 June 2015 $'000
Cash at bank		**21,117**	12,439
Trade and other receivables		**1,130**	2,013
Trade and other payables		**(8,682)**	(7,065)
Other financial assets – derivative assets – forward exchange contracts	(i)	**1,300**	2,548
Other financial liabilities – derivative liabilities – forward exchange contracts	(i)	**(2,223)**	(604)
Net exposure		**12,642**	9,331

Of the total net exposure above, an increment of 10% in the foreign exchange rates would result in a decrease in other expenses of $1,237,000 (2015: $688,000). A decrement of 10% in the foreign exchange rates would result in an increase in other expenses of $1,503,000 (2015: $801,000).

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.

Note 15. Financial risk management continued

Instruments used by the group continued

(i) Forward exchange contracts – cash flow hedges

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

The cash flows are expected to occur between 0-12 months from 1 July 2016 (2015: 0-12 months) and the cost of sales and where applicable the sale of goods within the income statement will be affected in the next financial year as the inventory is sold or the payments are made. At balance date, the details of outstanding contracts are:

	Consolidated		Consolidated	
	30 June 2016		30 June 2015	
	A$'000	**Average exchange rate**	A$'000	Average exchange rate
Buy US$ / Sell Australian $				
Buy US$ - maturity 0-12 months (2015: 0-12 months)	**59,666**	**0.7224**	54,549	0.7910
Buy US$ / Sell New Zealand $				
Buy US$ - maturity 0-12 months (2015: 0-12 months)	**9,742**	**0.6626**	4,614	0.7278
Buy US$ / Sell Canadian $				
Buy US$ - maturity 0-11 months (2015: 0-11 months)	**21,394**	**0.7726**	26,517	0.7992
Buy US$ / Sell British £				
Buy US$ - maturity 0-12 months (2015: 0-10 months)	**7,784**	**1.4935**	7,814	1.4919
Buy Euro / Sell Australian $				
Buy Euro – maturity 0-5 months (2015: nil)	**1,664**	**0.6730**	-	-
Buy CHF / Sell Australian $				
Buy CHF – maturity 0-5 months (2015: nil)	**890**	**0.7307**	-	-

The cash flow hedges of the forecast purchases and forecast payments are considered to be highly effective and any gain or loss on the contracts is taken directly to equity. Where the contracts are hedging highly probable forecasted inventory purchases, when the inventory is received or the risk is assumed, the amount recognised in equity is adjusted to the inventory account in the balance sheet. Where the contracts are hedging highly probable forecasted payments, when the payments are made the amount recognised in equity is adjusted to the income statement. During the year $6,786,000 was credited to inventory (2015: $2,970,000 credited) and $3,919,000 was credited (2015: $6,872,000 credited) to equity in respect of the group.

At 30 June 2016, the group had hedged 71% (2015: 79%) of its foreign currency purchases extending to June 2017 (2015: June 2016). The remaining 29% (2015: 21%) is exposed to foreign exchange risk.

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 $9,340,000 (2015: $10,536,000). 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 $7,642,000 (2015: $8,620,000).

Note 15. Financial risk management continued

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 2016 and 30 June 2015 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).

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 2016, 43.4% of the group's borrowings will mature in greater than one year (2015: 99.8%) and 56.6% (2015: 0.2%) in less than one year.

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

At 30 June 2016, the remaining contractual maturities of the group's financial liabilities are:

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
Less than 1 year	**90,590**	85,933
Between 1 and 5 years	**14,627**	26,063
	105,217	111,996

Note 15. Financial risk management continued

Liquidity risk continued

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

	Consolidated			Consolidated		
	30 June 2016			30 June 2015		
	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	**74,878**	**4,265**	**79,143**	85,207	4,295	89,502
Borrowings	**13,489**	**10,362**	**23,851**	122	21,768	21,890
Other financial liabilities	**2,223**	**-**	**2,223**	604	-	604
	90,590	**14,627**	**105,217**	85,933	26,063	111,996

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

Group structure

Note 16. Interests in other entities

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

			Equity interest	
Legal entity	**Country of incorporation**	**Note**	**30 June 2016 %**	**30 June 2015 %**
Thebe International Pty Limited	Australia	(a)	**100**	100
Investments not held directly by Breville Group Limited:				
Breville Holdings Pty Limited	Australia	(a)	**100**	100
Breville Pty Limited	Australia	(a)	**100**	100
Breville R&D Pty Limited	Australia		**100**	100
Breville Group Performance Share Plan Trust	Australia	(b)	**-**	-
Breville New Zealand Limited	New Zealand		**100**	100
HWI International Limited	Hong Kong		**100**	100
Breville Services (Shenzhen) Company Limited	China		**100**	100
Breville Holdings USA, Inc.	USA		**100**	100
Breville USA, Inc.	USA		**100**	100
Holding HWI Canada, Inc.	Canada		**100**	100
HWI Canada, Inc.	Canada		**100**	100
Breville Canada, L.P.	Canada		**100**	100
BRG Appliances Limited	UK		**100**	100

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 'Wholly-owned entities', 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.

Note 16. Interests in other entities continued

(a) Entities subject to class order relief continued

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 19(i) and 19(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 2016, the Trustee acquired 65,000 company shares (2015: 362,000). The average value placed on these acquisitions was $6.38 per share (2015: $7.24).

Note 17. Parent entity information

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
As at and throughout the financial year ended 30 June 2016 the parent company of the group was Breville Group Limited.		
Results of the parent entity		
Profit of the parent entity	**36,601**	35,460
Total comprehensive income of the parent entity	**36,601**	35,460
Financial position of the parent entity		
Current assets	**67,910**	68,243
Total assets	**142,092**	141,476
Current liabilities	**(585)**	(1,253)
Total liabilities	**(585)**	(1,253)
Net assets	**141,507**	140,223
Equity attributable to the equity holders of the parent		
Issued capital	**140,050**	140,050
Employee equity benefits reserve	**(3,574)**	(4,033)
Retained earnings	**5,031**	4,206
Total shareholders' equity	**141,507**	140,223

Contingencies

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

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

Notes to the financial statements
for the year ended 30 June 2016

Note 17. Parent entity information continued

Tax consolidation

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

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

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

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

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

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

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

Other

Note 18. Share-based payments

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). See page 25 and 26 of the Remuneration report for details of the performance rights plans.

At 30 June 2016 there were 696,700 (2015: 558,000) performance rights outstanding under this plan. The expense recognised in the income statement in relation to share-based payments is disclosed in note 3(e).

Recognition and measurement

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

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

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

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

Note 18. Share-based payments continued

Performance rights granted under the performance rights plan

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 2016 Number of performance rights	30 June 2016 WAEP	30 June 2015 Number of performance rights	30 June 2015 WAEP
Outstanding at the beginning of the year		**558,000**	**0.0000**	920,000	0.0000
Performance rights granted during the year		**429,700**	**0.0000**	180,000	0.0000
Performance rights exercised during the year		**(65,000)**	**0.0000**	(362,000)	0.0000
Performance rights lapsed during the year		**(226,000)**	**0.0000**	(180,000)	0.0000
Outstanding at the end of the year	(a)	**696,700**	**0.0000**	558,000	0.0000
Exercisable at the end of the year		**-**	**-**	-	-

Notes

(a) The outstanding balance as at 30 June 2016 is represented by:

Number of performance rights	Note *	Grant date	Vesting date	Expiry date	WAEP $	Fair value at grant date ($)
58,000	(i)	02-Oct-13	02-Sept-16	05-Oct-16	0.0000	7.61
58,000	(ii)	02-Oct-13	02-Sept-16	05-Oct-16	0.0000	7.61
18,000	(iii)	10-Mar-14	02-Jan-17	02-Feb-17	0.0000	8.58
74,750	(iv)	7-Oct-14	04-Sept-17	05-Oct-17	0.0000	6.10
74,750	(v)	7-Oct-14	04-Sept-17	05-Oct-17	0.0000	6.10
97,170	(vi)	12-Feb-16	29-Aug-17	3-Oct-17	0.0000	1.90
96,965	(vii)	12-Feb-16	29-Aug-18	3-Oct-18	0.0000	2.07
96,965	(viii)	12-Feb-16	29-Aug-19	3-Oct-19	0.0000	2.15
30,100	(ix)	12-Feb-16	31-Dec-18	31-Mar-19	0.0000	4.56
44,350	(x)	12-Feb-16	25-Jan-19	31-Mar-19	0.0000	4.56
44,350	(xi)	12-Feb-16	25-Jan-20	31-Mar-20	0.0000	4.35
1,100	(vi)	16-Mar-16	29-Aug-17	3-Oct-17	0.0000	1.90
1,100	(vii)	16-Mar-16	29-Aug-18	3-Oct-18	0.0000	2.07
1,100	(viii)	16-Mar-16	29-Aug-19	3-Oct-19	0.0000	2.15
696,700					0.0000	

(i) 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.

(ii) 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.

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

(iv) These performance rights vest if the group's underlying EPS for the year ending 30 June 2017 is at least 46.50 cents per share.

(v) These performance rights vest if the group's underlying EPS for the year ending 30 June 2017 is at least 51.50 cents per share.

(vi) These performance rights vest based on the group's total shareholder return (TSR) from 30 June 2015 to 30 June 2017 applying both an absolute test and a relative test measured against a TSR peer group.

(vii) These performance rights vest based on the group's total shareholder return (TSR) from 30 June 2015 to 30 June 2018 applying both an absolute test and a relative test measured against a TSR peer group.

Note 18. Share-based payments continued

Performance rights granted under the performance rights plan continued

(viii) These performance rights vest based on the group's total shareholder return (TSR) from 30 June 2015 to 30 June 2019 applying both an absolute test and a relative test measured against a TSR peer group.

(ix) Performance condition being that the participant must be employed by the company on 31 December 2018.

(x) Performance condition being that the participant must be employed by the company on 25 January 2019.

(xi) Performance condition being that the participant must be employed by the company on 25 January 2020.

* Excluding (ix), (x), (xi), in addition to the EPS or TSR performance hurdle, the participant must be employed by the company on the vesting date.

The average remaining contractual life for the performance rights outstanding at 30 June 2016 is between 1 and 4 years (2015: 1 and 3 years).

The exercise price for performance rights outstanding at the end of the year was $nil (2015: $nil).

The weighted average fair value of performance rights granted during the year was $2.80 (2015: $6.10).

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

The following table lists the inputs to the model used for the grants during the year ended 30 June 2016 and 30 June 2015:

	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2015
	(Black-Scholes)	(Black-Scholes)	(Black-Scholes)	(Monte-Carlo)	(Monte-Carlo)	(Monte-Carlo)	(Black-Scholes)
Grant date	12 Feb 16	12 Feb 16	12 Feb 16	12 Feb 16	12 Feb 16	12 Feb 16	7 Oct 14
Vesting date	31 Dec 18	25 Jan 19	25 Jan 20	29 Aug 17	29 Aug 18	29 Aug 19	4 Sep 17
Dividend yield (%)	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Expected volatility (%)	29.00	29.00	29.00	29.00	29.00	29.00	35.00
Historical volatility (%)	29.00	29.00	29.00	29.00	29.00	29.00	35.00
Risk-free interest rate (%)	1.80	1.80	1.80	1.80	1.80	1.80	2.65
Expected life of performance right	2.8 years	2.9 years	3.9 years	1.6 years	2.6 years	3.6 years	2.9 years
Performance right exercise price ($)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Weighted average share price ($)[1]	5.74	5.74	5.74	5.74	5.74	5.74	7.10
Weighted average fair value ($)[1]	4.56	4.56	4.35	1.90	2.07	2.15	6.10

1) At grant date

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

Note 19. Related party transactions

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
(i) Consolidated statement of financial position for class order closed group		
Current assets		
Cash and cash equivalents	**36,415**	30,018
Trade and other receivables	**47,488**	51,689
Inventories	**50,046**	50,261
Other financial assets	**327**	1,991
Total current assets	**134,276**	133,959
Non-current assets		
Other financial assets	**22,612**	22,414
Plant and equipment	**10,784**	11,691
Intangible assets	**78,050**	73,286
Deferred tax assets	**380**	98
Total non-current assets	**111,826**	107,489
Total assets	**246,102**	241,448
Current liabilities		
Trade and other payables	**52,160**	51,006
Borrowings	**1**	1
Current tax liabilities	**585**	1,254
Provisions	**6,906**	6,636
Other financial liabilities	**1,612**	88
Total current liabilities	**61,264**	58,985
Non-current liabilities		
Other payables	**4,265**	4,295
Provisions	**993**	1,044
Total non-current liabilities	**5,258**	5,339
Total liabilities	**66,522**	64,324
Net assets	**179,580**	177,124
Equity		
Issued capital	**140,050**	140,050
Reserves	**(10,480)**	(8,576)
Retained earnings	**50,010**	45,650
Total equity	**179,580**	177,124

Note 19. Related party transactions continued

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
(ii) Consolidated income statement for class order closed group		
Profit from ordinary activities before income tax expense	**56,212**	62,546
Income tax expense relating to ordinary activities	**(16,076)**	(17,779)
Net profit	**40,136**	44,767
Accumulated profits at the beginning of the year	**45,650**	36,008
Dividends paid or reinvested	**(35,776)**	(35,125)
Accumulated profits at the end of the year	**50,010**	45,650

(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 below:

		Consolidated	
	Note	**30 June 2016 $'000**	30 June 2015 $'000
Compensation by category: key management personnel			
Short-term		**3,797**	2,539
Post-employment	(i)	**203**	166
Other long-term		**32**	(19)
Termination payment		**300**	698
Share-based payment		**208**	(274)
Total		**4,540**	3,110

(i) This comprises defined contribution plans expense of $203,000 (2015: $166,000).

Note 20. Auditor's remuneration

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
Amounts received or due and receivable from the entity and any other entity in the consolidated entity:		
PricewaterhouseCoopers Australia – primary auditors		
Parent entity		
Audit or review services	**398,362**	-
Taxation and accounting services	**214,610**	-
Network Firms of PricewaterhouseCoopers Australia		
Controlled entities		
Audit or review services	**188,480**	-
Taxation and accounting services	**163,827**	-
Ernst & Young Australia – primary auditors		
An audit or review of the financial report of the entity	**-**	358,000
Ernst and Young Australia's affiliates – primary auditors		
An audit or review of the financial report	**-**	308,600
Total auditor's remuneration	**965,279**	666,600

Note 21. 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:

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
Within one year	**6,903**	6,958
After one year but not later than five years	**30,250**	16,949
More than five years	**8,442**	9,596
Total future minimum rentals payable	**45,595**	33,503

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.

Notes to the financial statements
for the year ended 30 June 2016

Note 21. Commitments and contingencies continued

Contingencies

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

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

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

Note 22. 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 2016 was authorised for issue in accordance with a resolution of the directors on 25 August 2016.

Note 23. Other accounting policies

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.

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.

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.

Note 23. Other accounting policies
continued

Investments and other financial assets
continued

(i) Held to maturity investments

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

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

(ii) Loans and receivables

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

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.

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.

Other Taxes

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

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

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

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

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

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.

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

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

(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	Reporting periods beginning on or after 1 January 2018	Immaterial impact
AASB 15: Revenue from Contracts with Customers	Revenue recognition	Reporting periods beginning on or after 1 January 2018	Immaterial impact
AASB 16: Leases	Leases	Reporting periods beginning 1 January 2019	The group is still assessing the impact of this standard.

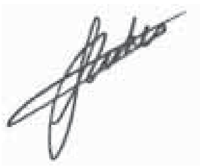
The Group does not intend to adopt these standards early.

Directors' declaration

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

1. In the opinion of the directors:
   (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1;
   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
   (d) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 16(a) will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.
2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2016.

On behalf of the board



Steven Fisher
Non-executive chairman

Sydney
25 August 2016

Independent audit report

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 2016, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Breville Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at 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 control as the directors determine is 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 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 judgement, 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 control relevant to the consolidated 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 control. 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.

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's 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 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 21 to 34 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Breville Group Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Mark Dow
Partner

Sydney
25 August 2016

Auditor's independence declaration

Auditor's Independence Declaration

As lead auditor for the audit of Breville Group Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

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

Mark Dow
Partner
PricewaterhouseCoopers

Sydney
25 August 2016

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Shareholder information

Substantial shareholders as at 7 September 2016

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

Name	Number of ordinary shares	% of issued ordinary shares
S. Lew Custodians Pty Limited	42,691,756	32.82%
Matthews International Capital Management, LLC	13,478,788	10.36%
Bennelong Funds Management Group Pty Ltd	13,741,421	10.56%
Australian Super Pty Ltd	10,369,283	7.97%

Distribution of shareholdings as at 7 September 2016

Size of holding	Ordinary shareholders
1 to 1,000	1,405
1,001 to 5,000	1,478
5,001 to 10,000	362
10,001 to 100,000	258
100,001 and over	40
Total shareholders	**3,543**
Number of ordinary shareholders with less than a marketable parcel	124

Voting rights

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

Twenty largest shareholders as at 7 September 2016

Name	Shares	% IC
Premier Investments Limited	35,761,415	27.49%
HSBC Custody Nominees (Australia) Limited	27,316,083	21.00%
J P Morgan Nominees Australia Limited	18,831,300	14.48%
National Nominees Limited	7,063,855	5.43%
RBC Investor Services Australia Nominees Pty Ltd	5,207,842	4.00%
Citicorp Nominees Pty Limited	5,039,838	3.87%
SL Superannuation No1 Pty Ltd	3,000,000	2.31%
BNP Paribas Noms Pty Ltd	2,355,779	1.81%
Lew Family Investments Pty Ltd	1,891,461	1.45%
Lew Family Investments Ltd	1,535,718	1.18%
Citicorp Nominees Pty Limited	1,149,341	0.88%
S L Nominees Pty Ltd	711,667	0.55%
Nofusa Pty Limited	650,000	0.50%
HSBC Custody Nominees (Australia) Limited	624,486	0.48%
Josseck Pty Limited	472,967	0.36%
AMP Life Limited	386,192	0.30%
HSBC Custody Nominees (Australia) Limited	340,106	0.26%
BNP Paribas Nominees Pty Ltd	332,509	0.26%
Warbont Nominees Pty Ltd	303,925	0.23%
Quotidian No 2 Pty Ltd	300,000	0.23%
Total	**113,274,484**	**87.07%**

Unquoted equity securities as at 7 September 2016

	Number on issue	Number of holders
Performance rights issued under the Breville Group Performance Rights Plan to take up ordinary shares	1,040,400*	23

* Number of unissued ordinary shares under the performance rights plan.

Company information

Directors

Steven Fisher
Non-executive chairman

Timothy Antonie
Non-executive director

Sally Herman
Non-executive director

Dean Howell
Non-executive director

Steven Klein
Non-executive director

Lawrence Myers
Non-executive director
Lead independent director

Kate Wright – *appointed 1 September 2016*
Non-executive director

Company secretaries

Mervyn Cohen
Sasha Kitto

Registered office and principal place of business

Ground Floor, Suite 2
170-180 Bourke Road
Alexandria NSW 2015

Telephone (+61 2) 9384 8100

Company websites

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

Auditors

PricewaterhouseCoopers
Darling Park
201 Sussex Street
Sydney NSW 2000

Bankers

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

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where precision meets control