Annual report 2017

Breville

Thought for food.

Breville Group Limited Annual report 2017

Contents:

Annual general meeting:

Monday 13 November 2017 at 10am

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

Alexandria NSW 2015.

(this page and outside covers)

the Oracle™ Touch

the next generation fully automatic espresso machine

Chairman’s review

“Continued sales and profit growth driven by transformational execution.”

The 2017 financial year was another momentous year for the Breville Group with continued sales and profit growth driven by transformational execution. The 2017 year also represents a significant endorsement of our evolving business model and strategy.

The Group delivered a 5.1% increase in revenue, with solid revenue growth in the core Global Product segment increasing by 9.9% to $469.6m. The Distribution segment revenue for the year of $136.2m was 8.8% lower than the previous year, though the decline rate began to flatten out in the second half.

Group EBIT for the year finished at $79.0m, 7.2% higher than the prior year with Group EBIT margins steady at 13.0% compared to 12.8% in the prior year. Net profit after tax increased by 7.3% to $53.8m.

Net cash flow generated from operating activities of $62.7m was 19.9% higher than the $52.3m generated in the prior year. In line with the Group’s acceleration program, the Group continued its investment in capital projects, including product development projects, and marketing and global IT systems, with cash flows used in investing activities increasing from $13.8m to $19.3m. Net cash at 30 June 2017 increased to $41.3m.

Transformational execution continues under the stewardship of CEO Jim Clayton, and the Group is well placed for further global growth with the four region structure of ANZ, North America, Europe and Rest of World now in place.

Breville is constantly innovating to ensure that it remains relevant to its customers globally and has embraced a culture of change, which is a natural part of the transformation.

The Board increased the level of dividends for the year to 30.5 cents from 28.5 cents in the prior year, demonstrating the Board’s ongoing commitment to maintaining strong returns to shareholders.

On behalf of the Board, I would like to take this opportunity to thank Jim Clayton and his team of talented, motivated and passionate team members around the world for their continued hard work and enthusiasm.

Finally, I would like to thank my Board colleagues and our shareholders, customers and suppliers for their continued support. I encourage all shareholders to attend the annual general meeting in November.

Steven Fisher
Non-executive chairman

Creatista™ Plus

CEO's review

"The Group continues to progress through our strategic acceleration program while delivering a solid result for FY17. With many of the transformation components in place, we are entering the phase of learning how to leverage our new platform."

Financial summary

	REVENUE			EBIT		
$ Millions except where indicated	**30 June 2017**	30 June 2016	% Change	**30 June 2017**	30 June 2016	% Change
Global Product segment	**469.6**	427.2	9.9%	**72.4**	65.1	11.1%
Distribution segment	**136.2**	149.4	(8.8%)	**6.6**	8.6	(22.5%)
TOTAL	**605.7**	576.6	5.1%	**79.0**	73.7	7.2%

Minor differences may arise due to rounding

During the year, the Breville Group revenue increased by 5.1%, underpinned by solid growth in the Global Product segment and a slowing of the decline rate in the Distribution segment.

The Global Product segment continued its growth profile with revenue for the year increasing by 14.3% in constant currency, ending the year at $469.6m. All geographic regions contributed to this result, with North America growing by 9.8%, ANZ by 22.0%, and ROW by 18.9% (all growth rates in constant currency). While the Food Preparation category continued to find its footing, both the Beverage and Cooking categories delivered solid results across geographies.

Revenues in the Distribution segment of $136.2m were 8.8% lower than the 2016 financial year. The second half, however, began to show the impact of efforts to date, with revenue declining only 2.3% vs. the prior year, compared to a decline of 13.7% in the first half. Based on the improvements shown in the second half, we believe the Distribution segment has reached its floor of $6.6m in EBIT. FY18 should be the same or better.

Group EBIT for the year finished at $79.0m, 7.2% higher than the previous year. The Global Product segment EBIT drove this growth, increasing 11.1% (or $7.3m) over the prior period, with the Distribution segment EBIT contracting by $2.0m, ending at $6.6m. Global Product segment EBIT margin was stable at 15.4% (15.3% in FY16), while the Distribution segment EBIT margin contracted from 5.7% in FY16 to 4.9% due to a stronger transactional USD exchange rate.

The 2017 financial year was a year of transformational execution. The Group continued to progress through its acceleration program of selling more product into an expanding market on a corporate platform designed for acceleration.

Reflecting on 2017 as a whole, the acceleration program is on track and showing early signs of success. We have completed many of the foundational elements of the program and are now transitioning into the phase where we learn how to leverage our new platform for accelerated growth.

On a personal note, I am excited by the progress we have made during the year, and I thank the Breville team for their energy, teamwork, and enthusiasm in the execution of the transformation. I also would like to thank the Board for their ongoing support and counsel.

Jim Clayton
Chief executive officer


the Smart Oven® Air

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 Group is focused on the design, development and sale of Breville branded products supplied in 65 countries to the premium kitchen segment of the market ('Global Product Segment'). Breville also distributes products that are designed or developed by a third party pursuant to a license or distribution agreement 'Distribution Segment'. The distribution of these 'sourced products' may be sold under a brand owned by Breville (e.g. Breville, Kambrook) or distributed under a third party brand (e.g. Nespresso).

North America

In North America, the Group distributes its range of premium internally designed and developed kitchen products under the Breville brand through premium channels and its own online retailing platform. From the second half of the 2017 financial year, the Breville brand includes 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.

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.

In August 2017 the Group acquired an Australian business, Aquaport, which distributes a range of products in the water and air purification categories.

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.


WHERE THERE'S
SMOKE
THERE'S
FLAVOUR
Breville
the Smoking Gun®

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;
- Developing innovation to solve these challenges, protectable as IP;
- Superior quality and design; and
- Increased marketing engagement.

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

Sage™ By Heston Blumenthal®

In 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

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. To help emphasise that aspect of the brand, a new logo incorporating the "infinity symbol" in place of the two letter "o"s in the Kambrook name was introduced during the financial year.

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.

the Steam Zone™

Strategy and brands continued

Innovation and product development

The core driver of 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.

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.

During the 2017 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 continued to transform 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 now in the middle stages of the process, and will see benefit coming on line in the 2018 financial year.


Breville
320


Breville
Breville
the Luxe Collection

Accolades

2017 BES990 the Oracle Touch
2017 BFS800 the Steam Zone
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

BEST IN CATEGORY - Domestic Appliances

2016 BSM600 the Smoking Gun

2017 BOV900 the Smart Oven Air
2017 BTA735 the Toast Select Luxe
2017 BNE800 Creatista Plus
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

Australian Powerhouse Museum Selection

2007 BBL600 ikon Blender

Red Dot Design Award - Best of the Best

2017 BNE800 Creatista Plus

Red Dot Design Award

2017 BES990 the Oracle Touch
2017 BSG600 the Perfect Press
2017 BFS800 the Steam Zone
2017 BSM600 the Smoking Gun
2017 BOV900 the Smart Oven Air
2017 BTA735 the Toast Select Luxe
2017 BKE735 the Soft Top Luxe
2016 CMC800 Control Freak Cooker
2016 BEM825 the Bakery Boss
2016 Thermal Pro Cookware
2016 BPB620 Boss To Go Personal Blender
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 Professional Toasters
2008 BES400 Espresso Machine

Honourable Mention

2013 BBL605 Kinetix Control Blender
2011 BKE820 Kettle Honourable Mention

the Restaurant Show UK - Best New Idea

2016 CMC800 Control Freak Cooker

Good Design Award Chicago Anthenaeum

2012 BOV800 Smart Oven
2012 BFP800 Kitchen Wizz Pro
2012 BTM800 Tea Maker
2012 BCG800 Smart Grinder

IDSA Design Award – USA IDEA International Design Excellence Awards

Bronze Award

2017 BES990 the Oracle Touch
2017 BNE800 Creatista Plus
2017 BSM600 the Smoking Gun
2014 BES980 the Oracle Espresso
2013 BES900 Dual Boiler Espresso
2007 BBL600 Blender

Finalists

2017 BOV900 the Smart Oven Air
2014 BWM640 the Smart Waffle
2014 BTA720/730 the Lift and Look Pro
2013 BFP800 Kitchen Wizz Food Processor
2013 BBL 605 Kinetix Control Blender
2013 BDC600 You-Brew Drip Coffee Machine

iF Design Award

2016 Thermal Pro Cookware
2016 BPB620 Boss To Go Personal Blender
2008 BES820 Espresso Machine
2008 BTA820/840 Professional Toasters

Gold iF Design Selection

2016 Thermal Pro Cookware
2015 BES980 the Oracle Espresso
2015 BWM640 the Smart Waffle
2008 BES820 Espresso Machine

Breville Group Limited Financial report 2017

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 2017.

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 over 40 years, and accordingly has a wealth of commercial and advisory experience. He was the former senior partner of a Melbourne firm of chartered accountants and also served on that firm's national and international boards. 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 served as a director of the following other listed company: VGI Partners Global Investments Limited (company proposing to list on the ASX; appointed a director on 4 July 2017).

Board of directors continued

Kate Wright – *appointed 1 September 2016*

Non-executive director

BA

Ms Wright has more than 30 years' experience in the consumer industry across Australia, the South Pacific and the USA. Her career has spanned manufacturing operations, sales, marketing, human resources and general management within the consumer sector. Ms Wright has held the positions of Managing Director, Australia and South Pacific region at Philip Morris from 2001 to 2004 and Head of Korn Ferry Australia's Consumer and Retail Practice from 2005 to 2016. Ms Wright holds a Bachelor of Arts degree from the University of New South Wales. Ms Wright is chair of the people and performance committee (P&PC).

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

Company secretaries

The names and details of the company secretaries in office during the year and until the date of this report are as below. 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 group 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 and principal activities

The Group's principal activities and 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;
- An innovative, committed, high-quality team;
- An R&D culture that focuses on consumer value and emerging food and beverage technologies 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.

During the year, the Group has refined its strategic direction and has continued the execution of its acceleration program, further detail of which is provided on pages 18-19.

In the 2017 financial year the company changed its business model to reflect the transition from a dispersed geographic structure to a centralised business unit driven global structure. The Group has two business segments as described below:

- The Global Product segment sells premium products designed and developed by Breville, which are sold globally (currently 65 countries). Products included in this segment may be sold directly or through third parties, and may be branded Breville, Sage, or carry a third party brand; and
- The Distribution segment sells products that are designed and developed by a third party. Products are distributed pursuant to a license or distribution agreement, or they are sourced directly from manufacturers. Products in this business unit may be sold under a brand owned by Breville (e.g. Breville, Kambrook), or they may be distributed under a third party brand (e.g. Nespresso).

Directors' report
continued

Operating and financial review continued

Company overview and principal activities continued

For both business segments, the geographic regions execute the sales and distribution functions, supported by centralised functions (including, product development, marketing and operations). The centralised functions, specifically marketing and product development are part of the global, innovation driven product business and thus form part of the Global Product segment.

In Australia and New Zealand, the Group principally trades under its company owned brands, Breville and Kambrook and also distributes products under a machine partnership with Nespresso.

In North America, the Group distributes Breville branded products through premium channels and commencing the second half of the 2017 financial year, Nespresso products, under a machine partnership.

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

Group operating results

Year to 30 June	2017 $m	2016 $m	% Change
Revenue	**605.7**	576.6	**5.1%**
EBITDA	**89.8**	83.4	**7.6%**
EBIT	**79.0**	73.7	**7.2%**
Net profit after taxation	**53.8**	50.2	**7.3%**
Earnings per share EPS (cents)	**41.4**	38.6	**7.3%**
Return on equity (%)[1]	**21.3%**	21.0%	
Dividends per share (cents)	**30.5**	28.5	**7.0%**
Net cash ($m)	**41.3**	36.1	

Minor differences may arise due to rounding

[1] *ROE is calculated based on NPAT for the 12 months ended 30 June 2017 (2016: 12 months ended 30 June 2016) divided by the average of shareholders' equity at the beginning and the end of the financial year.*

Revenue of the consolidated entity for the year was $605.7m which was 5.1% higher than the prior year of $576.6m.

Earnings before interest and tax (EBIT) was $79.0m which increased by 7.2% compared to the prior year.

The Group's profit after income tax was $53.8m which increased by 7.3% compared to the prior year of $50.2m.

The basic earnings per share for the consolidated entity was 41.4 cents per share (2016: 38.6 cents per share).

Segment results

	REVENUE			EBIT		
Year to 30 June	2017 $m	2016 $m	% Change	2017 $m	2016 $m	% Change
Global Product	**469.6**	427.2	**9.9%**	**72.4**	65.1	**11.1%**
Distribution	**136.2**	149.4	**(8.8%)**	**6.6**	8.6	**(22.5%)**
TOTAL	**605.7**	576.6	**5.1%**	**79.0**	73.7	**7.2%**

Minor differences may arise due to rounding

Global Product segment

The Global Product segment sells premium products designed and developed by Breville, which are sold globally (currently 65 countries). Products may be sold directly or through third parties, and may be branded Breville, Sage or carry a third party brand.

The Global Product segment continued its strong growth, with revenue for the year increasing by 9.9% to $469.6m (2016: $427.2m). In constant currency, revenue in this segment for the year grew by 14.3%.

North America

North American revenue of $265.1m was 5.3% higher than the prior year (2016: $251.8m). In constant currency, revenue increased by a solid 9.8%, demonstrating the continued momentum in the region. The key categories of beverage and cooking benefited from 2017 financial year product launches as well as revenue increases from existing products.

ANZ

The ANZ region reported the highest revenue growth with revenue increasing by 22.0% in constant currency. This increase in revenue to $114.1m (2016: $93.2m) was driven primarily by successful new product launches in the beverage category.

Rest of World

Rest of World revenues increased by 9.9% to $90.4m (2016: $82.3m). In constant currency, revenues were 18.9% higher than the prior year, with both the Hong Kong distribution and the UK businesses reporting double digit constant currency growth. Revenue in the UK business grew by 25.0% in constant currency.

Operating and financial review continued

Segment results continued

Rest of World **continued**

The Hong Kong business continues to exhibit a lumpy revenue profile. The increased full year Hong Kong revenue was driven by new products across various markets along with an improved performance from certain distribution partners. The higher UK business' revenue flowed from both new product releases and the sustained positive momentum of existing products.

Global Product segment EBIT for the year increased by 11.1% to $72.4m (2016: $65.1m) reporting a stable EBIT margin of 15.4% compared to 15.3% in the prior year. The EBIT margin was positively impacted by the revenue mix towards higher margin products offsetting the stronger transactional USD and increased marketing and R&D related expenditure.

Distribution segment

The Distribution segment sells products that are designed and developed by a third party. Breville distributes these products pursuant to a license or distribution agreement, or they are sourced directly from manufacturers. Products in this business unit may be sold under a brand owned by the group (e.g. Breville, Kambrook), or they may be distributed under a third party brand.

Distribution revenue for the year of $136.2m was $13.2m or 8.8% lower than prior year (2016: $149.4m).

Commencing the second half of the 2017 financial year, the Distribution segment includes the revenue from the new North American Nespresso machine partnership. This new revenue stream lessened the combined impact of the revenue decline in the discount retailer channel and the expiry of the Philips distribution agreement in ANZ toward the end of the year. First half revenue for the segment was 13.7% lower than the prior corresponding period (pcp), compared to being 2.3% lower in the second half of FY17 compared to the pcp.

Distribution segment EBIT in the year reduced by $2.0m to $6.6m (2016: $8.6m). The second half 2017 EBIT was $0.1m lower than the pcp, compared to first half 2017 which reported EBIT of $1.8m lower than the first half of the 2016 financial year.

The segment EBIT margin of 4.9% is lower than prior year (2016: 5.7%). The segment margin has been negatively impacted by a stronger transactional USD partially offset by cost efficiencies and lower marketing expenditure. The segment EBIT margin improved in the second half of the 2017 financial year driven by positive brand and product mix.

Financial position

Working capital

The Group's total investment in net working capital increased by $5.9m compared to 30 June 2016.

Inventory balances of $116.6m at 30 June 2017 are $8.8m higher than the $107.7m at 30 June 2016. Excluding North America, inventory balances are within expectations, lower than prior year. The one-off North America spike associated with the commencement of the North American Nespresso machine partnership as well as an adjustment to the Group's overall purchasing pattern whereby purchases are now expected to peak in September as opposed to the traditional December period, resulted in a net increase over 30 June 2016.

Receivables compared to 30 June 2016 were $16.9m higher, with the increase driven by stronger sales in the fourth quarter of the 2017 financial year compared to the fourth quarter of the 2016 financial year.

Trade and other payables increased by $19.9m over 30 June 2016 to $94.8m (2016: $74.9m). This increase being driven primarily by higher stock related payables especially in North America as a result of the changed purchasing pattern.

Net cash at 30 June 2017 was $41.3m compared to $36.1m at 30 June 2016. Net cash flow generated from operating activities of $62.7m was 19.9% higher than the $52.3m generated in the prior year. In line with the Group's acceleration program, the Group continued its investment in capital projects, including product development projects and marketing and global IT systems, with cash flows used in investing activities increasing from $13.8m in FY16 to $19.3m.

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 implementation of a single business application stack: Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), eCommerce and Sales and operations planning (S&OP).

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 intended 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 and geopolitical conditions and consumer demand	• Adverse changes to the general global economic and geopolitical conditions and the 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.
Product development and innovation	• Insufficient investment in product development and innovation may result in loss of competitive advantage.	• Targeted increase in investment in product development and marketing functions, their associated resources and technology.

Group strategies

During the year, the Group has continued to progress through its acceleration program of selling more product into an expanding market on a corporate platform designed for acceleration.

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

In the current year, the Group:

- Implemented a system-wide new product launch process;
- Shortened development cycles;
- Increased its investment in R&D and marketing; and
- Aligned the Group behind two distinct go-to-market models – Global Product and Distribution.

2) Scalable, global platform

In the current year, the Group:

- Completed the implementation of the global ERP system across all regions;
- Installed v1.0 of the Salesforce customer relationship management (CRM) platform across all regions;
- Completed the implementation of the new sales and operations (S&OP) platform, which provides suppliers continuous visibility into our manufacturing needs;
- Commenced realignment of its Australian supply chain to improve efficacy and efficiency;
- Implemented eCommerce v1.0; and
- Commenced the IT integration for a consolidated warehouse.

Operating and financial review continued

Group strategies continued

3) "Larger" market

To support our acceleration, the Group is:

- Moving from a model of impressions (how many people saw something) to a model of engagement (how many people meaningfully engaged in our product);
- Improving the in-store customer experience;
- Revamping the sales demonstration program and piloting a retail sales associate training program; and
- Expanding the Sage brand transition to parts of Southern and Eastern Europe, with Sage branded product targeted to be 'on shelf' in the second half of FY18.

4) Other levers

- The Group is now operating under a four Region structure: ANZ, North America, Europe and Rest of World.
- We recently acquired Aquaport, an Australian business operating in the water and air purification categories, which will be included within the Distribution segment. The rationale for acquiring Aquaport is as follows:
  - It will lay down the Group acquisition and integration process foundation and expect full integration within thirty days;
  - Accretive acquisition with revenue upside in New Zealand and cost structure synergies;
  - The Aquaport EBIT will be applied to the Global Product segment marketing and R&D acceleration; and
  - It may drive broader global product opportunities.

5) Key metrics to measure success

- Inventory: Inventory as a percentage of cost of sales (comprising the cost of inventory only) at 30 June 2017 represents 32.0% of the last twelve months of cost of sales compared to 26.3% as at 31 December 2016. Excluding North America, this percentage amounts to 26.4%, which is comparable to 31 December 2016. This metric for North America only at 30 June 2017, is 46.3%, driven by the new North American Nespresso machine partnership and the change in the FY18 purchasing profile.
- Cost structure re-allocation towards product and marketing: We spent 9.5% of revenue on marketing and R&D in FY17, up from 8.5% spent in FY16.
- Growth rate acceleration: The EBIT growth rate of 7.2% in FY17 compares to 5.9% in FY16.

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. 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 head office in Australia, 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
- harassment 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.

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.

Operating and financial review continued

Our commitment to sustainability and social responsibility continued

Business continued

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:	**15.0**	**19,514**
Dividends paid in the year:		
Interim FY17 dividend paid	**15.5**	**20,165**
Final FY16 dividend paid	**14.0**	**18,213**

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	**92,288**
T. Antonie	**20,753**
S. Herman	**25,000**
D. Howell	**120,000**
S. Klein	**147,189**
L. Myers	**200,000**
K. Wright	**5,000**

Directors' report
continued

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

1. Details of key management personnel

Below are details of the KMP of the Group during the financial year ended 30 June 2017. Unless otherwise indicated, the individuals were KMP for the entire financial year.

(i) Directors:

S. Fisher	Non-executive chairman
T. Antonie	Non-executive director
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; lead independent director
K. Wright	Non-executive director (appointed effective 1 September 2016) and chairperson of people and performance committee (appointed effective 26 October 2016)

(ii) Executives:

J. Clayton	Group chief executive officer
S. Brady	General manager – product
M. Cohen	Group chief financial officer
M. Payne	Chief operating officer
C. Torng	Global go-to-market officer

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 2017.

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

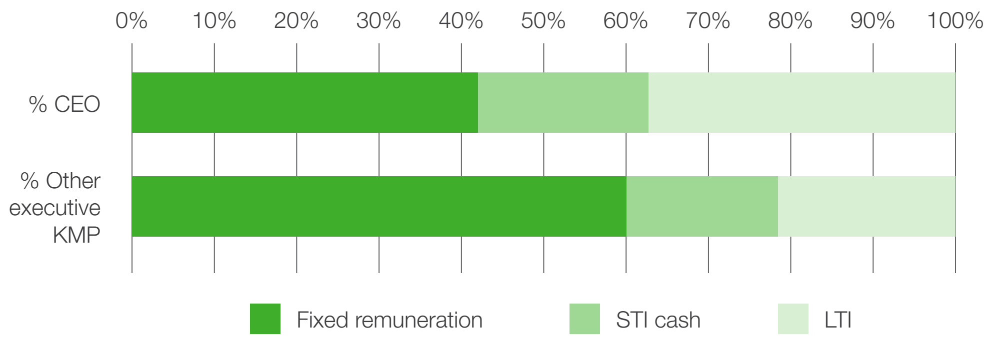
Element	Purpose	Performance metrics	Potential value	Changes for FY17
Fixed remuneration	Provide competitive market salary including superannuation and non-monetary benefits	None	Appropriate to position and competitive in the market	Reviewed annually based on company and individual performance, market 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 87.5% of their fixed annual remuneration	Total shareholder Return ('TSR') hurdle for FY17 grants (similar to FY16 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 FY17 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 FY17



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 certain financial and non-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 earnings before interest and taxation (EBIT) hurdle is not achieved, no STI is payable. Other financial and non-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.

Remuneration report (audited) continued

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% - 87.5% of their fixed annual remuneration.
What are the performance hurdles for the FY17 LTI grant?	Historically the LTI plan was subject to an EPS hurdle, however for the FY16 and FY17 LTI grants, 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 defined peer group extracted from the S&P/ASX200 Industrials. 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 may be granted where the performance condition is continuing employment with the company to vesting date.

How will performance be assessed for the FY17 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.

Directors' report
continued

Remuneration report (audited) continued

3. Detailed elements of remuneration continued

iii) Long term incentives (LTI) continued

When does the FY17 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) TSR from 30 June 2016 to 30 June 2018 b) TSR from 30 June 2016 to 30 June 2019 c) TSR from 30 June 2016 to 30 June 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 FY17 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.

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 2017 (Executive only)	Number outstanding 30 June 2016 (Executive only)
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. - Lapsed as at 30 June 2017.	-	27,000

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

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

LTI Plan (for the year ended)	Performance hurdles/conditions	Number outstanding 30 June 2017 (Executive only)	Number outstanding 30 June 2016 (Executive only)
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 2017.	**33,000**	33,000
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 2017.	**108,700**	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 2017.	**30,100**	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 2017.	**44,350**	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 2017.	**44,350**	44,350
Performance rights June 2017	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 2016 to 30 June 2018 applying both an Absolute Test and a Relative Test. (b) Total shareholder return (TSR) from 30 June 2016 to 30 June 2019 applying both an Absolute Test and a Relative Test. (c) Total shareholder return (TSR) from 30 June 2016 to 30 June 2020 applying both an Absolute Test and a Relative Test. - 0% vested as at 30 June 2017.	**188,100**	-

Directors' report
continued

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 2013*	*30 June 2014*	*30 June 2015*	*30 June 2016*	***30 June 2017***
Group gross profit ($m)	178.14	176.19	171.19	188.98	**196.68**
Group earnings before interest and tax ($m)	71.61	70.45	69.60	73.73	**79.02**
Group net profit before tax ($m)	71.28	69.37	67.76	71.52	**77.22**
Basic earnings per share (cents)	38.2	37.5	35.9	38.6	**41.4**
Total dividends per share (cents)	26.00	27.00	27.00	28.50	**30.50**
Share price at 30 June ($)	7.06	8.11	6.21	7.49	**10.45**

The Group annual FY17 STI has financial targets based on Group earnings before interest and tax and other financial and non-financial measures. LTI has historically contained an EPS hurdle, however since FY16 the performance rights awarded 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 $1,400,000 per year was approved by shareholders at the annual general meeting held in November 2016.

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 2017 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 2017

	Short-term employee benefits				Post-employment benefits	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	234,463	-	-	234,463	22,274	-	-	256,737	100%	-	-
T. Antonie	112,842	-	-	112,842	10,720	-	-	123,562	100%	-	-
S. Herman	108,521	-	-	108,521	10,310	-	-	118,831	100%	-	-
D. Howell	93,521	-	-	93,521	25,310	-	-	118,831	100%	-	-
S. Klein (a)	118,905	-	-	118,905	-	-	-	118,905	100%	-	-
L. Myers	121,835	-	-	121,835	11,574	-	-	133,409	100%	-	-
K. Wright (b)	98,279	-	-	98,279	9,336	-	-	107,615	100%	-	-
Sub-total non-executive directors	888,366	-	-	888,366	89,524	-	-	977,890			
Other key management personnel											
S. Brady (c)	426,621	59,576	30,000	516,197	42,714	6,838	(13,561)	552,188	91.67%	10.79%	(2.46%)
J. Clayton	770,000	158,869	-	928,869	30,000	12,341	170,318	1,141,528	71.16%	13.92%	14.92%
M. Cohen (c)	415,000	53,380	30,000	498,380	35,000	6,651	(26,745)	513,286	94.81%	10.40%	(5.21%)
M. Payne	530,840	50,636	33,341	614,817	-	-	41,028	655,845	86.02%	7.72%	6.26%
C. Torng	478,844	48,654	-	527,498	19,308	7,704	150,831	705,341	71.72%	6.90%	21.38%
Sub-total executive KMP	2,621,305	371,115	93,341	3,085,761	127,022	33,534	321,871	3,568,188			
Totals	3,509,671	371,115	93,341	3,974,127	216,546	33,534	321,871	4,546,078			

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) K. Wright was appointed effective 1 September 2016.

(c) Share-based payment includes the reversal of non-cash expenditure following the lapse of unvested performance rights.

Remuneration report (audited) continued

7. Remuneration of key management personnel continued

Table 6: 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.

Remuneration report (audited) continued

8. Other statutory information

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

Name		Cash bonuses		Share-based compensation		
		% Earned	% Forfeited	Year granted	% Vested 2017	% Forfeited 2017
S. Brady	**2017**	**39.72%**	**60.28%**	**2017**	**-**	**-**
	2016	45.21%	54.79%	2016	-	-
J. Clayton	**2017**	**39.72%**	**60.28%**	**2017**	**-**	**-**
	2016	39.64%	60.36%	2016	-	-
M.Cohen	**2017**	**31.77%**	**68.23%**	**2017**	**-**	**-**
	2016	39.64%	60.36%	2016	-	-
M. Payne	**2017**	**27.80%**	**72.20%**	**2017**	**-**	**-**
	2016	39.64%	60.36%	2016	-	-
C. Torng	**2017**	**27.80%**	**72.20%**	**2017**	**-**	**-**
	2016	39.64%	60.36%	2016	-	-

Table 8: Shareholdings of key management personnel

Ordinary shares held* in Breville Group Limited (number)

30 June 2017	Balance at 1 July 2016	On exercise of performance rights	Net change other (a)	Balance at 30 June 2017
Directors				
S. Fisher	**70,288**	**-**	**22,000**	**92,288**
T. Antonie	**-**	**-**	**20,753**	**20,753**
S. Herman	**20,000**	**-**	**5,000**	**25,000**
D. Howell	**110,000**	**-**	**10,000**	**120,000**
S. Klein	**147,189**	**-**	**-**	**147,189**
L. Myers	**130,000**	**-**	**70,000**	**200,000**
K. Wright (b)	**-**	**-**	**5,000**	**5,000**
Other key management personnel				
S. Brady	**350,732**	**-**	**-**	**350,732**
J. Clayton	**135,000**	**-**	**25,000**	**160,000**
M. Cohen	**168,000**	**-**	**-**	**168,000**
M. Payne	**-**	**-**	**-**	**-**
C. Torng	**-**	**-**	**-**	**-**
Total	**1,131,209**	**-**	**157,753**	**1,288,962**

* 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) K. Wright was appointed effective 1 September 2016.

Directors' report
continued

Remuneration report (audited) continued

8. Other statutory information continued

Table 8: Shareholdings of key management personnel continued

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.

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 2017	Vested and exercised 30 June 2016
2 Oct 13 (a)*	2 Sept 16	5 Oct 16	5 Oct 16	0.00	7.61	-	-
7 Oct 14 (b)*	4 Sept 17	5 Oct 17	5 Oct 17	0.00	6.10	-	-
12 Feb 16 (c)*	29 Aug 17	3 Oct 17	3 Oct 17	0.00	1.90	-	-
12 Feb 16 (c)*	29 Aug 18	3 Oct 18	3 Oct 18	0.00	2.07	-	-
12 Feb 16 (c)*	29 Aug 19	3 Oct 19	3 Oct 19	0.00	2.15	-	-
12 Feb 16 (d)	31 Dec 18	31 Mar 19	31 Mar 19	0.00	4.56	-	-
12 Feb 16 (e)	25 Jan 19	31 Mar 19	31 Mar 19	0.00	4.56	-	-
12 Feb 16 (f)	25 Jan 20	31 Mar 20	31 Mar 20	0.00	4.35	-	-
9 Aug 16 (g)*	29 Aug 18	3 Oct 18	3 Oct 18	0.00	3.43	-	-
9 Aug 16 (g)*	29 Aug 19	3 Oct 19	3 Oct 19	0.00	3.49	-	-
9 Aug 16 (g)*	31 Aug 20	2 Oct 20	2 Oct 20	0.00	3.51	-	-

* 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 2016, is at least 46.00 cents per share) and stretch EPS (group underlying EPS is at least 49.20 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 2017, is at least 46.50 cents per share) and stretch EPS (group underlying EPS is at least 51.50 cents per share).

(c) 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.

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

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

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

(g) There are three equal tranches to be tested at 30 June 2018, 30 June 2019 and 30 June 2020 all with a total shareholder return hurdle (TSR) applying an absolute test and a relative test.

Directors' report
continued

Remuneration report (audited) continued

9. Performance rights continued

Table 10: Performance rights holdings of key management personnel

30 June 2017	Balance 30 June 2016	Granted as remuneration (a)	Vested and exercised	Other (b)	Balance 30 June 2017
Other key management personnel					
S. Brady	**53,300**	**23,400**	**-**	**(12,000)**	**64,700**
J. Clayton (c)	**60,200**	**93,500**	**-**	**-**	**153,700**
M. Cohen	**58,300**	**22,500**	**-**	**(15,000)**	**65,800**
M. Payne (e)	**16,000**	**25,300**	**-**	**-**	**41,300**
C. Torng (f)	**99,700**	**23,400**	**-**	**-**	**123,100**
	287,500	**188,100**	**-**	**(27,000)**	**448,600**

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

(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.

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 $210,400 (inclusive of GST), including Mr Klein's director's fees, were invoiced by SBA Law during the current financial year (2016: $223,337). 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 2017 $'000	30 June 2016 $'000
Liabilities		
Current liabilities	**31**	-
Total liabilities	**31**	-
Expenses		
Employee expenses (director's fees)	**119**	113
Professional fees	**72**	90
Total expenses (GST exclusive)	**191**	203

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, or by each committee member, in the case of the audit and risk committee (A&RC) and the people and performance committee (P&PC), was as follows:

	Full board	Audit & risk (A&RC)	People and performance (P&PC)
Number of meetings	**13**	**4**	**3**
S. Fisher	13(c)	(a)	(a)
T. Antonie (b)	13	(a)	1
S. Herman	13	(a)	(a)
D. Howell	13	4	3
S. Klein (d)	13	1	(a)
L. Myers	13	4(c)	3
K. Wright (e)	11	3	2(c)

Board Committees

The current members, as at the date of this report, of the A&RC are L. Myers (chairperson), D. Howell and K. Wright.

The current members, as at the date of this report, of the P&PC are K. Wright (chairperson), D. Howell and L. Myers.

Notes

(a) Not a member of the relevant committee.

(b) T. Antonie resigned as the acting chairperson of the P&PC on 26 October 2016.

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

(d) S. Klein resigned as a member of the A&RC on 26 October 2016.

(e) K. Wright was appointed effective 1 September 2016 and was appointed as the chairperson of the P&PC and a member of the A&RC on 26 October 2016.

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.

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.

Directors' report
continued

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 914,400 potential unissued shares under the performance rights. At the reporting date, there were 914,400 potential unissued shares under performance rights (2016: 696,700). 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, 30,800 unvested performance rights lapsed following the cessation of employment of employees or executives and 108,000 unvested performance rights lapsed as performance hurdles were not met. (2016: 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).

Auditor's declaration of independence

Attached on page 93 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 2017. This auditor's declaration forms part of this directors' report.

Non-audit services

During the financial year ended 30 June 2017 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 2017 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 of Ethics for Professional Accountants and the applicable provisions of the Corporations Act.

Significant events after year end

No matters or circumstances have arisen since the end of the year 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
17 August 2017

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 2017 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**

- audit and risk committee charter
- board charter
- anti-bribery and corruption
- diversity policy
- share trading policy
- code of conduct
- people and performance committee charter
- continuous disclosure policy
- selection and appointment of directors
- criteria for assessing independence of directors
- shareholder communications 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	13 years	B.ACC, CA (SA)	Yes	No	2015
Timothy Antonie	2013	3 years	BEcon	Yes	No	2014
Sally Herman	2013	4 years	BA, GAICD	Yes	No	2016
Dean Howell	2008	9 years	FCA, CTA	Yes	Yes	2014
Steven Klein	2003	14 years	LLB, B.Com	Yes	No	2014
Lawrence Myers	2013	3 years	B.Acct, CA, CTA	Yes	Yes	2015
Kate Wright	2016	10 months	BA	Yes	Yes	2016

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 2016	30 June 2017	Target by June 2018*
Women on the board	17%	29%	25%
Women in senior executive roles	29%	25%	25%
Women in senior roles	30%	36%	30%
Women in company	50%	47%	50%

*Target set June 2015

Senior executives are direct reports to the CEO or a functional head. 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 seven 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, Mr Lawrence Myers and Ms Kate Wright 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 pages 40 and 41.

Corporate governance statement
continued

Principle 2: Structure the board to add value continued

Nomination committee

During the year ended 30 June 2017, 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 including operational and strategic risks; 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 (chairperson)
- Mr Dean Howell
- Ms Kate Wright

Effective 26 October 2016, Mr Steven Klein resigned from and Ms Kate Wright 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 2017, 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 (P&PC), comprising the following directors as at the date of this report:

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

Effective 26 October 2016, Mr Timothy Antonie resigned as acting chairman and Ms Kate Wright was appointed chairperson of the P&PC.

In accordance with the council's recommendation 8.1, the P&PC comprises:

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

The P&PC is considered to be independent as at the date of this report.

For details on the number of meetings of the P&PC 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 22 to 34.

Consolidated income statement
for the year ended 30 June 2017

		Consolidated	
	Note	**30 June 2017 $'000**	30 June 2016 $'000
Revenue	3(a)	**605,733**	576,573
Cost of sales	3(b)	**(409,057)**	(387,598)
Gross profit		**196,676**	188,975
Other income		**813**	1,355
Employee benefits expenses	3(e)	**(55,587)**	(58,277)
Premises, lease & utilities expenses		**(10,569)**	(11,350)
Advertising and marketing expenses		**(21,338)**	(19,124)
Other expenses		**(20,206)**	(18,167)
Earnings before interest, tax, depreciation & amortisation (EBITDA)		**89,789**	83,412
Depreciation & amortisation expense	3(c)	**(10,769)**	(9,680)
Earnings before interest & tax (EBIT)		**79,020**	73,732
Finance costs	3(f)	**(2,421)**	(2,549)
Finance income	3(f)	**624**	336
Profit before income tax		**77,223**	71,519
Income tax expense	4	**(23,389)**	(21,347)
Net profit after income tax for the year attributable to members of Breville Group Limited		**53,834**	50,172
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of Breville Group Limited:			
- basic earnings per share	12	**41.4**	38.6
- diluted earnings per share	12	**41.4**	38.6

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

Consolidated statement of comprehensive income for the year ended 30 June 2017

	Note	Consolidated 30 June 2017 $'000	30 June 2016 $'000
Net profit after income tax for the year		**53,834**	50,172
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences		**(2,129)**	1,646
Net change in fair value of cash flow hedges		**(491)**	(2,868)
Income tax on other comprehensive income	4	**696**	1,195
Other comprehensive (loss) for the year, net of income tax		**(1,924)**	(27)
Total comprehensive income for the year attributable to members of Breville Group Limited		**51,910**	50,145

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

Consolidated statement of financial position as at 30 June 2017

		Consolidated	
	Note	**30 June 2017 $'000**	30 June 2016 $'000
Current assets			
Cash and cash equivalents	5	**77,124**	59,978
Trade and other receivables	6	**106,415**	89,478
Inventories	7	**116,562**	107,722
Other financial assets	15	**422**	1,300
Current tax assets	4	**411**	34
Total current assets		**300,934**	258,512
Non-current assets			
Plant and equipment	8	**10,706**	11,789
Deferred tax assets	4	**5,819**	7,531
Intangible assets	9	**100,060**	92,135
Total non-current assets		**116,585**	111,455
Total assets		**417,519**	369,967
Current liabilities			
Trade and other payables	6	**94,789**	74,878
Borrowings	14	**-**	13,487
Current tax liabilities	4	**5,492**	3,700
Provisions	6	**14,828**	13,916
Other financial liabilities	15	**1,837**	2,223
Total current liabilities		**116,946**	108,204
Non-current liabilities			
Other payables	6	**4,199**	4,265
Borrowings	14	**35,841**	10,362
Provisions	6	**924**	1,131
Total non-current liabilities		**40,964**	15,758
Total liabilities		**157,910**	123,962
Net assets		**259,609**	246,005
Equity			
Equity attributable to equity holders of the parent			
Issued capital	13	**140,050**	140,050
Reserves	13	**(6,782)**	(4,930)
Retained earnings		**126,341**	110,885
Total equity		**259,609**	246,005

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 2017

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
2017							
At 1 July 2016		**140,050**	**(784)**	**(3,574)**	**(572)**	**110,885**	**246,005**
Foreign currency translation reserve		**-**	**(2,129)**	**-**	**-**	**-**	**(2,129)**
Cash flow hedges		**-**	**-**	**-**	**(491)**	**-**	**(491)**
Income tax on items taken directly to equity	4	**-**	**-**	**624**	**72**	**-**	**696**
Total other comprehensive (loss)/income for the year		**-**	**(2,129)**	**624**	**(419)**	**-**	**(1,924)**
Profit for the year		**-**	**-**	**-**	**-**	**53,834**	**53,834**
Total comprehensive (loss)/ income for the year		**-**	**(2,129)**	**624**	**(419)**	**53,834**	**51,910**
Dividends paid	11	**-**	**-**	**-**	**-**	**(38,378)**	**(38,378)**
Ordinary shares acquired by the Trustee of the Breville Group Performance Share Plan Trust	13(b)	**(156)**	**-**	**-**	**-**	**-**	**(156)**
Transferred to participants of the performance rights plan	13(b)	**156**	**-**	**(156)**	**-**	**-**	**-**
Share-based payments		**-**	**-**	**228**	**-**	**-**	**228**
At 30 June 2017		**140,050**	**(2,913)**	**(2,878)**	**(991)**	**126,341**	**259,609**
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 income/(loss) for the year		-	1,646	228	(1,901)	-	(27)
Profit for the year		-	-	-	-	50,172	50,172
Total comprehensive income/ (loss) 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

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 2017

	Note	Consolidated 30 June 2017 $'000	30 June 2016 $'000
Cash flows from operating activities			
Receipts from customers		**618,984**	609,297
Payments to suppliers and employees		**(535,506)**	(535,831)
Finance costs paid		**(1,688)**	(995)
Income tax paid		**(19,742)**	(20,518)
Finance income received		**624**	336
Net cash flows from operating activities	5(b)	**62,672**	52,289
Cash flows used in investing activities			
Purchase of plant and equipment		**(1,917)**	(1,832)
Proceeds from sale of plant and equipment		**25**	-
Purchase of intangible assets		**(17,405)**	(11,957)
Net cash flows used in investing activities		**(19,297)**	(13,789)
Cash flows used in financing activities			
Proceeds from borrowings		**32,515**	19,646
Repayment of borrowings		**(19,512)**	(17,413)
Irretrievable cash contributions paid to the Trustee of the Breville Group Performance Share Plan Trust to acquire ordinary shares	13(b)	**(156)**	(415)
Equity dividends paid	11(a)	**(38,378)**	(35,776)
Net cash flows used in financing activities		**(25,531)**	(33,958)
Net increase in cash and cash equivalents		**17,844**	4,542
Cash and cash equivalents at beginning of the year		**59,977**	54,633
Net foreign exchange difference		**(697)**	802
Cash and cash equivalents at end of the year	5(a)	**77,124**	59,977

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

Notes to the financial statements
for the year ended 30 June 2017

Notes to the financial statements
for the year ended 30 June 2017

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.

In the current period the company changed its external reporting segments to 'Global Product' and 'Distribution'.

This change reflects the transition from a dispersed, geographic structure to a centralised, business unit driven global structure. In this new organisational model, the two segments reflect the two business models in the company: (i) global, innovation driven, product business, and (ii) a distribution business. For both business units, the geographic regions execute the sales and distribution functions, supported by centralised functions (specifically, product development, marketing, and operations).

'Global Product' sells premium products designed and developed by Breville, which are sold globally (currently 65 countries). Products may be sold directly or through 3rd parties, and may be branded Breville, Sage or carry a 3rd party brand.

'Distribution' sells products that are designed and developed by a 3rd party. Breville distributes these products pursuant to a license or distribution agreement, or they are sourced directly from manufacturers. Products in this business unit may be sold under a brand owned by the group (e.g. Breville, Kambrook), or they may be distributed under a 3rd party brand.

Notes to the financial statements
for the year ended 30 June 2017

Note 2. Operating segments continued

	Note	Year ended 30 June 2017			Year ended 30 June 2016 (as restated)		
		Global Product $'000	**Distribution $'000**	**Total $'000**	Global Product $'000	Distribution $'000	Total $'000
Segment revenue	(a)	**469,568**	**136,165**	**605,733**	427,205	149,368	576,573
Segment results							
EBITDA		**82,592**	**7,197**	**89,789**	74,069	9,343	83,412
Depreciation and amortisation		**(10,221)**	**(548)**	**(10,769)**	(8,920)	(760)	(9,680)
EBIT		**72,371**	**6,649**	**79,020**	65,149	8,583	73,732
Finance income				**624**			336
Finance costs				**(2,421)**			(2,549)
Profit before income tax				**77,223**			71,519
Other segment information							
Capital expenditure - plant and equipment		**1,068**	**759**	**1,827**	1,366	378	1,744
Capital expenditure - intangibles		**15,820**	**-**	**15,820**	11,319	-	11,319

	Year ended 30 June 2017 $'000	Year ended 30 June 2016 $'000
(a) Segment revenue		
Global Product		
North America	**265,083**	251,752
ANZ	**114,081**	93,201
Rest of World	**90,404**	82,252
Total Global Product revenue	**469,568**	427,205

Distribution

Revenue generated from ANZ and North America

Note 3. Revenue and expenses

	Note	Consolidated 30 June 2017 $'000	30 June 2016 $'000
(a) Revenue			
Sale of goods		**605,599**	576,127
Commission income		**134**	446
Total revenue		**605,733**	576,573
(b) Cost of sales			
Costs of inventories recognised as an expense (includes write-down of inventory to net realisable value (note 7))		**364,650**	342,806
Costs of delivering goods to customers		**20,513**	20,272
Warranty expense		**23,894**	24,520
Total cost of sales		**409,057**	387,598
(c) Depreciation and amortisation expense			
Depreciation – plant and equipment	8	**2,817**	3,032
Amortisation – computer software	9	**1,347**	1,086
Amortisation – development costs	9	**6,426**	5,383
Amortisation – customer relationships	9	**179**	179
Total depreciation and amortisation expense		**10,769**	9,680
(d) Lease payments and other expenses included in consolidated income statement			
Included in premises, lease & utilities expenses:			
• Minimum lease payments – operating lease		**7,754**	7,950
Included in other income/expenses:			
• Net foreign exchange loss		**345**	162
• Other product related costs		**3,255**	3,116
(e) Employee benefits expenses			
Wages & salaries, leave and other employee related benefits		**52,770**	55,195
Defined contribution plan expense		**2,589**	2,436
Share-based payments expense		**228**	646
Total employee benefits expenses		**55,587**	58,277
(f) Finance costs/(income)			
Finance costs paid or payable on borrowings and bank overdrafts:			
• interest		**449**	330
• other borrowing costs		**1,239**	1,359
Interest on other payables – non current		**733**	860
Finance costs		**2,421**	2,549
Finance income		**(624)**	(336)
Total net finance costs		**1,797**	2,213

Note 3. Revenue and expenses continued

	Note	Consolidated 30 June 2017 $'000	Consolidated 30 June 2016 $'000
(g) Research and development costs			
Amortisation of previously capitalised development costs included in amortisation expense	3(c)	**6,426**	5,383
Research and development costs charged directly to the income statement		**14,139**	14,598
Total research and development costs		**20,565**	19,981

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 2017 $'000	30 June 2016 $'000
The major components of income tax expense are:		
Income statement		
Current income tax		
Current income tax charge	**21,331**	20,967
Adjustments in respect of current income tax of previous years	**(105)**	(33)
Deferred income tax		
Relating to the origination and reversal of temporary differences	**2,163**	413
Total income tax expense reported in the income statement	**23,389**	21,347
Statement of changes in equity		
Deferred income tax related to items charged or credited directly to other comprehensive income		
Employee equity benefits reserve	**(624)**	(228)
Net (loss) on revaluation of cash flow hedges	**(72)**	(967)
Income tax benefit reported in other comprehensive income	**(696)**	(1,195)
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	**77,223**	71,519
At the parent entity's statutory income tax rate of 30% (2016: 30%)	**23,167**	21,456
• adjustments in respect of current income tax of previous years	**(105)**	(33)
• effect of different rates of tax on overseas income	**184**	101
• expenditure not allowable for income tax purposes	**(215)**	64
• other	**358**	(241)
Income tax expense reported in the income statement	**23,389**	21,347

Notes to the financial statements
for the year ended 30 June 2017

Note 4. Income tax continued

	Consolidated		Consolidated	
	Statement of financial position		Income statement	
	30 June 2017 $'000	30 June 2016 $'000	**30 June 2017 $'000**	30 June 2016 $'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	**7,359**	6,015	**(1,344)**	(1,428)
Intangibles	**389**	443	**54**	52
Accelerated depreciation for tax purposes	**24**	13	**(11)**	11
Gross deferred income tax liabilities	**9,647**	8,346		
Deferred tax assets				
Losses available for offset against future taxable income	**-**	-	**-**	(89)
Provisions and accruals	**6,594**	7,587	**(833)**	235
Other long term payables	**1,455**	1,283	**172**	(312)
Employee benefits	**2,667**	2,929	**(258)**	938
Revaluation of inventories	**516**	957	**(426)**	63
Cash flow hedge reserve	**424**	352	**-**	-
Employee equity benefits reserve	**1,160**	520	**16**	74
Other	**2,650**	2,249	**467**	43
Gross deferred income tax assets	**15,466**	15,877		
Net deferred income tax assets	**5,819**	7,531		
Deferred tax expense			**(2,163)**	(413)
Current income tax				
Current tax asset	**411**	34		
Current tax liabilities	**5,492**	3,700		

At 30 June 2017, there is no recognised or unrecognised deferred income tax liability (2016: $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 2017

Note 5. Cash and cash equivalents

		Consolidated	
	Note	**30 June 2017 $'000**	30 June 2016 $'000
Cash at bank and on hand	(a)	**77,124**	59,978

Notes:

- Cash at bank earns interest at floating rates based on daily bank deposit rates.
- At 30 June 2017, the Group had available $18,058,000 (2016: $19,342,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.
- The fair value of cash and cash equivalents is $77,124,000 (2016: $59,977,000).

(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 2017 $'000	30 June 2016 $'000
Cash and cash equivalents		**77,124**	59,978
Bank overdraft	14	**-**	(1)
Total cash and cash equivalents, net		**77,124**	59,977

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

	30 June 2017 $'000	30 June 2016 $'000
Net profit for the year	**53,834**	50,172
Adjustments for:		
Depreciation and amortisation	**10,769**	9,680
Share-based payments	**228**	646
Foreign exchange losses	**345**	162
Changes in assets and liabilities:		
(Increase)/decrease in:		
Trade receivables, prepayments and other receivables	**(18,898)**	(661)
Inventories	**(10,750)**	1,857
Other current assets	**(376)**	522
Non-current assets	**563**	(908)
(Decrease)/increase in:		
Current liabilities	**25,932**	(10,278)
Non-current liabilities	**1,025**	1,097
Net cash flows from operating activities	**62,672**	52,289

(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

		Consolidated	
	Note	**30 June 2017 $'000**	30 June 2016 $'000
Trade and other receivables			
Current			
Trade receivables	(a)	**104,305**	88,186
Allowance for uncollectible receivables		**(387)**	(359)
Trade receivables, net		**103,918**	87,827
Prepayments		**1,265**	891
Other receivables	(b)	**1,232**	760
Total current trade receivables, prepayments and other receivables		**106,415**	89,478

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 (2016: $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 2017 an ageing analysis of those trade receivables which are past due but not impaired are as follows:

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
1 – 30 days overdue	**11,777**	4,898
31 – 60 days overdue	**1,305**	67
61+ days overdue	**-**	452
Total past due but not impaired	**13,082**	5,417

Trade receivables past due but not impaired amount to $13,082,000 (2016: $5,417,000). Of this balance, $12,453,000 (2016: $5,068,000) 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 2017 $'000**	30 June 2016 $'000
Trade and other payables			
Current			
Trade and other payables – unsecured		**94,789**	74,878
Total current trade and other payables		**94,789**	74,878
Non current			
Other payables	(a)	**4,199**	4,265
		4,199	4,265

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 2017 $'000**	30 June 2016 $'000
Provisions			
Current			
Warranty and faulty goods	(a)	**8,458**	8,462
Employee benefits – annual leave	(a)	**3,965**	3,329
Employee benefits – long service	(a)	**2,405**	2,125
Total current provisions	(a)	**14,828**	13,916
Non current			
Employee benefits – long service	(a)	**924**	1,131
Total non-current provisions	(a)	**924**	1,131

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	Total $'000
(a) Movement in provisions				
Carrying amount at the beginning 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**
Movement in provisions during the year:				
Additional provisions made in the year	24,395	2,537	352	**27,284**
Amounts utilised during the year	(24,187)	(1,891)	(273)	**(26,351)**
Net exchange differences	(212)	(10)	(6)	**(228)**
Net movement	(4)	636	73	**705**
Carrying amount at the end of the year:				
Current	**8,458**	**3,965**	**2,405**	**14,828**
Non-current	**-**	**-**	**924**	**924**
Total	**8,458**	**3,965**	**3,329**	**15,752**

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 2017

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 2017 $'000**	30 June 2016 $'000
Finished goods (at lower of cost and net realisable value)	(a)	**97,781**	94,803
Stock in transit (at cost)		**18,781**	12,919
Total inventories		**116,562**	107,722

Notes:

(a) Total net finished goods provision movements recognised in the income statement totalled a $186,000 credit (2016: $426,000 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 2017 $'000	Consolidated 30 June 2016 $'000
At the beginning 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
Reconciliation of the carrying amount:			
Carrying amount at the beginning of year		**11,789**	12,855
Additions		**1,827**	1,744
Disposals		**(25)**	-
Reclassifications		**(41)**	193
Depreciation	3(c)	**(2,817)**	(3,032)
Net exchange difference		**(27)**	29
Carrying amount at the end of year		**10,706**	11,789
At the end of the year			
At cost (gross carrying amount)		**35,556**	33,960
Accumulated depreciation and impairment		**(24,850)**	(22,171)
Net carrying amount		**10,706**	11,789

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 2017 $'000	Consolidated 30 June 2016 $'000
Development costs	**24,530**	20,523
Computer software	**12,166**	8,069
Brand names	**31,575**	31,575
Customer relationships	**1,295**	1,474
Goodwill	**30,494**	30,494
Total intangible assets (net carrying amount)	**100,060**	92,135

Notes to the financial statements
for the year ended 30 June 2017

Note 9. Non-current assets - intangible assets continued

Consolidated 2017	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)		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**
Reconciliation of the carrying amount:							
Carrying amount at the beginning of year		20,523	8,069	31,575	1,474	30,494	**92,135**
Additions		10,496	5,324	-	-	-	**15,820**
Reclassifications		(63)	113	-	-	-	**50**
Amortisation	3(c)	(6,426)	(1,347)	-	(179)	-	**(7,952)**
Net exchange difference		-	7	-	-	-	**7**
Carrying amount at the end of year		**24,530**	**12,166**	**31,575**	**1,295**	**30,494**	**100,060**
At the end of the year							
At cost (gross carrying amount)		**67,609**	**15,990**	**31,575**	**1,835**	**30,494**	**147,503**
Accumulated amortisation and impairment		**(43,079)**	**(3,824)**	**-**	**(540)**	**-**	**(47,443)**
Net carrying amount		**24,530**	**12,166**	**31,575**	**1,295**	**30,494**	**100,060**

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

Note 9. Non-current assets - intangible assets continued

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.
(e) Goodwill	
Internally generated or Acquired	Acquired
Recognition	Initially capitalised at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.
Useful lives	Indefinite
Amortisation method	No amortisation
Impairment test	Annually and more frequently when an indication of impairment exists.

Note 9. Non-current assets - intangible assets continued

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

In the 2017 financial year the company changed its business model to reflect the transition from a dispersed, geographic structure to a centralised, business unit driven global structure. As part of this change to the business model and segment disclosure, the group has reassessed its CGUs at 30 June 2017 as follows:

- Global Product ANZ
- Global Product North America
- Global Product Rest of World
- Distribution

Goodwill and brand names acquired through business combinations have been allocated to these cash generating units or groups of cash generating units.

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

The pre-tax discount rates applied to cash flow projections are in the range of 8.3% to 10.6% (2016: 10.6%), depending on the CGU. This discount rate has been determined using the weighted average cost of capital which incorporates both the cost of debt and the cost of capital. Cash flows beyond the approved 30 June 2018 budgets are extrapolated using a 3% growth rate (2016: 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 2017 $'000**	30 June 2016 $'000
Carrying amount of goodwill and brand names are allocated as follows:			
Breville Group			
- brand names with indefinite useful lives		**13,800**	13,800
Global Product ANZ			
- goodwill		**20,553**	20,553
Global Product North America			
- goodwill		**7,700**	7,700
Global Product Rest of World			
- goodwill		**2,241**	2,241
Distribution			
- brand names with indefinite useful lives		**17,775**	17,775
		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 2017 and 30 June 2016

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

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 2017

Capital management

Note 11. Dividends

	Note	Consolidated 30 June 2017 $'000	30 June 2016 $'000
(a) Dividends on ordinary shares declared and paid during the year:			
Final partially franked dividend for the year ending 30 June 2016 of 14.0 cents per share, 9.8 cents (70%) franked (2016: final fully franked dividend for 2015 of 13.0 cents per share)			
• Paid in cash	(i)	**18,213**	16,912
Final dividend		**18,213**	16,912
Partially franked interim dividend for the year ending 30 June 2017 of 15.5 cents per share, 9.3 cents (60%) franked (2016: interim dividend for 2016 of 14.5 cents per share, 10.9 cents (75%) franked)			
• Paid in cash	(i)	**20,165**	18,864
Interim dividend		**20,165**	18,864
Total partially franked dividends declared and paid during the year of 29.5 cents per share (19.1 cents franked) (2016: 27.5 cents per share (23.9 cents franked))			
(i) Total dividends paid in cash		**38,378**	35,776
Total dividends		**38,378**	35,776
(b) Dividends on ordinary shares proposed and not recognised as a liability:			
Final partially franked dividend for 2017 of 15.0 cents per share (9.0 cents franked) (2016: final partially franked dividend of 14.0 cents per share (9.8 cents franked))		**19,514**	18,213
(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% (2016: 30%)		**1,290**	1,260
• franking credits that will arise from the payment of income tax payable as at the end of the year		**2,939**	585
		4,229	1,845
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		**(5,018)**	(5,464)
Total franking credit balance		**(789)**	(3,619)

The tax rate at which dividends are franked is 30% (2016: 30%).

Note 12. Earnings per share

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'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	**53,834**	50,172
	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.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

- cost of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

Notes to the financial statements
for the year ended 30 June 2017

Note 13. Issued capital and reserves

	Note	Consolidated 30 June 2017 $'000	Consolidated 30 June 2016 $'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.

		Consolidated		Consolidated	
		30 June 2017		30 June 2016	
	Note	**Number of shares**	**$'000**	Number of shares	$'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)	**18,000**	**156**	65,000	415
Ordinary shares acquired by the Breville Group Performance Share Plan Trust during the year - cash	(ii)	**(18,000)**	**(156)**	(65,000)	(415)
End of the year		**-**	**-**	-	-

(i) During the year the Trustee of the Breville Group Performance Share Plan Trust transferred 18,000 ordinary company shares (2016: 65,000) 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 18,000 ordinary shares (2016: 65,000) in order to fulfil its obligations under the Breville Group Limited Performance Rights Plan. The average value placed on these acquisitions was $8.69 per share (2016: $6.38). 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 914,400 (2016: 696,700) potential unissued ordinary shares in respect of performance rights that were outstanding.

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Reserves		
Foreign currency translation reserve	**(2,913)**	(784)
Employee equity benefits reserve	**(2,878)**	(3,574)
Cash flow hedge reserve	**(991)**	(572)
Total reserves	**(6,782)**	(4,930)

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 2017 $'000**	30 June 2016 $'000
Current			
Bank overdrafts – on demand	5(a)	**-**	1
Other loans:			
- Cash advance facilities		**-**	13,479
- Term loan		**-**	7
Total current borrowings		**-**	13,487
Non-current			
Other loans:			
- Cash advance facilities		**35,841**	10,362
Total non-current borrowings		**35,841**	10,362

Notes to the financial statements
for the year ended 30 June 2017

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 2017 and 30 June 2016.

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 2017 was assessed to be insignificant (2016: insignificant). Details regarding interest rate, foreign exchange and liquidity risk are disclosed in note 15.

		Consolidated	
	Note	**30 June 2017 $'000**	30 June 2016 $'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)	**41,713**	27,711
Facilities unused at the reporting date	(b)	**19,872**	21,869
Total facilities	(c)	**61,585**	49,580
(a) Facilities used at the reporting date:			
- Current cash advance facilities		**-**	13,479
- Non-current cash advance facilities		**35,841**	10,362
- Overdraft facilities		**2,156**	1
- Business transactions facilities		**513**	515
- Indemnity/guarantee facilities		**3,203**	3,343
- Documentary credit facilities		**-**	11
Facilities used as at reporting date		**41,713**	27,711
(b) Facilities unused at the reporting date:			
- Current cash advance facilities		**-**	-
- Non-current cash advance facilities		**10,584**	12,807
- Overdraft facilities		**7,474**	6,535
- Business transactions facilities		**513**	515
- Indemnity/guarantee facilities		**-**	-
- Documentary credit facilities		**1,301**	2,012
Facilities unused as at reporting date		**19,872**	21,869
(c) Total facilities:			
- Current cash advance facilities		**-**	13,479
- Non-current cash advance facilities		**46,425**	23,169
- Overdraft facilities		**9,630**	6,536
- Business transactions facilities		**1,026**	1,030
- Indemnity/guarantee facilities		**3,203**	3,343
- Documentary credit facilities		**1,301**	2,023
Total facilities		**61,585**	49,580

Note 14. Borrowings continued

Seasonal facility

Under the primary facility with ANZ, the group also has a seasonal facility available between October 2017 - January 2018 (2016: October 2016 – January 2017) of $8,000,000 (2016: $8,000,000) and a seasonal facility available between June 2017 and March 2018 (2016: September 2016 – March 2017) of $12,358,688 (2016: $12,804,960). 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.

Non-current borrowings at 30 June 2017 expire in July 2018.

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.

Note 15. Financial risk management continued

Recognition and measurement continued

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

Cash flow hedges

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

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

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

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

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 2017, the group has the following exposure to interest rate risk:

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Cash at bank	**77,124**	59,978
Bank overdraft – on demand	**-**	(1)
Cash advance facilities	**(35,841)**	(10,362)
Term loan	**-**	(13,486)
Net exposure	**41,283**	36,129

At 30 June 2017, 100% of the Groups borrowings (2016: 100%) are exposed to floating rates. On a principal net receivable of $41,283,000 (2016: $36,129,000), at an average payable rate including line fee and margin of 2.2% (2016: 1.9%) and average receivable rate of 0.8% (2016: 0.6%), an increment of 0.5% in the market rates would result in a decrease in finance costs of $206,000 (2016: $419,000), conversely a decrement of 0.5% in the market rates would result in an increase in finance costs of $170,000 (2016: $336,000).

The group's net exposure to interest rate risk calculated as at 30 June 2017 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 (2016 average borrowings: 100%) are at a floating rate of interest. On an average principal net receivable during the year of $49,031,000 (2016 $20,246,000), at an average payable rate including margin of 2.2% (2016: 1.9%) and average receivable rate of 0.8% (2016: 0.6%), an increment of 0.5% in the market rates would result in a decrease in finance costs of $245,000 (2016: $101,000), conversely a decrement of 0.5% in the market rates would result in a decrease in finance costs of $192,000 (2016: $68,000).

The bank overdraft has been disclosed within cash as a right of set off exists.

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 2017, the group has the following financial assets and liabilities exposed to foreign currency risk:

		Consolidated	
	Note	**30 June 2017 $'000**	30 June 2016 $'000
Cash at bank		**7,675**	21,117
Trade and other receivables		**1,101**	1,130
Trade and other payables		**(13,060)**	(8,682)
Other financial assets – derivative assets – forward exchange contracts	(i)	**422**	1,300
Other financial liabilities – derivative liabilities – forward exchange contracts	(i)	**(1,837)**	(2,223)
Net exposure		**(5,699)**	12,642

Of the total net exposure above, an increment of 10% in the foreign exchange rates would result in a decrease in other expenses of $334,000 (2016: $1,237,000). A decrement of 10% in the foreign exchange rates would result in an increase in other expenses of $544,000 (2016: $1,503,000).

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 2017 (2016: 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 2017		30 June 2016	
	A$'000	**Average exchange rate**	A$'000	Average exchange rate
Buy US$ / Sell Australian $				
Buy US$ - maturity 0-12 months (2016: 0-12 months)	**21,698**	**0.7420**	59,666	0.7224
Buy US$ / Sell New Zealand $				
Buy US$ - maturity 0-12 months (2016: 0-12 months)	**10,285**	**0.7039**	9,742	0.6626
Buy US$ / Sell Canadian $				
Buy US$ - maturity 0-12 months (2016: 0-11 months)	**22,153**	**0.7753**	21,394	0.7726
Buy US$ / Sell British £				
Buy US$ - maturity 0-12 months (2016: 0-12 months)	**9,101**	**1.2824**	7,784	1.4935
Buy Euro / Sell Australian $				
Buy Euro – maturity 0-3 months (2016: 0-5 months)	**568**	**0.7041**	1,664	0.6730
Buy Euro / Sell US $				
Buy Euro – maturity 0-3 months (2016: nil)	**1,259**	**0.9297**	-	-
Buy Euro / Sell Canadian $				
Buy Euro – maturity 0-3 months (2016: nil)	**430**	**0.6995**	-	-
Buy CHF / Sell Australian $				
Buy CHF – maturity 0-3 months (2016: 0-5 months)	**267**	**0.7477**	890	0.7307
Buy CHF / Sell US $				
Buy CHF – maturity 0-5 months (2016: nil)	**6,751**	**0.9828**	-	-
Buy CHF / Sell Canadian $				
Buy CHF – maturity 0-3 months (2016: nil)	**1,158**	**0.7352**	-	-

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 $1,674,000 was debited to inventory (2016: $6,786,000 credited) and $2,039,000 was debited (2016: $3,919,000 credited) to equity in respect of the group.

At 30 June 2017, the group had hedged 31% (2016: 71%) of its foreign currency purchases extending to June 2018 (2016: June 2017). The remaining 69% (2016: 29%) 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 $4,461,000 (2016: $9,340,000). 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 $3,622,000 (2016: $$7,642,000).

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 2017 and 30 June 2016 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 a thirteen month term in Australia, USA, Canada and the UK. As at 30 June 2017, 100% of the group's borrowings will mature in greater than one year (2016: 43.4%) and nil (2016: 56.6%) 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 2017, the remaining contractual maturities of the group's financial liabilities are:

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Less than 1 year	**96,626**	90,590
Between 1 and 5 years	**40,040**	14,627
	136,666	105,217

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 2017			30 June 2016		
	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	**94,789**	**4,199**	**98,988**	74,878	4,265	79,143
Borrowings	**-**	**35,841**	**35,841**	13,489	10,362	23,851
Other financial liabilities	**1,837**	**-**	**1,837**	2,223	-	2,223
	96,626	**40,040**	**136,666**	90,590	14,627	105,217

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 2017 %**	30 June 2016 %
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 reporting relief

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, relief has been granted to Thebe International Pty Limited, Breville Pty Limited and Breville Holdings Pty Limited from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

Note 16. Interests in other entities continued

(a) Entities subject to reporting relief continued

As a condition of the instrument, Breville Group Limited and Thebe International Pty Limited entered into a Deed of Cross Guarantee on 4 November 1999. This deed was subsequently assumed by Breville Pty Limited and Breville Holdings Pty Limited under an assumption deed dated 19 December 2001. The effect of the deed is that Breville Group Limited has guaranteed to pay any deficiency in the event of winding up of either controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Breville Group Limited is wound up or if it does not meet its obligation under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The entities comprising the "closed group" are Breville Group Limited, Thebe International Pty Limited, Breville Pty Limited and Breville Holdings Pty Limited. The consolidated statement of financial position and income statement of the entities that are members of the "closed group" are detailed in 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 2017, the Trustee acquired 18,000 company shares (2016: 65,000). The average value placed on these acquisitions was $8.69 per share (2016: $6.38).

Note 17. Parent entity information

As at and throughout the financial year ended 30 June 2017 the parent company of the group was Breville Group Limited.

	Consolidated	
	30 June 2017 $'000	30 June 2016 $'000
Results of the parent entity		
Profit of the parent entity	**38,525**	36,601
Total comprehensive income of the parent entity	**38,525**	36,601
Financial position of the parent entity		
Current assets	**70,238**	67,910
Total assets	**145,289**	142,092
Current liabilities	**(2,939)**	(585)
Total liabilities	**(2,939)**	(585)
Net assets	**142,350**	141,507
Equity attributable to the equity holders of the parent		
Issued capital	**140,050**	140,050
Employee equity benefits reserve	**(2,878)**	(3,574)
Retained earnings	**5,178**	5,031
Total shareholders' equity	**142,350**	141,507

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 2017

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 2017 there were 914,400 (2016: 696,700) 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 2017 Number of performance rights	30 June 2017 WAEP	30 June 2016 Number of performance rights	30 June 2016 WAEP
Outstanding at the beginning of the year		**696,700**	**0.0000**	558,000	0.0000
Performance rights granted during the year		**374,500**	**0.0000**	429,700	0.0000
Performance rights exercised during the year		**(18,000)**	**0.0000**	(65,000)	0.0000
Performance rights lapsed during the year		**(138,800)**	**0.0000**	(226,000)	0.0000
Outstanding at the end of the year	(a)	**914,400**	**0.0000**	696,700	0.0000
Exercisable at the end of the year		**-**	**-**	-	-

Notes

(a) The outstanding balance as at 30 June 2017 is represented by:

Number of performance rights	Note*	Grant date	Vesting date	Expiry date	WAEP $	Fair value at grant date ($)
69,750	(i)	7-Oct-14	4-Sept-17	5-Oct-17	0.0000	6.10
69,750	(ii)	7-Oct-14	4-Sept-17	5-Oct-17	0.0000	6.10
92,900	(iii)	12-Feb-16	29-Aug-17	3-Oct-17	0.0000	1.90
92,700	(iv)	12-Feb-16	29-Aug-18	3-Oct-18	0.0000	2.07
92,700	(v)	12-Feb-16	29-Aug-19	3-Oct-19	0.0000	2.15
30,100	(vi)	12-Feb-16	31-Dec-18	31-Mar-19	0.0000	4.56
44,350	(vii)	12-Feb-16	25-Jan-19	31-Mar-19	0.0000	4.56
44,350	(viii)	12-Feb-16	25-Jan-20	31-Mar-20	0.0000	4.35
1,100	(iii)	16-Mar-16	29-Aug-17	3-Oct-17	0.0000	1.90
1,100	(iv)	16-Mar-16	29-Aug-18	3-Oct-18	0.0000	2.07
1,100	(v)	16-Mar-16	29-Aug-19	3-Oct-19	0.0000	2.15
125,800	(ix)	9-Aug-16	29-Aug-18	3-Oct-18	0.0000	3.43
124,350	(x)	9-Aug-16	29-Aug-19	3-Oct-19	0.0000	3.49
124,350	(xi)	9-Aug-16	31-Aug-20	2-Oct-20	0.0000	3.51
914,400					0.0000	

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

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

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

Notes to the financial statements
for the year ended 30 June 2017

Note 18. Share-based payments continued

Performance rights granted under the performance rights plan continued

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

(ix) These performance rights vest based on the group's total shareholder return (TSR) from 30 June 2016 to 30 June 2018 applying both an absolute test and a relative test measured against a TSR peer group.

(x) These performance rights vest based on the group's total shareholder return (TSR) from 30 June 2016 to 30 June 2019 applying both an absolute test and a relative test measured against a TSR peer group.

(xi) These performance rights vest based on the group's total shareholder return (TSR) from 30 June 2016 to 30 June 2020 applying both an absolute test and a relative test measured against a TSR peer group.

* Excluding (vi), (vii), (viii), 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 2017 is between 1 and 4 years (2016: 1 and 4 years).

The exercise price for performance rights outstanding at the end of the year was $nil (2016: $nil).

The weighted average fair value of performance rights granted during the year was $3.48 (2016: $2.80).

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 2017 and 30 June 2016:

	30 June 2017	**30 June 2017**	**30 June 2017**	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2016
	(Monte-Carlo)	**(Monte-Carlo)**	**(Monte-Carlo)**	(Black-Scholes)	(Black-Scholes)	(Black-Scholes)	(Monte-Carlo)	(Monte-Carlo)	(Monte-Carlo)
Grant date	**9 Aug 16**	**9 Aug 16**	**9 Aug 16**	12 Feb 16	12 Feb 16	12 Feb 16	12 Feb 16	12 Feb 16	12 Feb 16
Vesting date	**29 Aug 18**	**29 Aug 19**	**31 Aug 20**	31 Dec 18	25 Jan 19	25 Jan 20	29 Aug 17	29 Aug 18	29 Aug 19
Dividend yield (%)	**3.50**	**3.50**	**3.50**	3.50	3.50	3.50	3.50	3.50	3.50
Expected volatility (%)	**34.00**	**34.00**	**34.00**	29.00	29.00	29.00	29.00	29.00	29.00
Historical volatility (%)	**34.00**	**34.00**	**34.00**	29.00	29.00	29.00	29.00	29.00	29.00
Risk-free interest rate (%)	**1.50**	**1.50**	**1.50**	1.80	1.80	1.80	1.80	1.80	1.80
Expected life of performance right	**2.1 years**	**3.1 years**	**4.1 years**	2.8 years	2.9 years	3.9 years	1.6 years	2.6 years	3.6 years
Performance right exercise price ($)	**0.00**	**0.00**	**0.00**	0.00	0.00	0.00	0.00	0.00	0.00
Weighted average share price ($)[1]	**7.93**	**7.93**	**7.93**	5.74	5.74	5.74	5.74	5.74	5.74
Weighted average fair value ($)[1]	**3.43**	**3.49**	**3.51**	4.56	4.56	4.35	1.90	2.07	2.15

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

	30 June 2017 $'000	30 June 2016 $'000
(i) Consolidated statement of financial position for class order closed group		
Current assets		
Cash and cash equivalents	**62,638**	36,415
Trade and other receivables	**46,891**	47,488
Inventories	**31,422**	50,046
Other financial assets	**422**	327
Total current assets	**141,373**	134,276
Non-current assets		
Other financial assets	**22,275**	22,612
Plant and equipment	**9,734**	10,784
Intangible assets	**85,980**	78,050
Deferred tax assets	**-**	380
Total non-current assets	**117,989**	111,826
Total assets	**259,362**	246,102
Current liabilities		
Trade and other payables	**50,780**	52,160
Borrowings	**-**	1
Current tax liabilities	**2,939**	585
Provisions	**7,326**	6,906
Other financial liabilities	**1,837**	1,612
Total current liabilities	**62,882**	61,264
Non-current liabilities		
Other payables	**3,767**	4,265
Deferred tax liabilities	**912**	-
Provisions	**792**	993
Total non-current liabilities	**5,471**	5,258
Total liabilities	**68,353**	66,522
Net assets	**191,009**	179,580
Equity		
Issued capital	**140,050**	140,050
Reserves	**(9,703)**	(10,480)
Retained earnings	**60,662**	50,010
Total equity	**191,009**	179,580

Note 19. Related party transactions continued

	30 June 2017 $'000	30 June 2016 $'000
(ii) Consolidated income statement for class order closed group		
Profit from ordinary activities before income tax expense	**68,865**	56,212
Income tax expense relating to ordinary activities	**(19,835)**	(16,076)
Net profit	**49,030**	40,136
Accumulated profits at the beginning of the year	**50,010**	45,650
Dividends paid or reinvested	**(38,378)**	(35,776)
Accumulated profits at the end of the year	**60,662**	50,010

(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 2017 $	30 June 2016 $
Compensation by category: key management personnel			
Short-term		**3,974,127**	3,796,981
Post-employment	(i)	**216,546**	203,186
Other long-term		**33,534**	32,080
Termination payment		**-**	300,388
Share-based payment		**321,871**	207,328
Total		**4,546,078**	4,539,963

(i) This comprises defined contribution plans expense of $216,546 (2016: $203,186).

Note 20. Auditor's remuneration

	Consolidated	
	30 June 2017 $	30 June 2016 $
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	**416,099**	398,362
Taxation and accounting services	**248,200**	214,610
Network Firms of PricewaterhouseCoopers Australia		
Controlled entities		
Audit or review services	**136,576**	188,480
Taxation and accounting services	**186,769**	163,827
Total auditor's remuneration	**987,644**	965,279

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 2017 $'000	30 June 2016 $'000
Within one year	**7,490**	6,903
After one year but not later than five years	**28,076**	30,250
More than five years	**7,495**	8,442
Total future minimum rentals payable	**43,061**	45,595

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.

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.

Notes to the financial statements
for the year ended 30 June 2017

Note 22. Significant events after year end

Aquaport, an Australian business was acquired on 11 August 2017, which will be included within the Distribution segment. This acquisition is not expected to have any material impact on the business of the group.

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

The financial report of Breville Group Limited for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 17 August 2017.

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 2017 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 2017.

On behalf of the board

Steven Fisher
Non-executive chairman

Sydney
17 August 2017

Independent auditor's report

To the shareholders of Breville Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Breville Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended

b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2017
- the consolidated statement of comprehensive income for the year then ended
- the consolidated income statement for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated cash flow statement for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Independent audit report continued

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

Having regard to the geographic, operational and governance structure of the Group, we tailored the scope of our audit and skills of our audit team to ensure that sufficient work was undertaken to enable us to form an opinion on the financial report as a whole.

Materiality

For the purpose of our audit we used overall Group materiality of $3.6 million, which approximates 5% of the Group's profit before tax.

We selected this threshold, based on our professional judgement, noting that:

- profit before tax is a key benchmark against which the performance of the Group is commonly measured; and
- 5% is within the range of commonly acceptable profit-based thresholds.

We applied this threshold, together with qualitative considerations, to:

- determine the scope of our audit and the nature, timing and extent of our audit procedures; and
- evaluate the effect of identified misstatements on the financial report as a whole.

Audit scope

Our audit focused on:

- subjective judgements made by the Group and
- significant accounting estimates involving assumptions and inherently uncertain future events.

The Group comprises entities located in Australia/New Zealand, North America, and the 'Rest of World' comprising its entities in Hong Kong, United Kingdom and China, with the most financially significant operations being Breville Australia and Breville United States. Accordingly, we structured our audit as follows:

- The Group audit was led by our team from the Australian PwC firm ("group audit team"). The group audit team conducted an audit of the special purpose financial information of Breville Australia and Breville United States used to prepare the consolidated financial statements.
- Component auditors in Canada and Hong Kong, under instructions from the group audit team, performed specified audit procedures over targeted financial statement items within the respective special purpose financial information for those locations used to prepare the consolidated financial statements.
- The group audit team undertook the remaining audit procedures, including over significant financial statement items controlled at the Group level, the Group consolidation and the audit of the financial report and remuneration report.

The group audit team decided on their level of involvement needed in the work performed by the component auditors, to be satisfied that sufficient appropriate evidence had been obtained for the purpose of our opinion. Review of the work undertaken by the component teams and regular dialogue between the teams up to the reporting date supplemented the specific direct written instruction provided by PwC Australia and augmented the reporting provided by the component auditors.

The combination of all these procedures provided us with sufficient and appropriate audit evidence to express an opinion on the Group's financial report as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. Amongst other relevant topics, we communicated the key audit matters to the Audit & Risk Committee. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Independent audit report continued

Key audit matter	*How our audit addressed the key audit matter*
Estimated recoverable amount of goodwill and indefinite life intangibles *(Refer to note 9) – $62.1m* The Group recognises assets for goodwill and indefinite life intangibles in respect of its brand names. Under Australian Accounting Standards, the Group is required to test the goodwill and indefinite lived intangible assets annually for impairment, irrespective of whether there are indications of impairment. This assessment is inherently complex and judgemental, and requires judgement by the Group in forecasting the operational cash flows of the cash generating units of the Group, and determining discount rates and terminal value growth rates used in the discounted cash flow models used to assess impairment (the models). The recoverable amount of goodwill and other indefinite life intangible assets was a key audit matter given the: - financial significance of the intangible assets to the statement of financial position; and - judgement applied by the Group in completing the impairment assessment.	We focused our efforts on developing an understanding and testing the overall calculation and methodology of the Group's impairment assessment, including identification of the cash generating units of the Group for the purposes of impairment testing, and the attribution of net assets, revenues and costs to those components. In obtaining sufficient audit evidence, our procedures included, amongst others: - assessing the cash flow forecasts included in the models with reference to actual historical earnings - testing the mathematical calculations within the models - assessing the terminal value growth rates and discount rates applied in the models by comparing to external information sources - performing sensitivity analyses over the key assumptions used in the models - evaluating the related financial statement disclosures for consistency with Australian Accounting Standards requirements.
Taxation *Refer to note 4, $23.4m income tax expense, net deferred taxes $5.8m, net current tax liability $5.1m* The income tax provision was a key audit matter because the Group is subject to taxation in multiple jurisdictions and, in many cases, the final tax treatment is not certain until resolved with the relevant tax authority. Consequently, the Group made judgements about the incidence and quantum of tax exposures and liabilities which are subject to the future outcome of assessments by relevant tax authorities and, potentially, associated legal processes.	Our procedures included evaluating the analysis conducted by the Group for judgements made in respect of the ultimate amounts expected to be paid to tax authorities. We used our understanding of the business, engaged PwC tax experts and read a sample of external advice obtained by the Group to assess the appropriateness of the provisions for tax under Australian Accounting Standards. We assessed the appropriateness of the Group's disclosure in the financial report in light of Australian Accounting Standard requirements.

Other information

The directors are responsible for the other information. The other information included in the Group's annual report for the year ended 30 June 2017 comprises the Directors' report, Corporate governance statement, and Company Information (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. We also expect other information to be made available to us after the date of this auditor's report, including the Chairman's review, Chief Executive Officer's review and Shareholder Information.

Our opinion on the financial report does not cover the other information and accordingly we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

pwc

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 22 to 34 of the directors' report for the year ended 30 June 2017. In our opinion, the remuneration report of Breville Group Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Mark Dow
Partner

Sydney
17 August 2017

Auditor's independence declaration

Auditor's Independence Declaration

As lead auditor for the audit of Breville Group Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

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

Mark Dow
Partner
PricewaterhouseCoopers

Sydney
17 August 2017

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Shareholder information

Substantial shareholders as at 6 September 2017

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	9,076,460	6.98%
Australian Super Pty Ltd	8,888,979	6.83%

Distribution of shareholdings as at 6 September 2017

Size of holding	Ordinary shareholders
1 to 1,000	1,253
1,001 to 5,000	1,272
5,001 to 10,000	318
10,001 to 100,000	233
100,001 and over	31
Total shareholders	**3,107**
Number of ordinary shareholders with less than a marketable parcel	120

Voting rights

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

Twenty largest shareholders as at 6 September 2017

Name	Shares	% IC
Premier Investments Limited	35,761,415	27.56%
HSBC Custody Nominees (Australia) Limited	32,631,765	25.15%
J P Morgan Nominees Australia Limited	19,002,961	14.64%
Citicorp Nominees Pty Limited	8,058,620	6.21%
National Nominees Limited	5,856,040	4.51%
SL Superannuation No1 Pty Ltd	3,000,000	2.31%
BNP Paribas Noms Pty Ltd	2,328,310	1.79%
Lew Family Investments Pty Ltd	1,891,461	1.46%
Lew Family Investments Ltd	1,535,718	1.18%
BNP Paribas Nominees Pty Ltd	1,068,878	0.82%
Citicorp Nominees Pty Limited	754,663	0.58%
Brispot Nominees Pty Ltd	719,047	0.55%
S L Nominees Pty Ltd	711,667	0.55%
AMP Life Limited	670,611	0.52%
Nofusa Pty Limited	650,000	0.50%
HSBC Custody Nominees (Australia) Limited	462,279	0.36%
Quotidian No 2 Pty Ltd	300,000	0.23%
Mr Scott Laurence Brady	278,592	0.21%
Malla Pty Ltd	230,127	0.18%
Geomar Superannuation Pty Ltd	200,000	0.15%
Geomar Two Pty Ltd	200,000	0.15%
Total	**116,312,154**	**89.63%**

Unquoted equity securities as at 6 September 2017

	Number on issue	Number of holders
Performance rights issued under the Breville Group Performance Rights Plan to take up ordinary shares	914,400*	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
One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000
Australia

Bankers

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

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Design: **Buzzsaw** cut-through branding. Print: **Hogan Print**

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foodthinkers.com

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Thought for food.


POWER
Swipe and select.
Long Black
Latte
Flat White
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