

# Breville Group Limited Annual Report 2021



**Breville | Sage**  
Master Every Moment™





# Breville Group Limited Annual report 2021

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## Annual general meeting:

Thursday 11 November 2021 at 10am

Virtual AGM.

# DAMSON BLUE

A rich shade of Damson plums and ripe summer blueberries with a touch of frost.



# Chairman's review

*“An outstanding year for Breville in the face of unprecedented circumstances”*

The 2021 Financial year for the Group saw record sales of nearly \$1.2bn, 39.6% EBIT growth and strong re-investment into the medium term growth drivers of the Group.

Total sales revenue of \$1.187bn was 24.7% higher than prior year with the core Global Product segment growing by 28.7%, or 37.0% on a constant currency basis, to \$984.2m. The Distribution segment revenue for the year grew 8.4% to \$203.5m. Top line growth was underpinned by the ongoing trend of working from home and geographic expansion, more than offsetting some supply constraints late in the year.

Group EBIT for the year of \$136.4m represented a 39.6% increase on the prior year after funding increased investment into R&D, marketing and our IT platform and capability.

The Group sustained its geographic expansion, integrated the Baratza acquisition, and continued to roll out its technology platform throughout the year despite COVID-19 interruptions, which is a tribute to the tenacity and determination of the entire Breville team.

The Board has approved a full year dividend for the year of 26.5 cents, in line with the previously announced decision to reduce the target payout ratio to 40% on a full year basis to enhance the internal funding of numerous growth opportunities on a sustainable basis.

On behalf of the Board, I would like to welcome and congratulate Jim Clayton on his appointment to the Board in August.

As for myself, after 17 years on the Board, I have decided to not seek re-election at the AGM in November.

I am extremely proud of the team at Breville. They have built a truly international company, recognised amongst our peers as one of the leading SDA brands in the world. The executive team that Jim leads (across the globe) is world class, and I am sure that their passion and unity will deliver continued growth and success as Breville cements its foothold on the world stage.

Breville is fortunate to have our CEO, Jim Clayton, at the helm, and I would like to acknowledge, and thank him for his support, leadership, vision and his extraordinary ability to execute on his strategy.

I have thoroughly enjoyed my journey with Breville, and, as I pass on the baton, I am confident that the company is well placed for continued success. Tim Antonie has been a Director since 2013, and I am very confident that he will guide the Group from strength to strength.

Finally I would like to express my appreciation to my fellow Board colleagues and our shareholders, customers and suppliers, and of course the outstanding Breville team across the globe for their support over the years.

I encourage all shareholders to attend our virtual annual general meeting (AGM) in November.

With thanks,



Steven Fisher  
Non-executive chairman

# SEA SALT

The diamond white of natural sea salt with a pinch of matte pearl.



# CEO's review

*“A big thank you to the entire Breville/Sage team for keeping focused on long-term growth whilst tactically navigating a challenging year”*

In FY21, Breville Group delivered strong revenue growth of 24.7%, crossing a milestone of \$1bn revenue during the year. Increased consumer demand, driven by the need/requirement to work from home, coupled with our continued geographic expansion, outweighed logistical challenges and a weakening USD.

The Global Product segment revenue grew by 28.7%, or 37.0% in constant currency, with solid growth across all geographies. On a constant currency basis, Americas grew by 27.6%, APAC by 37.4%, EMEA by 58.4%. All theatres had a solid performance across the year, despite supply disruptions driving a restricted inventory position at the tail end of the 2H21.

Our portfolio is more balanced and robust than it has ever been. During the period we entered Mexico, Portugal, Italy and completed our entry into France. EMEA is now larger than APAC, and together they match the Americas.

The Distribution segment revenues grew by 8.4% and it fulfilled its strategic role by delivering an incremental \$2.4m EBIT to reinvest in the Global Product segment.

Our gross margins improved year-on-year as our increased average selling price, driven by improved mix and lower promotional activity, outpaced the headwinds of cost inflation, including increased manufacturing and shipping costs. As we look to FY22, inflationary pressures seem set to continue, and we will take price rises where appropriate to protect our margins.

Strategically we reinvested gross profits into enhancing our GTM effectiveness, upweighting our NPD capability and increasing our technology-based competitive advantage. We have implemented our Global IT 2.0 Platform in the Northern Hemisphere and New Zealand with Australia to be completed in FY22.

FY21 EBIT grew 24% over normalised FY20 EBIT<sup>1</sup>, or 39% over statutory EBIT.

Importantly, in such a busy year, I want to pause and acknowledge the outstanding contribution of Steve Fisher, our outgoing Chairperson. Steve has been a Director for over seventeen years. During his eight years as Chair, the Group has doubled in size and the share price has increased 350% - Steve's fingerprints are all over this success. I would like to thank Steve personally for his friendship and guidance over the nearly six years that I have had the privilege to work with him, and I know that the entire company joins me in wishing him continued success, health and happiness in the future.

Finally a big thank to the entire Breville/Sage team for another excellent year. I look forward to continuing our success in FY22.



Jim Clayton  
Managing Director and Chief Executive Officer

<sup>1</sup> FY20 EBIT and NPAT have been normalised for the impact of abnormal expenses (doubtful debt provisioning and IoT platform write down) and abnormal cost savings (compensation and marketing). Net impact on EBIT of \$12.2m; NPAT \$8.8m.

# SMOKED HICKORY

The smokey grey of hickory firewood with a charred glaze.





# Strategy and brands

*Breville Group's primary strategy is the design and development of the world's best kitchen appliances together with expanding distribution and dynamic marketing on a global scale.*

The Breville and Sage brands are 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 and Sage-branded products supplied in currently 80 countries to the premium kitchen segment of the market ('Global Product').

Additionally, on October 1, 2020 the Group completed its acquisition of Seattle based coffee grinding company, Baratza LLC. Established in 1999, Baratza designs and markets premium coffee grinders for North America and international markets. The acquisition is complementary to the Group's existing premium coffee business and brings together two of the world's leading companies in the design and global distribution of coffee products.

The Distribution segment sells products that 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® (Breville®, Kambrook®, Aquaport®, Cli-mate®), or Sage® or they may be distributed under a third-party brand (Nespresso®).

## North America

In North America, the Group distributes its range of internally designed and developed kitchen products under the Breville and Baratza brands through premium channels and its own direct-to-consumer e-commerce platform. From the second half of the 2018 financial year, the Breville brand included a range of Breville co-branded Nespresso coffee machines as one of Nespresso's machine partners in North America.

North American revenues also include 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®, Kambrook®, Aquaport® and Cli-mate®.

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 point without any compromise on quality and performance.

## Europe

In the United Kingdom and Europe, the Group markets and distributes its premium designed and developed global kitchen products under the company owned brand, Sage® and Baratza. It is also a supplier for Sage® branded goods to certain distributors located throughout Europe and the Middle East.

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

## 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 and Sage brands 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.

## A History of Innovation

On Melbourne Cup day in 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 award-winning innovative Breville products developed in Australia and distributed throughout the world. 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 ground-breaking innovation in the kitchen.

# BLACK TRUFFLE

An elegant shade inspired by decadent black truffles in a luxurious velvet coating.



# Strategy and brands continued

## Growth of the Brand

In 2000, Breville embarked on a project to expand its design and innovation capabilities, building a much larger internal team that has today become Australia's leading product development team. 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 titled 'Food Thinking'. As a part of this strategy, internal teams work closely with professional chefs and consumers to develop insight and an integrated approach to product development:

- Deeper understanding of food, friction points, and the challenges consumers face
- Innovation to solve these challenges, protectable as IP; marketed as "Simple Moments of Brilliance"
- Superior quality and engaging design.

Breville's ethos of 'Food Thinking' and creativity remains as relevant today as it did then and continues to gain momentum and win over a new generation of consumers, driving accelerated innovation and increased product development. Furthermore, the Group's appreciation for food science and culinary trends has led to the fostering of relationships with high profile food thinkers, including world renowned baristas and chefs, some of whom have directly helped the Group in a product development capacity.

## The Consumer at the Core of the Business

The Group focuses on driving consumer understanding of, and engagement with, the Group's product and proposition. The Group believes that consumers should be able to produce and enjoy a perfect result every time, and that they should never have to settle or compromise just because they are making it at home. Through 'Food Thinking', the Group provides consumers with 'Mastery in a Box' - innovative products which simplify and make the process of creation more of a pleasure, and the end result more perfect, each and every time.

At the heart of this proposition lies a passionately-held belief that consumers should feel empowered to share these results with those who are most important to them; their family and friends. After all, the opportunities to make everyday moments an occasion exist in the tens of thousands, and Breville believes that use of its products will help consumers 'Master Every Moment' and enjoy life to the fullest extent.

## Sage®

In the United Kingdom and Europe, the Group distributes its premium designed and developed products under the Group owned brand, Sage®. The brand identity and positioning of Sage® is aligned closely to the global Breville brand identity, 'Food Thinking' approach, and 'Master Every Moment' empowerment strategy.

The Sage® distribution strategy is also very similar to that of Breville in North America, with distribution limited primarily to premium retailers and its own direct to consumer e-commerce platform. The Group continues to invest in engaging marketing activity for the Sage® brand to drive targeted expansion and accelerate the brand's presence in the premium channel across Europe, the United Kingdom and the Middle East.

Additionally, since 2017, the Group also works with distribution partners who have decided to take advantage of the Group's investment in the Sage® brand in their territories. Countries such as Denmark, Sweden, Norway, Finland, Estonia, Lithuania, Latvia, Czech Republic and Slovakia, amongst others, were the first to transition.

## Kambrook®

Kambrook® has become known for quality, durable products at an affordable price point. 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 FY17 and continues to find some success and recognition in the marketplace as a mark for quality assurance.

## PolyScience®

The PolyScience® brand (culinary division) is distributed around the world under one the following two names as locally relevant;

- 1) Breville | Polyscience and 2) Sage | Polyscience. The PolyScience culinary division includes 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), the Control Freak™ (for precision cooktop applications) vacuum sealers, cold plates and vacuum evaporations systems.

# ROYAL CHAMPAGNE

A golden shade of crisp champagne with a hint of glistening honey.



# Strategy and brands continued

## **ChefSteps.com**

In July 2019, the Group completed the acquisition of ChefSteps, incorporating both the connected IoT Joule sous vide immersion circulator, as well as taking over the ChefSteps.com web property. The Joule immersion circulator has been fully incorporated into the Breville brand through the introduction of a new version of the product, and the website property has been re-invigorated, and a new editorial product placed behind a paywall, Studio Pass, was successfully introduced by the team in 2020.

## **Baratza.**

As noted, the Group completed the acquisition of Baratza LLC in October of 2020. It is distributed globally, and will unlock dynamic revenue synergies for both businesses through a shared passion for innovation and an unwavering commitment to enhancing the consumer experience.

## **Innovation and product development**

The core driving the Group's growth continues to be investment in product development and a focus on design and innovation. Breville has further 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 – creative 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 2021 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, research and development, IT and logistics.

## **Processes built for the future**

With an aligned calendar setting process, within both Breville itself and its external manufacturing and retail channel partners, the Group seeks to fully leverage an increasing number of new product introductions to continue to drive its business and iconic brands forward.

By ensuring that the 'go-to-market' process is aligned functionally, regionally and with its external partners, the Group launches product, with impact, 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 has established this process in the 2019 financial year, and has continued to build off its initial impact and success, most recently with the successful global introduction of the Bambino espresso machine, and the Fast Slow Go cooker.

# Accolades



- 2019 BTM700 the Tea Maker Compact
- 2019 BBL920 the Super Q
- 2018 BES880 the Barista Touch
- 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

## BEST IN CATEGORY - Domestic Appliances

- 2016 BSM600 the Smoking Gun



- 2019 BPZ800 the Smart Oven Pizzaiolo
- 2019 BES878 the Barista Pro
- 2019 BES500 the Bambino Plus
- 2018 BDC450 the Precision Brewer Thermal
- 2018 BJE830 the Juice Fountain Cold XL
- 2018 BNE500 Creatista Uno
- 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
- 2012 BCI600 Smart Scoop Ice Cream Maker
- 2012 BES900 Dual Boiler Espresso Machine
- 2011 BCG800 Smart Grinder
- 2011 BTM800 Tea Maker



reddot design award

## Red Dot Design Award - Best of the Best

- 2017 BNE800 Creatista Plus

## Red Dot Design Award

- 2020 BJB815 the 3x Bluicer Pro
- 2020 BNE900 the Creatista Pro
- 2020 CSV750/700 Hydro Pro Immersion Circulator
- 2020 BMO870/850 3 in 1 Combi Wave / Smooth Wave
- 2019 BES500 the Bambino Plus
- 2019 BES878 the Barista Pro
- 2019 BTM700 the Tea Maker Compact
- 2019 BBL920 the Super Q
- 2019 BPZ800 the Smart Oven Pizzaiolo
- 2018 BES880 the Barista Touch
- 2018 BDC450 the Precision Brewer Thermal
- 2018 BJE830 the Juice Fountain Cold XL
- 2018 BFP820 the Kitchen Wizz Peel and Dice
- 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

## Honourable Mention

- 2013 BBL605 Kinetix Control Blender
- 2011 BKE820 Kettle Honourable Mention



## IDSA Design Award – USA IDEA International Design Excellence Awards

### Silver Award

- 2019 BES878 the Barista Pro
- 2017 BES990 the Oracle Touch

### Bronze Award

- 2019 BTM700 the Tea Maker Compact
- 2019 BOV860 the Smart Oven Air Fryer
- 2017 BES990 the Oracle Touch
- 2017 BNE800 Creatista Plus
- 2017 BSM600 the Smoking Gun
- 2014 BES980 the Oracle Espresso
- 2013 BES900 Dual Boiler Espresso

### Finalists

- 2021 BJB815 the 3x Bluicer Pro
- 2021 CSV750/700 Hydro Pro Immersion Circulator
- 2021 BMO870/850 3 in 1 Combi Wave / Smooth Wave
- 2019 BPZ800 the Smart Oven Pizzaiolo
- 2019 BES500 the Bambino Plus
- 2018 BES880 the Barista Touch
- 2018 BDC450 the Precision Brewer Thermal
- 2018 BJE830 the Juice Fountain Cold XL
- 2018 BFP820 the Kitchen Wizz Peel and Dice
- 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



## Good Design Award Chicago Athenaeum

- 2019 BOV860 the Smart Oven Air Fryer
- 2019 BES878 the Barista Pro
- 2019 BTM700 the Tea Maker Compact
- 2019 BBL920 the Super Q Blender
- 2019 BPZ800 the Smart Oven Pizzaiolo

# Breville Group Limited 2021

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*The financial report covers the consolidated entity comprising Breville Group Limited and its subsidiaries (company or Group) on pages 64 to 110.*

*The Corporate governance statement and Directors' report is unaudited (except for the remuneration report) and does not form part of the financial report.*

# Directors' report

The Board of Breville Group Limited (company) has pleasure in submitting its report in respect of the Group for the year ended 30 June 2021.

## 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 chairperson : B.ACC, CA(SA)

Mr Fisher has more than 30 years' experience in general management positions in the wholesale consumer goods industry and was the former chief executive of the Voyager Group. Prior to entering into the consumer goods industry Mr Fisher was a practising chartered accountant having qualified in South Africa with a Bachelor of Accounting degree.

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

- Laybuy Holdings Ltd #
- Reject Shop Limited #

# denotes current directorship

### 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. Mr Antonie is currently a principal of Stratford Advisory Group providing independent financial advice to Australian and international corporations. He holds a Bachelor of Economics degree from Monash University and qualified as a Chartered Accountant with Price Waterhouse.

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

- Netwealth Group Limited #
- Premier Investments Limited #
- Village Roadshow Limited

# denotes current directorship

### Peter Cowan

#### Non-executive director

Mr Cowan has more than 30 years' experience in leading and building globally respected organisations and brands in the FMCG sector. He served as both Chairperson of the Board and CEO in key developing markets for Unilever and has held Managing Director roles at Lion Nathan and New Zealand Dairy Board (Fonterra). Mr Cowan also held Regional Vice President positions at Alberto Culver and Johnson & Johnson.

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

### Sally Herman

#### Non-executive director : BA, GAICD

Ms Herman is an experienced non-executive director sitting on public and private Boards in financial services, retailing, property and consumer goods. She had a long career in financial services in both Australia and the United States, including 16 years with the Westpac Group, running business units in most operating divisions of the Group. Ms Herman is actively involved in the community, with a particular interest in education, the arts and social justice. She is a member of Chief Executive Women.

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

- E&P Financial Group Limited #
- Irongate Funds Management Limited (the responsible entity for Irongate Property Fund I and Irongate Property Fund II) #
- Premier Investments Limited #
- Suncorp Group Limited #

# denotes current directorship

### Dean Howell

#### Non-executive director : FCA, CTA

Mr Howell has had an extensive career in accounting, spanning over 40 years, and accordingly has a wealth of commercial and advisory experience. He was the former senior partner of a Melbourne firm of chartered accountants and also served on that firm's national and international Boards.

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

### 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, including the Foundation Board of the Art Gallery of New South Wales and acts as a trusted advisor and mentor on business and financial matters. He is a registered auditor and his specialist areas of practice include business and corporate advisory as well as mergers and acquisitions. Mr Myers is Chairperson of the audit and risk committee (A&RC) and is the company's *lead independent director*.

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

- VGI Partners Asian Investments Limited #
- VGI Partners Global Investments Limited #

# denotes current directorship



## Board of directors continued

### Kate Wright

#### Non-executive director : BA

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

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

## 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. Unless indicated otherwise, the company secretaries were in office for this entire period.

### Sasha Kitto

#### LLB, FCA

Ms Kitto is a chartered accountant and has over 20 years' experience as a practising chartered accountant and in senior finance roles.

### Craig Robinson

#### BA, ACMA

Mr Robinson is a Chartered Management Accountant with over 25 years' commercial finance experience. He has worked in FMCG, Medical Diagnostics and Sales Service industries in the UK, Australia, Switzerland and the USA.

## Reporting currency and rounding

The preliminary final report is presented in Australian dollars and all amounts have been rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191. The company is an entity to which the instrument applies.

## Performance indicators

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

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

## Operating and financial review

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

## Company overview and principal activities

The Group's principal activities, and underlying strategy, remains the design and development of innovative world class, small electrical kitchen appliances and the effective marketing of these products across the globe to drive sustainable growth in sales and profits.

In line with this strategy, the Group has:

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

During the year, the Group has continued to execute its acceleration program, delivering NPD (new product development), enhancing our digital marketing offense, further rolling out the Global IT platform, and acquiring Baratza (a leading premium coffee grinder business) in September 2020.

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

- The Global product segment sells premium products designed and developed by Breville that may be sold directly or through third parties and may be branded Breville<sup>®</sup>, Sage<sup>®</sup>, Baratza<sup>®</sup> or other Group owned brands.
- The Distribution segment sells products that are designed and developed by a third party and are distributed pursuant to a license or distribution agreement or are sourced directly from manufacturers. Products in this business unit may be sold under a brand owned by the Group (e.g. Breville<sup>®</sup>, Kambrook<sup>®</sup>), or may be distributed under a third-party brand (e.g. Nespresso<sup>®</sup>).

# Directors' report continued

## Operating and financial review continued

### Company overview and principal activities continued

During FY21 the Group announced a reorganisation of four prior geographic groupings into three theatres which execute the sales, distribution and business development functions in each geography. The theatres are supported by centralised functions including product development, marketing, operations, IT, finance and HR.

- In Asia Pacific (APAC), the Group principally trades under its company owned brands, Breville<sup>®</sup>, Baratza<sup>®</sup>, Kambrook<sup>®</sup> and also distributes products under a machine partnership with Nespresso<sup>®</sup> and Nestlé<sup>®</sup> Dolce Gusto<sup>®</sup>.
- In the Americas, the Group markets and distributes Breville<sup>®</sup>, Baratza<sup>®</sup> and Polyscience<sup>®</sup> branded products and distributes Nespresso<sup>®</sup> products, under a machine partnership.
- In Europe, Middle East and Africa (EMEA), the Group markets and distributes Breville<sup>®</sup> designed products under the company owned brands, Sage<sup>®</sup> and Baratza<sup>®</sup>. The region also supplies Sage<sup>®</sup> branded goods to certain distributors located in Europe and the Middle East.

### Group operating results

AUDm <sup>1 3</sup>	FY21	FY20	% Growth
Revenue	<b>1,187.7</b>	952.2	<b>24.7%</b>
EBITDA	<b>163.3</b>	120.1	<b>36.0%</b>
EBIT	<b>136.4</b>	97.7	<b>39.6%</b>
NPAT	<b>91.0</b>	63.9	<b>42.3%</b>
Normalised EBIT <sup>2</sup>	<b>136.4</b>	109.9	<b>24.1%</b>
Normalised NPAT <sup>2</sup>	<b>91.0</b>	72.7	<b>25.1%</b>
Normalised EPS <sup>2</sup> (cents)	<b>65.8</b>	55.6	<b>18.3%</b>
Dividend per share - ordinary (cents)	<b>26.5</b>	41.0	<b>(35.4)%</b>
Franked (%)	<b>100%</b>	60%	
Net cash (\$m)	<b>129.9</b>	128.5	

- Record sales of nearly \$1.2bn with another year of growth on a strong prior year.
- WFH (working from home) conditions and successful geographic expansion (France, Portugal, Italy and Mexico) offsetting the impact of intermittent supply challenges.
- Global Product segment sales growth of 37.0% in constant currency (pcp 20.1%).
- Gross margins improving to 34.8% (pcp 33.7%) with higher average prices, boosted by premium mix and lower promotional activity, outpacing input cost inflation.
- Operating leverage reinvested into the medium-term growth drivers of R&D, marketing and IT with total investment increasing by \$49m or 43%. Core overheads were well contained.
- Growth over statutory EBIT was 39.6%. EBIT growth rate (over normalised FY20) accelerated to 24.1% (16.2% in pcp).
- Full year dividend of 26.5c cents per share (100% franked) reflects the previously announced revised target payout ratio of 40% to enhance internal funding of growth opportunities.
- High net cash reflects working capital temporarily below normal or equilibrium level.

<sup>1</sup> Minor differences may arise due to rounding.

<sup>2</sup> FY20 EBIT, NPAT and EPS shown normalised for impact of abnormal expenses (doubtful debt provisioning and IoT platform write down) and abnormal cost savings (compensation and marketing). Net impact on EBIT \$12.2m; NPAT \$8.8m; EPS 6.8c.

<sup>3</sup> FY21 and FY20 reflects the impact of the new IFRIC agenda decision on configuration and customisation costs in cloud computing arrangements ("SaaS accounting"). This has decreased FY21 EBITDA by \$10.3m (FY20: \$6.5m) and EBIT by \$6.1m (FY20: \$3.2m).

## Operating and financial review continued

### Segment results

AUDm <sup>1</sup>	Revenue			EBIT			EBIT Margin (%)	
	FY21	FY20	% Growth	FY21	FY20 <sup>2</sup>	% Growth	FY21	FY20 <sup>2</sup>
Global Product	984.2	764.4	28.7%	111.1	87.0	27.7%	11.3%	11.4%
% Growth in constant currency	37.0%	20.1%						
Distribution	203.5	187.8	8.4%	25.3	22.9	10.6%	12.4%	12.2%
<b>TOTAL</b>	<b>1,187.7</b>	<b>952.2</b>	<b>24.7%</b>	<b>136.4</b>	<b>109.9</b>	<b>24.1%</b>	<b>11.5%</b>	<b>11.5%</b>

#### Global product segment revenue growth – reported and constant currency

AUDm <sup>1</sup>	Global Product Segment Revenue			
	FY21	FY20	% Growth	% in constant currency
Americas	493.0	422.3	16.7%	27.6%
EMEA	257.0	170.0	51.2%	58.4%
APAC	234.2	172.1	36.1%	37.4%
<b>TOTAL</b>	<b>984.2</b>	<b>764.4</b>	<b>28.7%</b>	<b>37.0%</b>

<sup>1</sup> Minor differences may arise due to rounding.

<sup>2</sup> FY20 EBIT, NPAT and EPS shown normalised for impact of abnormal expenses (doubtful debt provisioning and IoT platform write down) and abnormal cost savings (compensation and marketing). Net impact on EBIT \$12.2m; NPAT \$8.8m; EPS 6.8c.

#### Global product segment

The Global Product segment revenue grew by 28.7% to \$984.2m (FY20: \$764.4m). In constant currency, revenue grew 37.0% (FY20: 20.1%) driven by the relevance of our products to a working-from-home environment and continued geographic expansion. All geographies delivered a solid performance across the year, although supply chain disruptions drove a restricted inventory position at the tail end of 2H21.

In the **Americas**, the Group delivered 27.6% constant currency growth with bricks and mortar retailers largely open by the end of the period, but disrupted during the year. The Americas posted growth comfortably above the long-term average for the geography, despite being inventory constrained at the tail end of the year. We also entered Mexico in the 4th quarter.

In **EMEA**, despite on/off retail lock down disruption, the region performed well, delivering 58.4% growth. UK sales were strong across the year and mainland Europe posted continued growth in both new and existing markets. Our entry into France was completed in Q1, and Portugal and Italy were added in Q4. In dollar terms, EMEA's global segment growth outstripped both the Americas and APAC.

**APAC** achieved good 2H growth (+24.3%) after a remarkable 1H (+49.7%). Retail stayed largely accessible to consumers throughout the period, and the region was supported by nimble supply chain management with inventory levels almost restored to normal by the end of the period.

The Global product segment **EBIT** for the year was \$111.1m (FY20: \$87.0m), representing a +27.7% increase, with the EBIT margin largely unchanged despite absorbing significantly increased investment into marketing R&D and IT capabilities.

#### Distribution segment

The Distribution segment fulfilled its strategic role by delivering an incremental \$2.4m in EBIT for investment into the Global segment. Double-digit sales growth in “Breville Local”, including the Breville Air™ range, was partially offset by single-digit growth in Kambrook and Nespresso.

#### FY20 normalised results and FY21 accounting changes

No normalisation of results has been made in FY21. In 2H20, as the COVID-19 pandemic emerged, the Group incurred significant abnormal expenses and equally, made some sizable abnormal cost savings. In our FY20 results presentation, we looked through these abnormal pluses and minuses to report a normalised EBIT of \$113.1m compared to our reported statutory EBIT of \$100.9m.

In FY21, the Group implemented the recent accounting policy change related to SaaS (software as a service) capitalisation. The Group also adopted an accounting change in estimate to the amortisation period of capitalised product development costs (moving to a range of 3-5 years, which better reflects the life span of our new products launched across a global market, and is in line with key peers, rather than using the previous flat 3 years).

# Directors' report continued

## Operating and financial review continued

### Segment results continued

The impacts of the accounting changes were partly offsetting at the EBIT level in FY21 (net negative EBIT impact of \$(3.0)m). The adoption of a revised accounting policy requires prior years to be restated on a comparable basis so statutory and normalised FY20 EBIT were reduced by \$(3.2)m. Adoption of the revised accounting estimate has not been applied retrospectively.

Details of the impact of the accounting adjustments is included in the relevant notes to the accounts.

Group EBIT Summary	FY21	FY20	% Growth
EBIT pre impact of accounting changes	<b>139.4</b>	100.9	38.1%
<i>Impact of SaaS accounting policy change<sup>1</sup></i>	<b>(6.1)</b>	(3.2)	
<i>Impact of NPDA amortisation accounting estimate change<sup>2</sup></i>	<b>3.1</b>		
<b>Statutory EBIT reported</b>	<b>136.4</b>	<b>97.7</b>	<b>39.6%</b>
<i>Abnormal Doubtful Debt Provision<sup>3</sup></i>		13.6	
<i>Abnormal IOT Impairment<sup>4</sup></i>		9.6	
<i>Abnormal Compensation cut FY20<sup>5</sup></i>		(7.7)	
<i>Abnormal Marketing cut FY20<sup>6</sup></i>		(3.3)	
<b>Normalised FY20 EBIT</b>	<b>136.4</b>	<b>109.9</b>	<b>24.1%</b>

<sup>1</sup> Impact of SaaS accounting policy change increased the amount of IT implementation costs that are expensed in year, as opposed to capitalised, and also reduced related amortisation costs. FY21 EBITDA impact \$(10.3) and EBIT \$(6.1)m. FY20 EBITDA impact \$(6.5) impact and EBIT \$(3.2)m.

<sup>2</sup> Impact of accounting estimate change related to the amortisation of capitalised product development costs. Amortisation period moved to a range of 3-5 years from a flat 3 years. The policy is now in line with key peers and remains prudent with most products staying in market for at least 5 years from the initial country launch. The impact on FY21 has been to reduce amortisation and increase EBIT by \$3.1m.

<sup>3</sup> In Q420 a step change in the Group doubtful debt provision was taken to reflect heightened credit risk with retailers weakened by changes in consumer patterns and physical lock downs as well as reduced availability of credit insurance.

<sup>4</sup> In Q420 a one-off impairment charge arose as a result of strategic decision to move to a standards-based IoT platform and to write off development work on our proprietary IoT platform.

<sup>5</sup> In Q420 temporary compensation reductions were implemented. Base salaries were reduced by an average of 20% in May and June 2020. The FY20 STI scheme was also suspended. These employee cost savings were considered abnormal.

<sup>6</sup> In Q420 in response to uncertainty in the COVID-19 environment, marketing spend was reduced. Spend would normally grow at least in line with gross profit. The \$3.3m add back reflects specific abnormal cuts made in April-June 2020.

### Financial position

The Group's total working capital position (\$160.2m) as at 30 June 2021 was largely flat year-on-year (pcp \$161.9m) despite strong sales growth that would normally have seen a build in working capital. Lower than target inventory cover and suppressed receivables at the end of the year saw working capital finish approximately \$80m below an estimated "equilibrium" or normal level.

Inventory levels recovered towards the end of the year to \$216.7m (pcp \$153.7m); however over a third of this reported inventory was still goods in transit, with in-warehouse inventory only recovering 10% from the low position of June 2020.

Net receivables (\$119.3m) were below pcp (\$156.1m) with an excellent improvement in collections and debtor days across the group, coupled with a weakening USD and constrained deliveries at the tail end of the second half, caused by disruptions in the supply chain (Suez Canal, Covid-related closure of the Yantian port and inbound port delays).

The moderate inventory increase and receivables decrease, combined with payables growing in line with the business, resulted in a flat working capital position year-on-year.

Intangibles of \$229.8m increased \$85.8m over the pcp reflecting the Baratza acquisition (\$81.6m) and the ongoing investment in new product development.

The Group's ROE remains healthy at 19.7% (FY20: 17.9%).

### Net cash

Net cash at 30 June 2021 was \$129.9m and largely flat year-on-year (pcp \$128.5m). Strong cash flow before acquisitions, despite good sales growth, reflects the below equilibrium working capital outlined above.

The Group is planning for a significant rebuild in working capital and cash outflow in FY22 as it transitions back to an equilibrium state. Adequate debt facilities are in place for this planned rebuild.

### Dividends

A final dividend of 13.5 cents per share (100% franked) has been declared (FY20: 20.5 cents, 60% franked) bringing the total dividends for the year to 26.5 cents per share.

The dividend reflects the previously announced decision to reduce the target payout ratio from 70% of EPS to 40% on a full year basis to enhance internal funding of numerous growth opportunities on a sustainable basis.

The final dividend will have a record date of 15 September 2021 and will be payable on 7 October 2021.

## Operating and financial review continued

### Material business risks

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

Risk	Nature of risk	Key actions to mitigate risk
Product development and innovation risk	Insufficient or ineffective investment in product development and innovation, and inadequate communication of the innovative range to customers and consumers may result in loss of competitive advantage.	<p>Strategic reallocation of funds to increase investment in product development and marketing functions and their associated resources and technology.</p> <p>Securing of world class leadership for product development and go to market functions.</p> <p>Investment in IT development to enhance delivery of connected products.</p> <p>The Group retains the target of investing at least 12% of annual Group revenue in marketing and new product development.</p>
Supply and input cost risk	<p>Pressures on manufacturing and transport costs may arise from high demand for consumer goods combined with sporadic COVID-19 disruptions to the supply chain adding cost pressures to the Group.</p> <p>Availability of components and geographic concentration of supply may risk supply interruptions with loss of sales and profits.</p>	<p>Input cost inflation is monitored by SKU and supplier in both USD and landed currency. Contracted shipping rates are secured where possible. Market by market pricing opportunities are modelled and implemented to negate input inflation where possible.</p> <p>Active management of the Group's intellectual property arising from product development, protects uniqueness of range and combined with enhanced marketing, supports premium margins.</p> <p>Core S&amp;OP process gives long forward visibility to suppliers to ensure that required components are secured.</p> <p>Breville uses multiple manufacturers where possible to de-risk dependence on single suppliers and establishes long term partnerships to manage short term cost fluctuations.</p>
Demand pattern risk	There is risk of temporary volatility in the growth trajectory of the company as the COVID-19 pandemic unfolds adding risk to accurate demand forecasting and potential over purchasing of inventory leading to excess inventory and interest costs. There is also a risk of reputational risk with investors and profit risk if sales expectations are not met.	<p>The Group's product offering has proved relevant to the WFH (working from home) environment facing much of the world.</p> <p>The increasingly balanced global sales footprint of the Group mitigates the impact of temporary disruption in a specific region on the Group results. Moreover, the substantial online channel partially mitigates against disruption to bricks-and-mortar retail operations</p> <p>The Group is committed to tactically buying inventory to serve upside forecasts in first half of year and then pulling back on orders to right size inventory in the second half as needed. This approach is supported by adequate working capital debt facilities to call on as needed. As inventory is neither seasonal, nor perishable, the risk of stock obsolescence is limited.</p> <p>Weekly sell-out monitoring by SKU and customer allows informed adjustments in terms of both promotional program and inventory purchases in advance of sell-in impacts.</p> <p>Rolling forecasting of annual CM\$ delivery allows contraction and expansion of expenses as need to protect profit delivery within a specific year.</p>

# Directors' report continued

## Operating and financial review continued

### Material business risks continued

Climate risk and sustainability	<p>Key stakeholders – employees, customers, investors and society increasingly expect Breville to both enhance and communicate its ESG strategy and activities. Failure to do so could result in a loss of engagement, reputation and sales and the overall sustainability of the business model.</p>	<p>Using a LCA (life cycle analysis) to identify the cradle-to-grave impact of Breville's activities and products, the group is prioritising materials usage and power consumption/efficiency during product life cycle as the key areas of climate impact.</p> <p>As well as these priority issues, consumer priorities such as sustainable packaging and product repairability will also be pursued.</p> <p>The Group is committed to enhancing its disclosures and reporting of progress and is a signatory to the Task Force on Climate-related Financial Disclosures (TCFD).</p> <p>Community engagement including Breville's first RAP (Reconciliation Action Plan) are well advanced.</p> <p>Board ownership of the sustainability agenda has been enhanced via the establishment of the Board Sustainability Subcommittee.</p>
Cyber security risk	<p>Breaches of cyber security is a growing global risk as the volume and sophistication of threat has increased partially from the broad-based working from home reality. Risks include:</p> <ul style="list-style-type: none"> <li>• Unauthorised access to data/information leading to reputational damage and/or risk of litigation.</li> <li>• Malicious attacks that result in outages and service and sales disruption.</li> <li>• Ransom demands with direct financial consequence to the business.</li> <li>• Failure to comply with regulatory standards risks financial fines or restrictions to conduct business.</li> <li>• Business interruption and availability of systems following a breach (disaster recovery).</li> </ul>	<p>The technology services team has strengthened our cyber security and privacy programs in FY21 within an overall security framework. Including:</p> <ul style="list-style-type: none"> <li>• Deployment of modern IT infrastructure with latest security defences including integration with a security information and event management solution.</li> <li>• Penetration testing to test vulnerabilities and response times and enhanced 24x7x365 incident management process.</li> <li>• Staff mandatory multi-factor authentication and phishing training.</li> <li>• Increased use of cloud computing.</li> </ul> <p>Breville has a cyber insurance policy in place. No claims have been made to date.</p>

## Operating and financial review continued

### Material business risks continued

Health and safety risk	<p>Poor WHS and well-being practices can impact both the motivation and engagement of employees with an impact on business performance as well as exposing the Group to reputational and financial risk via litigation and fines.</p> <p>Inherent in producing and selling kitchen appliances is also the risk of poor-quality products harming consumers with a safety and reputational impact as well as financial risk from lost sales and damages.</p>	<p>The Board receives and reviews OHS statistics and incidents on a monthly basis to ensure top-down ownership of this risk. A dedicated OHS officer was appointed in 2020 to ensure a heightened focus on this risk.</p> <p>Breville has an outsourced business model for manufacturing and distribution. In terms of COVID-19 risk management, a comprehensive work from home approach, supported by OHS guidelines was established on a territory-by-territory basis.</p> <p>Technological enhancements were made by providing all staff with necessary IT equipment and implementing the use of Zoom, Teams, Slack and e-mails to ensure work would continue without disruption in the work from home environment.</p> <p>In recognition of the strain that lockdowns, and sustained working from home, can place on our employees' mental and physical wellbeing, Breville provided employees with a range of activities and support programs.</p> <p>Breville has extensive compliance processes in place to ensure its products are safe and exceed regulatory standards in our various markets. Rigorous safety standards are a critical element in our approach to product development. Post design the Group maintains a zero-tolerance Pre-Shipment Inspection (PSI) program for all products before they leave the factory. Protocols are in place for rapid reaction to any reported in-use consumer event including product recalls. Breville has not had to issue a product recall since 7 November 2016.</p> <p>Appropriate product and public liability insurance is in place.</p>
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### Group strategic acceleration program update

During FY21, the Group has continued to progress its acceleration program, the impacts of which have helped drive the FY21 operational and financial performance.

Through FY17-20 the Group moved from specific new product development innovation, or *Food Thinking*, to the commercialisation of a range within a category or *Category Thinking*. During FY21, the Group has started to move up the curve to *Solution Thinking*. Solution Thinking seeks to provide not only a product, but whatever other components (product, software, or service) are required to enable consumers to achieve the end results they are seeking.

The Joule Sous Vide, acquired as part of the ChefSteps acquisition, is the Group's first integrated solution offering. The Joule Oven Air Fryer Pro will be the next solution offering – to be launched in FY22 - leveraging the outstanding content development capabilities acquired with ChefSteps, as well as existing Breville content.

Our innovative product range is supported by increased investment in Go-To-Market initiatives and specifically our digital offense including PR, brand communications, website enhancements and the creation of world class digital assets and content.

In terms of geographic expansion, we finished the expansion into France in Q1 21 and entered Italy, Portugal and Mexico in Q4 21. As the Group continues to make progress on its strategy of unifying EMEA under the Sage<sup>®</sup> brand, the Middle East is transitioning from the Breville<sup>®</sup> brand to the Sage<sup>®</sup> brand allowing distributors to draw from the European warehouse rather than Hong Kong. Of note is that in FY21, in the Global product segment, EMEA was bigger than APAC and together EMEA and APAC matched the Americas.

The Group has made significant progress, and investment, during FY21 in delivering its centralised, scalable global IT platform to support accelerated growth. The platform is live in the Northern hemisphere and New Zealand, and will next be rolled out to Australia. The platform includes sales and operational planning; a product information management (PIM) system; a CRM system; an ERP; customer EDI interfaces; and a point-of-sale information module as well as various analytical capabilities. It allows efficient and effective management of the current business and critically facilitates rapid growth whether it be via organic development, new country entry, or by the successful absorption of acquisitions.

Investment in the acceleration platform was increased in FY21 with an incremental \$49m (vs FY20) or 43% being invested in R&D, marketing, and IT.

# Directors' report continued

## Operating and financial review continued ESG report

### Our commitment to sustainability

The Group is committed to ethical, responsible, and sustainable conduct across the business. The decisions we make are guided by this commitment, which extends to respecting the long-term interests of our stakeholders – including employees, shareholders, suppliers, regulators, local communities, and the environment.

The following section outlines the activities we have undertaken this year in response to the Environmental, Social and Governance issues that matter most to our business. These activities demonstrate significant progress in our own understanding of these issues, as well as how we disclose ESG information to our stakeholders.

While we acknowledge there is more work to be done, the progress we have made in FY21 provides a foundation for further enhancements to our sustainability strategy, performance and governance in the months and years ahead.

Environmental	Social	Governance
<b>1. Climate Action</b> 1.1 Greenhouse gas emissions 1.2 Climate risks & opportunities (TCFD)	<b>4. Product Stewardship</b> 4.1 Product safety 4.2 Product recall	<b>8. Structure</b> 8.1 Internal ESG reporting mechanisms 8.2 Board independence 8.3 Board diversity
<b>2. Energy Conservation</b> 2.1 Product lifecycle analysis 2.2 Energy efficiency	<b>5. Ethical Sourcing</b> 5.1 Ethical procurement (incl. vendor audits) 5.2 Human rights & modern slavery	<b>9. Policies</b> 9.1 Anti-bribery & corruption 9.2 Cyber security & data privacy 9.3 Other policies
<b>3. Recycling</b> 3.1 Sustainable packaging 3.2 End-of-life 3.3 Waste diversion 3.4 Food recycling	<b>6. Employee Wellbeing</b> 6.1 Diversity & inclusion 6.2 Health & safety 6.3 Talent attraction & retention	
	<b>7. Community Relations</b> 7.1 Reconciliation action plan 7.2 Community engagement	

### Environmental

#### 1. Climate Action

##### 1.1 Greenhouse Gas Emissions

Much of our emissions footprint<sup>1</sup> is produced from activities not owned or controlled by Breville, such as manufacturing, third-party logistics and, importantly, electricity used by our products in consumers' hands or "use-phase" emissions. Our priority is now to develop a comprehensive picture of our emissions profile.

Breville does not currently fully measure its greenhouse gas emissions but is working to remedy this gap in FY22, starting with emissions from our own operations (Scope 1 and 2) and our partner manufacturers (Scope 3).

Estimating Scope 3 "use-phase" emissions after the sale of our products is a challenging but important step in addressing our total emissions footprint. The "use-phase" emissions will vary with both frequency of use and the electricity source in the country where the product is operated. Whilst we acknowledge this measurement challenge, we are committed to continuing to improve the energy efficiency of our products and thus effectively reduce "use-phase" emissions from today's baseline. The goal of this measurement and estimation is to establish a baseline of current emissions. This will ensure we can set credible emissions targets to measure our progress. Breville expects to be in a position to set emissions targets in FY22.

<sup>1</sup> Measured in kilograms of carbon dioxide equivalent (kg CO2 eq).



## Operating and financial review continued

### ESG report continued

#### 1.2 Climate risks and opportunities (TCFD)

We are also addressing the growing climate risks and opportunities that confront our business by implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Breville has now signed up as a supporter of TCFD. This report represents the first public statement we have made to that effect.

##### *What is the TCFD?*

In 2017, Task Force on Climate-related Financial Disclosure (TCFD) released climate-related financial disclosure recommendations designed to help companies promote more informed investment, credit and underwriting decisions and enable stakeholders to better understand the financial system's exposure to climate-related risks.

##### *Why is Breville aligning with this framework?*

- Climate risks and opportunities impact the type of products we design and produce
- Consumer expectations are rapidly changing, creating opportunities for growth
- We want to better understand the impacts of climate change on our business

We are taking a phased approach to identifying and managing our climate risk. That means focusing on having the right policies and procedures in place to develop our strategic response to material risks and opportunities.

##### *Our strategy*

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

Breville's primary strategy is the design and development of the world's best small kitchen appliances together with expanding distribution and dynamic marketing on a global scale. This strategy relies on our ability to provide consumers with innovative products that simplify and improve their lives. In doing so, we also have an opportunity to address climate change as a business.

As a first step in understanding our climate impact, Breville engaged with the Sustainable Manufacturing and Life Cycle Engineering Research Group at UNSW to conduct a *Life Cycle Assessment* (LCA) on one of our best-selling coffee machines, the Breville Barista Touch (BES880).

This involved assessing the emissions profile of the materials used in its production, the production process, transport, household usage and end-of-life disposal. UNSW conducted a cradle-to-grave assessment (not just cradle-to-gate), to provide us with a comprehensive emissions profile to guide future mitigation efforts.

The assessment showed that, based on certain use case scenarios, the materials used in the coffee machine (such as components made from polycarbonate and stainless steel), as well as the energy used by the appliance during operation, accounted for around 85 percent of its climate change impact. Production, packaging, transport, and end-of-life had important, but smaller footprints, in these scenarios.

##### *Impact on 2021 strategic decision making*

In light of these findings, we are increasing our focus on materials selection in the design process, as well as improving the energy efficiency of our products when in use. As mentioned above (page 22), this will require us to estimate our Scope 3 emissions, which we intend to do from FY22 onwards.

For now, informed by the results of the LCA, we are focusing on addressing two priority areas: the selection and usage of materials in the design process and improving energy efficiency post-purchase. Both areas present climate risks and opportunities for Breville over the short, medium, and long term (see Risk Management).

This analysis informs our new product development (NPD), which is a core part of our growth strategy. We have already made good progress in designing, engineering, and providing our customers with more energy efficient options (see Energy Efficiency on page 27). Moreover, our design and engineering teams are increasingly optimising the strength and weight of the materials used in our components, and examining opportunities to reduce material consumption.

##### *Risk management*

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

Breville has a thorough risk mapping process that manages all risks for the Group, including climate risk. High, medium, and other risks are identified and addressed through mitigation measures in our Group risk matrix and risk register.

The matrix and risk register are informed by two key inputs:

1. We gather input from a variety of sources across territories and functions to identify business risks and general sustainability risks, including climate-related risks. Sources include regulatory and advisory bodies, internal employee engagement tools, consumer panels, peer observation, industry collaboration and retailer interactions. Initiatives such as the product LCA (see page 27), also inform the process.
2. These risks are then prioritised through a top-down review by the CEO, CFO and Board.

In 2020, Environmental, Social and Governance (ESG) risks were elevated in our Group risk register and management process. Climate change is an amplifier for several of our material business risks. As such, we recognise the potential impacts of climate change as financially material. These risks – and what we are doing to address them – are categorised in alignment with the TCFD recommendations, as outlined below:

# Directors' report continued

## Operating and financial review continued

### ESG report continued

#### 1.2 Climate risks and opportunities (TCFD) continued

Type of risk	Description of risk	Risk mitigation measures	Opportunities
<p><b>TCFD category:</b> Transition – reputation risk</p> <p><b>Internal assessment:</b> High</p> <p><b>Business area:</b> Strategic</p> <p><b>Timeframe:</b> Ongoing</p>	<p><b>ESG - Initiatives and reporting</b></p> <p>There is a risk that Breville will not meet consumer, employee, and investor expectations for increased climate responsibility and disclosure.</p> <p><i>Potential financial impact</i></p> <ul style="list-style-type: none"> <li>• Reduced sales arising from reputational impact</li> <li>• Reduced employee attraction and retention</li> <li>• Reduction in capital availability</li> </ul>	<p>Across the business, we are focusing on <b>upgrading our disclosure to better reflect our existing progress and transparently communicating this to market</b>. For example, this year, we have become a TCFD supporter and aligned our disclosure with this framework to establish a structured approach to climate-related disclosure.</p> <p>Our response to the elevation of this risk also includes:</p> <p><i>Environment</i></p> <ul style="list-style-type: none"> <li>• Identifying design opportunities for lower material usage in production</li> <li>• Developing focus on product reliability and reparability of Breville products as well as availability of spare parts. This is enhanced by learnings from the newly acquired Baratza business and range.</li> <li>• Optimising our products' energy use via design, e.g. ThermoJet</li> </ul> <p><i>Social</i></p> <ul style="list-style-type: none"> <li>• Responded to employee and other stakeholder interests through a broad-based agenda including LCA study, sustainable packaging initiatives and waste saving initiatives in our offices.</li> </ul>	<p>Visibility on our broad-ranging sustainability agenda (including specific climate actions) is an opportunity in terms of our brand's attractiveness to consumers and the Group to employees.</p> <p><i>Potential financial impact</i></p> <ul style="list-style-type: none"> <li>• Sustained or increased sales</li> <li>• Increased access to capital due to higher ESG investor ratings</li> <li>• Benefits to employee satisfaction resulting in lower turnover and higher productivity</li> </ul>

## Operating and financial review continued

### ESG report continued

#### 1.2 Climate risks and opportunities (TCFD) continued

Type of risk	Description of risk	Risk mitigation measures	Opportunities
<p><b>TCFD category:</b> Transition – market risk</p> <p><b>Internal assessment:</b> High</p> <p><b>Business area:</b> Strategic</p> <p><b>Timeframe:</b> FY21</p>	<p><b>Innovation and technological advantage</b></p> <p>In our competitive market, there is a risk from a technology perspective (product development and e-commerce, etc.) in the transition to a low carbon economy.</p> <p>In FY21, a lifecycle assessment identified two focus areas relevant to this risk: materials and energy use during ownership.</p> <p><i>Potential financial impact</i></p> <ul style="list-style-type: none"> <li>Reduced revenue from losing our premium point of differentiation and ultimately losing market share</li> <li>Research and development (R&amp;D) expenditures in new and alternative technologies</li> </ul>	<p><b>Governance</b> – Additional internal resources are in place to govern key ESG initiatives, and a Sustainability sub-committee of the Board has been established to coordinate our climate and broad-based sustainability agenda.</p> <p><b>R&amp;D spending</b> – As a primary risk mitigant the quantum of investment in R&amp;D has been increased year-on-year over the last five years to create a sustainable business model likely to deliver the required rate of innovation.</p> <p><b>Product pipeline</b> – The established Breville new product development (NPD) process uses an innovation funnel to progress projects. At the business case stage, the attractiveness of the product from a sustainability viewpoint increasingly informs sales estimates and the commercial assessment of the project.</p>	<p>New product development is core to our business strategy. As such, we have an opportunity to innovate and develop new low-emission products to improve our competitive position and capitalise on shifting consumer and producer preferences.</p> <p>Existing examples include our Food Recycler (FoodCycler) and ThermoJet heater technology.</p> <p><i>Potential financial impact</i></p> <ul style="list-style-type: none"> <li>Increased demand for goods and services due to shift in consumer preferences</li> </ul>
<p><b>TCFD category:</b> Physical – chronic risk</p> <p><b>Internal assessment:</b> High risk</p> <p><b>Business area:</b> Operational</p> <p><b>Timeframe:</b> FY22 ongoing</p>	<p><b>Supply risks</b></p> <p>Parts and materials shortages can impact our ability to source finished goods. Chronic climate risks like drought heighten this supply chain risk, particularly in certain critical geographies.</p> <p><i>Potential financial impact</i></p> <ul style="list-style-type: none"> <li>Reduced revenues from lower sales/output</li> <li>Increased insurance premiums and potential for reduced availability of insurance on assets in “high-risk” location</li> </ul>	<p><b>Operations and logistics</b> (including S&amp;OP, Inventory planners etc.) teams are working to give forward demand visibility to suppliers to secure parts and materials well in advance to protect against interruptions.</p> <p><b>Supplier evaluation</b> – Climate emissions form part of manufacturing partner evaluation. This evaluation is based on a SMETA 4-Pillar Audit process where we aim to complete 10-12 comprehensive audits per annum. For greater visibility of our supply chain we have become Sedex members, which affords us access to a larger number of audits.</p>	<p>Opportunity to establish even higher forward visibility in production and distribution processes</p> <p><i>Potential financial impact</i></p> <ul style="list-style-type: none"> <li>Increased reliability of supply chain and ability to operate under various conditions</li> </ul>

# Directors' report continued

## Operating and financial review continued

### ESG report continued

#### 1.2 Climate risks and opportunities (TCFD) continued

Type of risk	Description of risk	Risk mitigation measures	Opportunities
<p><b>TCFD category:</b> Physical – acute risk</p> <p><b>Internal assessment:</b> Medium risk</p> <p><b>Business area:</b> Operational</p> <p><b>Timeframe:</b> Ongoing</p>	<p><b>Business interruption</b></p> <p>This business risk is associated with the ability of a business unit to restart after a disruptive event such as climate-amplified extreme weather events (fire, flood/water damage, major earthquake), which may result in structural collapse of buildings, etc.</p> <p>In most regions inventory is held in a single location, heightening the potential disruption of an event.</p> <p><i>Potential financial impact</i></p> <ul style="list-style-type: none"> <li>Reduced revenue from decreased production capacity or lost stock</li> <li>Increased capital costs (e.g., damage to facilities)</li> </ul>	<p><b>Diverse operations</b> – increased geographic spread provides a hedge against unexpected disruption in one territory.</p> <p><b>Supply planning</b> – We hold inventory in territory, and our retail partners hold stock, providing some extra insurance against disruption to supply impacting consumer sales.</p> <p><b>Disaster response</b> – a formal Disaster Recovery Plan has been established by Group IT</p> <p><b>Business interruption insurance</b></p> <p><b>Due diligence</b> – the buildings, sprinkler and fire extinguishers/blankets at our sites are regularly inspected and maintenance performed as required at all key sites. Supplier sites are reviewed as part of supplier audit program.</p>	<p>Build our climate resilience by conducting a scenario analysis to better manage associated risks.</p> <p><i>Potential financial impact</i></p> <ul style="list-style-type: none"> <li>Increased market valuation through resilience planning (e.g., manufacturing infrastructure)</li> <li>Increased reliability of supply chain and ability to operate under various conditions</li> </ul>

#### Climate governance

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

The Board's Audit & Risk Sub-Committee formally oversees all risks and opportunities facing the Group, and climate change was explicitly added to Breville's material risks register in FY20.

Given the importance of the sustainability agenda the Board has established a Board Sustainability Sub-Committee directly responsible for leading and co-ordinating current and emerging ESG risks and opportunities within the Group. The sub-committee is chaired by Peter Cowan, independent non-executive director and ex-country Chairman of FMCG multinational, Unilever – a leader in sustainable business practices.

The Board Sustainability Sub-Committee is responsible for co-ordinating, encouraging and prioritising initiatives from the company Sustainability Committee, the Diversity and Inclusion Committee, the Reconciliation Action Plan (RAP) Committee, as well as initiatives driven by business functions including quality, design, engineering, HR and WHS.

#### Board

##### Board Sustainability Sub-Committee

Climate Initiatives	Societal Initiatives	Health and Safety Initiatives
Sustainability Committee, Product Safety, Quality, Engineering, Insurance and Continuity Planning	Diversity & Inclusion Committee, RAP Committee, HR, Community initiatives	WHS and staff well being

#### Metrics and targets

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

See carbon emissions section on page 22.

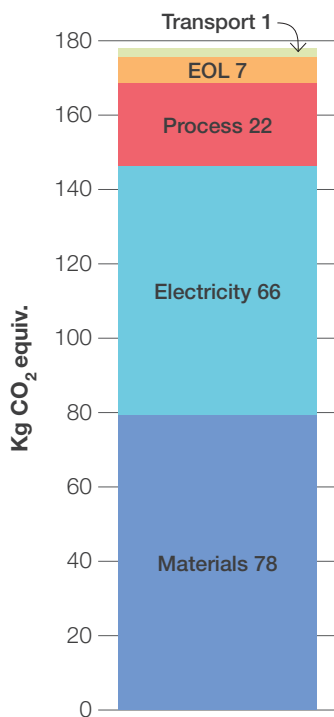
Based on our lifecycle analysis, we have identified most of our climate change impact is through materials used in production and through Scope 3 "use-phase" emissions (kg CO<sub>2</sub> eq) as highlighted in the graphic below. We expect to set emissions targets in FY22 to address this impact.

**Operating and financial review continued**  
**ESG report continued**

**2. Energy conservation**

*2.1 Product Lifecycle Analysis*

In addition to informing our response to climate risk, the lifecycle analysis recently conducted on the Breville Barista Touch is helping us develop an evidence-based sustainability strategy. The following graphic reveals five key findings:



Source: University of New South Wales

- the product’s materials contribute 45 percent of its climate change impact;
- energy in usage by the consumer “use-phase” emissions potentially contribute 38 percent;
- the production process contributes 13 percent;
- the product’s end-of-life disposal contributes 4 percent; and,
- transport from factory to market contributes less than 1% of the climate impact.

Within the materials impact category, appliance materials accounted for 94 percent of climate change impact, with only 6 percent from packaging. However, issues such as packaging and broader circular economy initiatives are still important to our stakeholders, including customers and employees, and will be pursued.

The Life Cycle Analysis confirms that our predominant focus should be on reducing key material usage, notably plastics and metals in the design and construction of our products, but Breville also remains committed to reducing the environmental footprint and sustainability of our packaging.

Our design and engineering teams are increasingly optimising the strength and weight of the materials used in our components, examining for opportunities to reduce material consumption, using Finite Element Analysis (FEA), Computational Fluid Dynamics (CFD), Design for Manufacturing studies (DFM), as well as Failure Mode and Affect Analysis tools (FMEA).

We are also introducing a ‘serviceability index’, which is a scoring system to enable our engineers to measure how easily our products can be repaired. The aim is to engineer repairability and reliability into every product (instead of replacement), as a practical way of ingraining sustainability into the new product development process. One way we do this is by planning for spare part availability. When spare parts are not available, however, the consumer gets a replacement unit.

Finally, these initiatives to extend the product life and improve the reliability of our appliances are supported by our ongoing efforts to increase customer satisfaction in our products. This is aimed at minimising customer returns by delivering the best experience possible.

*2.2 Energy efficiency*

Enhancing energy efficiency in the “use-phase” is a key ESG priority.

We assess our energy performance through the use of Swiss Energy Ratings across our leading manual espresso machine range. We apply the Swiss Energy Rating label in Switzerland and internally apply this rating system across all 220v-240v markets.

In terms of key energy saving initiatives, Breville is proud to have pioneered the ThermoJet heating system in its espresso machines. A global first, the innovation uses a printed thick film heater to heat water and generate steam. It scores an A rating in Swiss Energy Ratings for energy savings compared to a B or C rating for thermoblocks and a D rating for boilers. ThermoJet heaters are over seven times more efficient than dual boiler products, and more than three times more efficient than thermocoil alternatives. Breville used approximately 700,000 of these ThermoJet heaters in FY21 and will increasingly leverage this technology across the whole espresso range over time.

All Breville products are designed to comply with the EuP (Energy using Products) requirements set by the European Union. This means that products without a screen must use half a watt or less in stand-by mode. Products with a screen must use one watt or less in stand-by mode and switch off before a maximum of 30 minutes (this applies in most but not all global regions).

# Directors' report continued

## Operating and financial review continued

### ESG report continued

#### 2.2 Energy efficiency continued

For non-EU and UK regions, Breville also voluntarily tests its products against the European Union's Ecodesign Directive (Directive 2009/125/EC), which sets ecological requirements for energy use. We've committed to this testing regime, in part, because the 'star rating' for energy efficiency only applies to large appliances under the Greenhouse and Energy Minimum Standards (GEMS) Act 2012, and large appliances don't feature in our current product range.

In terms of energy usage at our headquarters in Alexandria, Sydney, we optimised light sensors in FY21 to turn off sooner after no activity – a saving of approximately 11 tonnes of carbon dioxide per annum. We are applying to install rooftop solar on the premises, which we plan to complete in FY22.

### 3. Recycling

#### 3.1 Sustainable packaging

While packaging materials only constitute 6 percent of our materials climate change impact, we remain committed to improving the sustainability of our packaging. This is demonstrated by our decade-long relationship with the Australian Packaging Covenant Organisation (APCO).

As an APCO signatory, we have entered into a voluntary agreement between government and industry to reduce the potential impact of products, packaging, and warehouse operations on the environment.

In FY21, Breville completed a packaging audit on all products available for sale in Australia. The audit is under review to determine where improvements can be made. Sustainable packaging targets and initiatives include:

- all packaging to be reusable, recyclable or compostable by 2025 (an APCO target);
- removal of cello glaze from Breville gift boxes;
- removal of expanded polystyrene (EPS) from consumer packaging by July 2022 (a target set by the National Plastics Plan 2021);
- removal of non-essential packaging;
- replacing plastic packaging with sustainable alternatives; and,
- a broader redesign of Breville's approach to packaging, with sustainability and customer experience front of mind.

#### Case study: Baratza's beautiful brown box

Traditional packaging is designed around plastics, polystyrene, and glossy retail boxes that require extra protection during shipping. 'Beauty' comes at the expense of our shared environment.

Baratza is breaking from the trend. With the release of a new grinder in September 2021, we are moving on from separate retail and shipping boxes to a 'one box' design. Along with reducing cardboard, the new design removes plastic padding and prioritises eco-friendly materials overall – all while making sure the grinder arrives safe and sound. Isn't that beautiful? "We care about our impact on the planet and are taking steps to reduce our impact," says Carla Mokin, Head of International Operations, Quality Team Lead, Baratza. "We know we are not perfect. But we are not done".

Breville finalised the acquisition of coffee grinder specialist Baratza in September 2020. Established in 1999, Baratza designs and markets premium coffee grinders for the North American and international markets, with a focus on sustainable product design and packaging.



#### 3.2 End-of-life

Breville is supporting a move away from planned obsolescence within the appliances industry; a consumption model that prioritises product replacement over repairability.

In recognition of the need for urgent change, our design and engineering processes are finding new opportunities to extend product life and increase opportunity for repair. Breville's 'serviceability index' (see page 27) is one of the key programs we now have in place to extend the product life of our appliances and reduce waste. We're also looking to introduce a program where customers can recycle air and water filters.

## Operating and financial review continued

### ESG report continued

#### 3.2 End-of-life continued

Baratza's 'don't dump it, fix it' program, in which grinders are explicitly designed to be repairable, complements Breville's existing efforts. With regular cleaning, maintenance, repair, and even rebuilds, our grinders can give an accurate result for many years. Parts are readily available, and customers can follow instructional videos on YouTube.

#### Case study: 'Don't dump it, fix it'

Twenty years ago, when co-owner and product visionary Kyle Anderson set out to design Baratza's first proprietary grinder, user serviceability was a priority. At the time, Baratza was thinking more about longevity and user experience than strictly environmental impact. Today, with sustainability at the forefront of the conversation, this design approach has been a major driver of success.

The Baratza motto of 'Don't dump it, fix it' is not just a catchy tagline. Our grinders are designed from the ground up to be user repairable and to last a lifetime with regular maintenance and occasional repairs. Parts are engineered to be accessible and affordable to encourage repair. This intentional design is the key to preventing Baratza grinders from ending up in landfill.

People are often surprised at why a company would spend so much effort extending the life of their products. By the end of the conversation all agree (and see) that the best way to encourage people to buy another Baratza grinder is to maximize the value of ownership.

We do this by doing all we can to keep our grinders in service for many years to come. When people decide to upgrade or buy a second grinder, we want to make sure it is not because their old Baratza grinder died; rather, they are choosing to place their trust and dollars in a company that stands behind their products long after the customer walks out the door.



#### 3.3 Waste diversion

All recyclable waste streams generated at our Sydney headquarters and R&D centre (except general waste) are diverted from landfill. This means that our co-mingled recycling, organic, paper and cardboard, e-waste, and expanded polystyrene (EPS) waste is being disposed of in a sustainable way. The only technically recyclable waste stream that we do not currently recycle is soft plastics, and this is under review for a solution in FY22.

During FY21, Breville produced a total of 28.08 tonnes of waste, 13.42 tonnes of which was recycled (a waste diversion rate of 47.78 percent). This marked an improvement on FY20, which saw a total of 49.66 tonnes of waste produced and 22.47 tonnes recycled (a diversion rate of 45.24 percent). It is likely that this reduction was partly due to the transition of our Alexandria employees to remote work during this period.

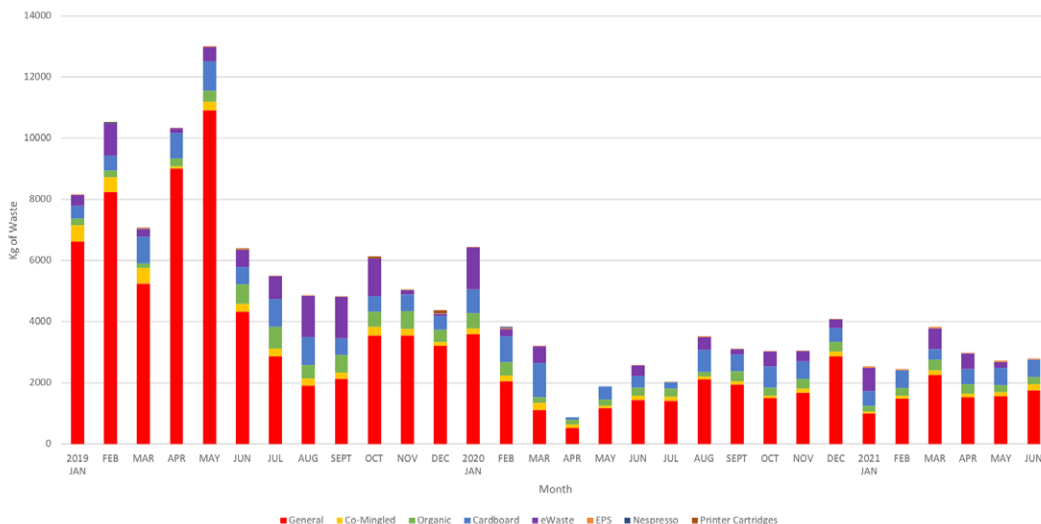


Figure 1. Total waste produced at Alexandria, Sydney head office, engineering and design centre

# Directors' report continued

## Operating and financial review continued

### ESG report continued

#### 3.4 Food recycling

Breville is concerned about the serious problem of food waste in many of its developed markets and has been developing solutions to address this important issue. Our FoodCycler, for example, reduces food scraps into odourless EcoChips. With its low energy requirements and quiet operation, the product is affordable and designed for indoor use.



## Social

### 4. Product stewardship

#### 4.1 Product safety

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

Rigorous safety standards are a critical marker of our approach to product development. For instance, we use the European Union's Rapid Exchange of Information System (RAPEX) analysis to estimate 'severity of harm' and the related 'probability of occurrence of harm'. This allows us to better understand the impact of product failures on our customer base.

The Group also maintains a Pre-Shipment Inspection (PSI) program for all products before they leave the factory. A zero-tolerance approach to quality and safety within the PSI program gives us a high degree of confidence that the products shipped and sold to customers are free from safety-related defects.

For any alleged injury sustained through the use of one of our products, we follow the ACCC guidelines for mandatory reporting, as well as equivalent bodies in our other markets. If our customer care team receives a claim that a product has caused an injury requiring third party medical treatment, we lodge it with the ACCC within two days of notification.

If later investigations show that treatment did *not* result from product failure, we contact the ACCC, and the report is rescinded. Product failures caused by the manufacturing process or components are treated on a case-by-case basis. If a pattern is identified, we contact the regulator that issued the approval certificate or the ACCC to discuss further.

#### 4.2 Product recall

Breville has not issued a product recall since 7 November 2016. Previous product recalls remain online and can be viewed at:

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



## Operating and financial review continued

### ESG report continued

#### 5. Ethical sourcing

##### 5.1 Ethical procurement (including vendor audits)

The Group conducts its business in a socially responsible manner. This includes upholding consistently high ethical standards in our procurement decisions and processes. Our Ethical Sourcing Policy sets out the minimum requirements and expectations with which all vendors and sub-contractors must comply. In addition, they must observe all local and international labour and employment laws.

Breville commissions external auditors to perform ethical trade audits on its direct suppliers. These audits cover four pillars: labour standards, health and safety, the environment and business ethics. In 2018, we set a target to increase the number of audits performed annually from 5 to 10 by 2023. In FY21, we audited 12 suppliers.

The severity of any non-compliance, and hence the rating of the vendor, is reviewed by our Quality function. Vendors who do not meet our internal 'baseline' standard are placed into a 'below standard' category and actively monitored until the non-compliance is addressed. Breville will sever the relationship if the non-compliance in question requires zero tolerance, or if the vendor shows an unwillingness to comply.

Attaining Sedex membership in January 2020 has provided us with more visibility over current and potential suppliers. We now have access to any audit performed by the organisation, whether we commissioned it or not. Out of our 95 current suppliers, 70 (74 percent) are connected to the Sedex platform. This means that suppliers representing 95 percent of our supplier spend have performed a self-assessment, which we can access.

##### 5.2 Human rights & modern slavery

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

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

The Group's Code of Conduct (for employees) is animated by the same principles. In addition, Breville is bound by the requirements of the Australian Modern Slavery Act 2018 (Cth), the United Kingdom's Modern Slavery Act (2015) and the California Transparency in Supply Chain Act 2010. Our 2021 Modern Slavery Act Statement, which is published on our website and the government platform, outlines the actions we are taking to address modern slavery and human trafficking risks in our operations and supply chains.

#### 6. Employee wellbeing

##### 6.1 Diversity and Inclusion (D&I)

Breville's approach to D&I is guided by its Diversity & Inclusion Charter. The Charter was recently drafted under the guidance of our 50-strong Diversity & Inclusion Committee, which proudly represents diversity in all its forms. This includes, but is not limited to, diversity of gender, age, origin, race, cultural heritage, language, sexual orientation, and location.

We recognise the moral imperative of supporting a diverse and inclusive workforce. But we are also convinced that financial benefits accrue from a business culture that is open-minded and accepting. For example, employee diversity means our business is more likely to understand the needs of a diverse customer base. Nurturing and promoting talent, irrespective of background, increases the likelihood of the company retaining and attracting the best employees, who benefit from feeling valued and supported. Diverse organisations are also more innovative and more likely to experiment and embrace failure in pursuit of new ideas.

Like most businesses in FY21, Breville refined its policies to encourage more flexible work arrangements. Working from home was adopted, as needed, to allow the business to operate through pandemic-induced lockdowns, and to protect the personal safety of our employees and their families.

Breville complies with the (Australian) Workplace Gender Equality Act, which requires the submission of an annual report on gender diversity practices and metrics. In FY21, our Board remained at 29 percent female representation and the percentage of women across the organisation remained at 45 percent. The percentage of women in managerial roles increased from 32 percent in FY20 to 36 percent. Within senior and executive roles, the percentage of women increased from 30% in FY20 to 35% percent.

##### 6.2 Health & safety

Ensuring a safe workplace is foundational to our ongoing success as a business, and we strive for continuous improvement and consistency in our safety practices. A Group Health, Safety and Environment (HSE) Manager oversees our global HSE systems, procedures and compliance. In addition, a Workplace Health & Safety Committee (WHSC) routinely reviews the Group's health and safety standards, rules and procedures, providing updates as needed. The Board receives monthly updates on key incidents and safety initiatives as well as safety KPIs.

To protect our people, the majority of Breville's global offices closed at various times in FY21 in response to COVID-19 outbreaks. In recognition of the strain that lockdowns placed on our employees' mental and physical wellbeing, we introduced a range of activities to ensure they remain engaged with the business and their colleagues. Most of these activities were undertaken globally. They included:

# Directors' report continued

## Operating and financial review continued

### ESG report continued

#### 6.2 Health & safety continued

- *Fitness* – a virtual Olympics was coordinated for employees in our EMEA teams to encourage physical exercise. Preferential membership prices were also negotiated with local gyms in Australia, and Breville encouraged employees to participate in STEPTember.
- *Online classes* – over 20 sessions of yoga, meditation and mindfulness were scheduled throughout the work week.
- *Mental Health sessions* – covered key topics like resilience, managing remote working and men's & women's health issues. Separate discussions coincided with RUOK Day in Australia.
- *Employee Counselling Support* – offered via Benestar, our global employee assistance provider. This support was extended to cover all Breville markets in FY21.
- *Social activities* – online drinks and live music sessions, trivia competitions and online cooking, cocktail, healthy eating, and herb gardening classes for employees.
- *Flexible Work Policy* – to smooth the transition back to office-working, we introduced flexible work options to allow greater choice around work locations and hours.
- *Paid Parental Leave* – Breville introduced 12 week paid parental leave in countries where this is not provided by the state.

In FY21, Breville employees worked 1,611,798 hours. There were two recordable injuries in that time, both occurring in Australia. One was a restricted work injury from a car accident, and the other was a lost time injury from manual handling.

#### 6.3 Talent attraction & retention

Breville remains one of the largest employers of industrial designers in Australia. To ensure that we continue to attract these and other key professionals, we offer career development opportunities within a nurturing yet challenging work environment. The Breville team continues to be acknowledged, both domestically and internationally, through the receipt of multiple design awards and public recognition.

Strongly committed to our core values of creativity, simplicity, insight, and excellence across our business, we strive to foster a learning culture that stimulates idea generation, a passion for learning, and the continuous search for new and better solutions.

These values are reflected in the pride and commitment that Breville employees invariably demonstrate in their work. An online employee survey tool, which provides real-time tracking on employee engagement, showed in FY21 that Breville exceeded its industry benchmark for engagement (eNPS), including strong overall engagement scores as well as ambassadorship and relationship scores.

Tracking these metrics and feedback comments on a weekly basis has allowed managers to target the specific areas of focus for future initiatives, which will improve the engagement and ultimately the performance of our employees and our company.

## 7. Community relations

### 7.1 Reconciliation action plan (RAP)

As an iconic Australian brand that embraces the best of modern design and food culture, Breville acknowledges a responsibility to consider millennia of Aboriginal and Torres Strait Islander food traditions, as well as the evolving contribution Aboriginal and Torres Strait Islander food cultures make to contemporary Australian life.

With our core purpose of food thinking in mind, we want to empower Aboriginal and Torres Strait Islander peoples through deeper collaboration and engagement with First Nations communities, culture, and knowledge. That's why the Group was excited to begin its reconciliation journey in FY21, with the submission of its first Reconciliation Action Plan.

Breville's aim is to develop an inclusive program capable of catalysing positive change for Indigenous peoples. Importantly, the program will focus on creating meaningful outcomes and shy away from superficial gestures. The RAP is currently with Reconciliation Australia for approval. Once approved (we will make any adjustments as necessary), we have an ambitious supporting agenda already in place for FY22 and beyond. This includes:

- formalising our Reconciliation Working Group Charter;
- establishing an experienced RAP advisory panel with Indigenous elders, who are best placed to liaise with the community to solicit a wide variety of First Nations perspectives;
- building new ways of engaging and educating our employees in Aboriginal and Torres Strait Islander culture;
- creating the right funding and resourcing model to support our RAP initiatives; and,
- establishing new job pathways (including training, scholarships, and partnerships) to deliver greater Indigenous employment opportunities (one of our principal RAP goals).

One major initiative already underway is the sponsorship of the National Indigenous Culinary Institute (NICI) – a non-profit apprenticeship program offering elite training and employment for aspiring Aboriginal and Torres Strait Islander chefs. Breville covers the financial requirements of the program as well as training, employment opportunities and catering at internal and external company events. Other initiatives include staff education sessions on native foods at the National Centre of Indigenous Excellence, and an annual program of events and guest speakers to mark NAIDOC and National Reconciliation Week.

This is just the beginning. We look forward to sharing more on our commitment to Indigenous empowerment and national reconciliation in FY22.

## Operating and financial review continued

### ESG report continued

#### 7.2 Community engagement



Breville recognises that the health of the communities we serve is directly correlated to our ongoing viability and success as a business. In FY21, we partnered with various not-for-profits on a range of initiatives designed to make our communities fairer, kinder, and stronger. Projects included:

- *September Program* – a month long program which encouraged employees to exercise each day, with proceeds going to the Cerebral Palsy Alliance (Breville matched donations made by employees).
- *National Reconciliation Week* – celebrations included a morning tea at Alexandria with young chefs from the National Indigenous Culinary Institute (NICI), who demonstrated how native ingredients are used in cooking. Attendees took home plants purchased from IndigiGrow – a local Aboriginal Enterprise specialising in Australian bushfoods and environmental services.
- *Heritage Awareness Months (US & Canada)* – information provided to employees each month to celebrate and acknowledge the contribution of various ethnic and traditionally marginalised groups to American and Canadian history.
- *Australian Rural Fire Service* – Breville matched donations to the RFS made by employees and made its own donation.
- *International Women's Day* – an online global event was held across all time zones to recognise and celebrate the achievements of women and to discuss what still needs to be done to forge a gender equal world.
- *Australia's Biggest Morning Tea* – an event to support the Cancer Council raise vital funds for people affected by cancer.

#### Governance

##### 8. Structures

###### 8.1 Internal ESG reporting mechanisms

Given the importance of the sustainability agenda, the Board has established a Board Sustainability sub-committee directly responsible for leading and co-ordinating current and emerging ESG risks and opportunities within the Group. The sub-committee is chaired by Peter Cowan, independent non-executive director and ex-country Chairman of FMCG multinational, Unilever – a leader in sustainable business practices.

The Board Sustainability sub-committee is responsible for co-ordinating, encouraging and prioritising initiatives from the company Sustainability Committee, the Diversity and Inclusion Committee, the Reconciliation Action Plan (RAP) Committee as well as initiatives driven by business functions including quality, design, engineering, HR and WHS.

###### 8.2 Board independence

Breville maintains a majority independent Board. In FY21, the Board comprised of seven non-executive directors, four of whom were independent. The Chairman Steve Fisher is classed as non-independent due to his historical affiliation with a major shareholder. Lawrence Myers is the lead independent director and chairs the Audit & Risk Committee. For an outline of the relevant skills, experience and expertise held by each director in office at the time of writing, please refer to pages 14 and 15.

# Directors' report continued

## Operating and financial review continued

### ESG report continued

#### 8.2 Board independence continued

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

#### 8.3 Board diversity

In FY21, two of seven Board members (29%) were women (Sally Herman and Kate Wright). Breville will continue to look for opportunities to promote a diverse and inclusive Board and senior leadership team, including with respect to gender, background, professional experience, and geographic location.

## 9. Policies

### 9.1 Anti-bribery & corruption

Honesty, integrity, and trust are considered integral to the Group ethos, 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 regarding dealing with outside parties.

The policy prohibits all personnel in all jurisdictions in which the company operates or conducts commercial activities from engaging in any activity that constitutes bribery or corruption and other improper inducements and/or payments.

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

### 9.2 Cyber security & data privacy

The mass adoption of working from home has enhanced prospects for cyber criminals, who have enjoyed more potential vulnerabilities to exploit. With cyber crime for profit at an all-time high, Breville has responded to this heightened threat environment by ramping up investment in its cybersecurity capabilities.

Specifically, the Technology Services team has strengthened our cyber security and privacy programs in FY21 with the aim of mitigating threats before they arise. The work remains ongoing and will culminate in the formal adoption of a security framework in the second half of FY22.

On the security front, penetration testing was undertaken as part of an annual security assessment process by the technology services provider NTT. This involved probing our data centres and websites without forewarning. Our security team identified the attack within two hours, which is considered to be at the more responsive end of observed response times.

External experts also reviewed the Azure Enterprise Cloud Environment which our systems rely upon and carried out follow-up remediation as needed. Breville's integration with Azure Sentinel, Microsoft's security information and event management solution, is now complete. We have also implemented comprehensive vulnerability coverage through tenable.io. All staff have completed mandatory multi-factor authentication training.

With respect to personal data, we have completed the selection of a privacy and data mapping platform, with adoption scheduled for the first half of FY22. This platform, provided by leading service provider OneTrust, will allow for the more efficient capture and processing of data, and reduce the compliance burden associated with meeting multiple privacy obligations around the world.

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

### 9.3 Other policies

The following documents are available in the corporate governance section of the company's website ([www.brevillegroup.com](http://www.brevillegroup.com))

- Audit & Risk Committee Charter
- Board Charter
- Anti-Bribery & Corruption Policy
- Diversity Policy
- Share Trading Policy
- Code of Conduct
- People, Performance, Remuneration and Nominations 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
- Modern Slavery Act Statement
- Sustainability Policy
- Whistle-blower Protection Policy
- Diversity and Inclusion Charter (to be published in 1H 22)
- Reconciliation Action Plan (to be published in 1H 22)

## Risk management

The company's risk management approach is discussed in the corporate governance statement on page 59.

## Dividends

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

	<b>Cents per ordinary share</b>	<b>\$'000</b>
<b>Final FY21 dividend recommended:</b>	<b>13.5</b>	<b>18,757</b>
<b>Dividends paid in the year:</b>		
Interim FY21 dividend paid	<b>13.0</b>	<b>18,062</b>
Final FY20 dividend paid	<b>20.5</b>	<b>28,078</b>

## Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity that occurred during the year that have not otherwise been disclosed in this report or the consolidated financial statements.

## Annual general meeting (AGM) and director nominations

The Group currently plans to hold its Annual General Meeting (AGM) virtually on 11 November 2021.

In accordance with our constitution and ASX requirements, the closing date for the receipt of Director Nominations from persons wishing to be considered for election is 16 September 2021 (40 business days prior to AGM).

Should the nomination of a person for election be made by a Director, the closing date for the receipt of nomination is 21 October 2021 (15 business days prior to AGM).

## Directors' interests

As at the date of this report, the interests of the directors in the shares or other instruments of Breville Group Limited were:

	<b>Ordinary shares</b>
S. Fisher	<b>130,000</b>
T. Antonie	<b>43,791</b>
P. Cowan	<b>10,968</b>
S. Herman	<b>42,484</b>
D. Howell	<b>140,000</b>
L. Myers	<b>100,000</b>
K. Wright	<b>21,764</b>

# Directors' report continued

## Remuneration report (audited)

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Section 6	Executive Remuneration – detailed elements
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### 1. Introduction and overview

The Directors are pleased to present the Group's remuneration report for the financial year ended 30 June 2021, which has been prepared in accordance with section 300A of the *Corporations Act 2001* and has been audited by PricewaterhouseCoopers as required by section 308(3c) of the *Corporations Act 2001*.

The report sets out the Group's remuneration strategy, framework and compensation arrangements in place for the Key Management Personnel (KMP), defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group. The report also sets out the link between performance and remuneration outcomes for FY21.

This report is made in the context of a strong FY21 performance, delivered against general economic uncertainty, as well as sustained multi-year performance driven by Jim Clayton and his team that has delivered a 30% CAGR (Compound Annual Growth Rate) share price appreciation, an 18.3% CAGR sales growth and a 14.6% CAGR EBIT growth over the last 4 years.

#### *FY21 Performance Highlights*

- Sales increased to \$1,187.7m + 24.7% growth with 18.3% CAGR over the last 4 years
- EBIT increased to \$136.4m + 24.1% growth over normalised FY20, 14.6% CAGR over the last 4 years
- Share price increased to \$29.87 + 31.2% growth with 30% CAGR over the last 4 years
- One-year TSR + 32.6%

## Remuneration report (audited) continued

### 1. Introduction and overview continued

#### FY20 Salary reductions and bonus suspension

In Q4 FY20, in the face of great economic and performance uncertainty, the Group implemented across the company salary reductions and prudently suspended the FY20 STI bonus scheme despite a strong company performance and targets being exceeded on a normalised basis.

In FY21, after a number of months of continued strong performance, the Board took a series of steps to recognise and reward this performance. Firstly, salaries were restored to normal levels effective 1st July 2020. Secondly, in October 2020, the Board exercised discretion to authorise the repayment of the FY20 salary reductions. Thirdly, in December 2020, the Board exercised further discretion to award a payment representing 50% of potential award under the suspended FY20 STI scheme. These one-off discretionary repayments boosted reported remuneration in FY21 and clearly will not repeat in FY22.

#### CEO remuneration

The CEO's remuneration package is designed to reward, motivate and retain a high performing international CEO.

Jim Clayton has been with the Group for 6 years as CEO and has delivered sustained strong business growth and shareholder returns throughout that period. In assessing the appropriate remuneration for the CEO, comparisons are, and will be made, with packages of CEOs in Australia, USA and Europe in fast growing and globally orientated companies.

Over the last four years the CEO's package has steadily moved towards a more variable, share-based and longer-term at-risk remuneration rather than fixed short-term cash-based rewards. This aligns reward with longer term sustained performance and shareholder return. This trend continued in FY21 with a further tranche of deferred remuneration share rights (service period running until August 2025) and an annual LTI grant with face value of 125% of base remuneration (with performance criteria and a service period running until August 2024) being issued to the CEO. Based on FY21 performance criteria the CEO was awarded 100% of his potential STI. As detailed above, a discretionary payment was made in lieu of salary and bonus forgone in FY20.

On a reported basis, as shown in tables 6 and 7, the CEO's reported package was \$3.61m, an increase of \$1.30m or 56%. The reported increase is however largely led by one-off factors

- Discretionary payment in lieu of FY20 salary cut and suspended bonus \$0.41m or +18%;
- 100% STI payout against zero in the prior year +\$0.71m or +31%; and,
- Increase in accounting value of SBP rights in the form of LTI and deferred Remuneration +\$0.1m or +6%.

The CEOs remuneration will be subject to on going review and benchmarking in FY22 to ensure that it is appropriate to reward and retain a global CEO with Jim Clayton's experience and track record of delivery for Breville shareholders.

As of 30 June 2021 Mr Clayton held 427,650 unvested share rights, subject to various performance and service criteria that may vest in his favour in the future with potential value of \$12.8m (based on 30 June 2021 share price of \$29.87). Any proposed new performance or deferred remuneration rights to be issued to the CEO in FY22 will be issued subject to shareholder approval at the AGM in November 2021.

#### Other Execs: KMPs

In FY21, other KMP Executives also received a discretionary payment in lieu of FY20 salary reductions and 50% of the FY20 suspended STI. The FY21 STI was awarded at 100% of potential given the above hurdle performance of the Group.

A deferred remuneration share rights scheme similar to the CEO scheme will be introduced in FY22 for KMPs to encourage retention amongst this high performing team and to increase the weight of share-based and longer-term at risk remuneration within packages to align with shareholder interests.

#### Non-Executive Directors

In order to attract and retain directors of a high calibre, whilst being commensurate with growing international companies of a similar size and type, a directors' fee increase was implemented in January 2021. Total aggregate remuneration remains below the shareholder approved limit of \$1,400,000 agreed at the AGM in November 2016. An extension of this aggregate remuneration limit to \$1,800,000 will be proposed to shareholders for approval at the AGM in November 2021 to provide future flexibility to attract high calibre, international directors.

# Directors' report continued

## Remuneration report (audited) continued

### 2. Overview remuneration approach and FY21 outcomes

Against this backdrop the following remuneration arrangements were approved and implemented for the year.

Remuneration Component	Purpose & Execution	FY21 Outcomes
<b>Fixed Cash Remuneration</b>	<p>Aims to provide competitive salary, including superannuation and non-monetary benefits, to attract and retain a high performing team.</p> <p>Fixed cash remuneration is reviewed annually, with outside assistance where needed, and set with reference to: -</p> <ul style="list-style-type: none"> <li>• Size and complexity of role</li> <li>• Market benchmarks (relevant international and domestic peers)</li> <li>• Experience, skills and competencies</li> </ul>	<ul style="list-style-type: none"> <li>• There was no base salary increase for the CEO or Executive KMPs in FY21</li> <li>• Salary reductions implemented in FY20 were discretionally repaid in FY21</li> </ul>
<b>Fixed deferred remuneration share rights</b>	<p>Delivers fixed deferred remuneration to the executive in the form of SBP that aligns the executive's interests with shareholders' by increasing individual potential shareholdings in the Group. Supports the retention of high performing international executives.</p> <p>As part of their fixed remuneration the executive may receive grants of deferred share rights vesting, and exercisable, when employment services for a specific period have been delivered</p> <ul style="list-style-type: none"> <li>• One share right entitles the executive to one fully paid ordinary share on vesting and exercise</li> <li>• No consideration is payable by the executive on granting or exercise of the share rights as the rights satisfy part of the executive's base remuneration</li> <li>• All unvested rights lapse if the specific service period is not commenced by the executive</li> <li>• No disposal restrictions apply to the shares received when the rights have vested</li> </ul> <p>The number of rights granted is calculated as a deferred salary amount divided by the relevant share price at the time that the grant is agreed. This aligns the executive's and shareholders' interest in sustained share price appreciation.</p> <p>The Board believes that this instrument may prove particularly attractive as an incentive and retention tool in times of uncertainty and increased share price volatility.</p>	<p>The following grant was made to the CEO in FY21:</p> <ul style="list-style-type: none"> <li>• Grant: of 22,311 share rights which will vest when, and if, the service period 26 Aug 2024 – 25 Aug 2025 is completed</li> <li>• The grant has a face value at issue of \$500k</li> </ul> <p>The grants form part of the CEO's short-term employment benefits shown in table 6 with the value shown calculated according to AASB 2, which attribute some of the value of future service periods to the current year even though the grant lapses if the future employment period is not completed.</p> <ul style="list-style-type: none"> <li>• In FY21 76,467 rights vested in favour of the CEO on completion of the relevant service period.</li> </ul> <p>A similar scheme will be introduced for other Executive KMPs in FY22 and will be detailed in the FY22 remuneration report.</p>



## Remuneration report (audited) continued

### 2. Overview remuneration approach and FY21 outcomes continued

Remuneration Component	Purpose & Execution	FY21 Outcomes
<b>Short term incentives (STI)</b>	<p>Aims to reward and incentivise executives for overachieving in-year stretch company targets and is paid in cash each year.</p> <p>The CEO has a maximum STI opportunity of 50% of Base Remuneration (fixed cash remuneration plus fixed deferred remuneration), other KMPs 35% and other staff are in a range of 5-35%.</p> <p>A maximum Group STI pool is calculated as the sum of maximum STI opportunities set for each participant.</p> <p>A stretch EBIT target is set by the Board in advance of the financial year. No bonus pool is awarded until this pre-STI EBIT is exceeded. As pre-STI EBIT exceeds the pre-STI target, the STI pool is funded until the maximum pool is reached.</p> <p>The pool is distributed based on each individual's maximum opportunity % and the achievement of targets that include Group EBIT, divisional performance, and, in some cases, personal targets.</p> <p>Individual targets include geographic and category performance, NPD sales, key project delivery, health and safety performance and product quality measures.</p>	<ul style="list-style-type: none"> <li>• In FY20 the STI scheme was suspended as part of cost cutting during a period of increased uncertainty. On a discretionary basis this was paid out at 50% of potential during 1H FY21.</li> <li>• In FY21 the scheme was at Board discretion, but at the beginning of FY21 a stretch EBIT target of \$128m was approved representing 15% EBIT growth and matching consensus in October 2020.</li> <li>• This stretch EBIT target was comfortably exceeded, and on this basis, and on the Board's assessment of the Group's performance during FY21, the STI pool was filled and awarded at 100% of potential.</li> <li>• In recognition of the Group reaching the milestone of \$1bn sales, a one-off share gift of 50 ordinary shares (with a face value \$1,364) was made to all employees in May 2021. The executive KMPs also received this award. The platform and process used to implement the gift globally may facilitate the introduction of an Employee Share Purchase Plan (ESPP) in future periods.</li> </ul>

# Directors' report continued

## Remuneration report (audited) continued

### 2. Overview remuneration approach and FY21 outcomes continued

Remuneration Component	Purpose & Execution	FY21 Outcomes
<b>Long term incentives (LTI)</b>	<p>Aims to reward and incentivise executives to deliver sustained shareholder value.</p> <p>Annual performance right grants are made to the CEO, KMPs and other managers based on a % of their Base Remuneration. The number of rights issued is based on the value of shares in the company using a 20 trading day trailing volume weighted average price (VWAP) up to date of financial year end.</p> <p>LTI as a percentage of Base Remuneration ranges from 10% up to 65% for KMPs and 125% for the CEO.</p> <p>The way the scheme operates has evolved:</p> <p>In FY18-20</p> <ul style="list-style-type: none"> <li>The grants were split into 3 equal tranches with 2, 3 and 4-years performance periods giving a three-year average,</li> <li>A gate of absolute positive TSR was set.</li> <li>If this gate is met, then the % vesting is determined on <i>relative</i> TSR achieved against a peer Group of approximately 60 companies within the ASX200 Consumer Staples, Consumer Discretionary and Industrials indices (the peer group appendix is shown in Table 13).</li> <li>Grants vest on the following scale <ul style="list-style-type: none"> <li>0% vests below 50% TSR relative percentile</li> <li>50% vests at 50% TSR relative percentile</li> <li>Rising in a straight line to 100% at 75% relative TSR percentile.</li> </ul> </li> <li>After vesting the shares are subject to a two-year trading lock.</li> </ul> <p>In FY21</p> <ul style="list-style-type: none"> <li>One single tranche with 3 year performance period</li> <li>Minimum and Stretch 3 year absolute TSR target</li> <li>0% vests below minimum TSR</li> <li>50% vests at minimum TSR</li> <li>Rising in a straight line to 100% at stretch</li> <li>No trading lock</li> </ul> <p>The scheme was redesigned in light of an expected period of extreme trading volatility and stock market dislocation making relative TSR difficult to use in an environment of COVID-19 winners and losers. An absolute TSR target was considered more likely to properly incentivise the team during this unusual period. Board discretion is likely to be used to properly judge team performance against the actual trading environment.</p> <p>The absolute TSR targets as well as relative TSR ranking will be retrospectively disclosed in the Rem report of the year of vesting. In the case of the FY21 scheme that would be in the FY24 remuneration report.</p>	<p>In Year grants</p> <ul style="list-style-type: none"> <li>In FY21 the CEO received an LTI performance rights grant of 125% of Base Remuneration in line with FY20.</li> <li>Other KMP's received a grant of 65% of fixed remuneration with other managers in a range from 10-50%.</li> </ul> <p>In-Year LTI vesting</p> <ul style="list-style-type: none"> <li>During FY21 97,000 rights vested in the CEO's favour under the below schemes, and 72,400 rights vested in favour of the other KMPs.</li> </ul> <p>2017 Performance rights</p> <ul style="list-style-type: none"> <li>31,100 shares vested to the CEO and 24,000 to other KMPs as part of third tranche of the 2017 performance-based grant. 100% of the potential rights in the tranche vested based on <i>4-year positive TSR</i> of 242% which was above the 75<sup>th</sup> percentile of the peer Group.</li> </ul> <p>2018 Performance rights</p> <ul style="list-style-type: none"> <li>31,700 shares vested to the CEO and 16,500 to other KMPs as part of the second tranche of the 2018 performance-based grant. 100% of the potential rights in the tranche vested based on <i>3-year positive TSR</i> of 132% which was above the 75<sup>th</sup> percentile of the peer Group.</li> </ul> <p>2019 Performance rights</p> <ul style="list-style-type: none"> <li>34,200 shares vested to the CEO and 31,900 to other KMPs as part of the first tranche of the 2019 performance-based grant. 100% of the potential rights in the tranche vested based on <i>2-year positive TSR</i> of 102% which was above the 75<sup>th</sup> percentile of the peer Group.</li> </ul>

## Remuneration report (audited) continued

### 2. Overview remuneration approach and FY21 outcomes continued

Remuneration Component	Purpose & Execution	FY21 Outcomes
<b>Non-executive director fees</b>	<p>Aims to attract, reward and retain high calibre Directors suitable for a fast-growing international business.</p> <p>Each Director receives a fee or base remuneration as a Director of the Group with an additional fee for acting as Chairperson or Chairperson of a Board committee recognising the additional time commitment required.</p> <ul style="list-style-type: none"> <li>Non-Executive Director remuneration is reviewed annually within the aggregate remuneration pool of \$1,400,000 approved by the AGM held in November 2016.</li> <li>An increase of this aggregate remuneration pool to \$1,800,000 to allow the Group to attract high calibre international directors, will be proposed for shareholder approval at the AGM In November 2021</li> </ul>	<p>Non-executive directors took a 40% cut in fees in May and June 2020 as part of company-wide salary reductions. There has been no discretionary repayment of this cut.</p> <p>Director fees were increased in FY21 effective from the 1 January 2021:</p> <ul style="list-style-type: none"> <li>Main Board Chairman Fee: increased to \$350,000 p.a. inclusive of superannuation from \$300,000.</li> <li>Main Board Member Fee: increased to \$145,000 pa inclusive of superannuation from \$123,500.</li> <li>Sub-Committee Chair Fee: Maintained at \$30,000 pa inclusive of superannuation.</li> <li>The total fees paid in FY21 of \$1,184,349 represents 85% of the shareholder approved aggregate remuneration of \$1,400,000.</li> </ul>

### 3. Key management personnel

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

All KMPs served for a full year in FY21.

**Table 1: Key management personnel (KMP)**

Name	Position	Term as KMP
<b>Non-Executive Directors</b>		
Steven Fisher	Non-Executive Chairperson	Full Year
Tim Antonie	Non-Executive Director	Full Year
Peter Cowan	Non-Executive Director	Full Year
Sally Herman	Non-Executive Director	Full Year
Dean Howell	Non-Executive Director <sup>(a),(b)</sup>	Full Year
Lawrence Myers	Non-Executive Director <sup>(c),(b)</sup>	Full Year
Kate Wright	Non-Executive Director <sup>(a),(d)</sup>	Full Year
<b>Executives</b>		
Jim Clayton	Group Chief Executive Officer	Full Year
Scott Brady	Global Product Officer	Full Year
Martin Nicholas	Group Chief Financial Officer	Full Year
Mark Payne	Chief Operating Officer	Full Year
Cliff Torng	Global Go-to-Market Officer	Full Year

<sup>(a)</sup> Member of Audit and Risk Committee

<sup>(b)</sup> Member of People, Performance, Remuneration and Nominations Committee

<sup>(c)</sup> Chair of Audit and Risk Committee

<sup>(d)</sup> Chair of People, Performance, Remuneration and Nominations Committee

# Directors' report continued

## Remuneration report (audited) continued

### 4. Remuneration framework

The People, Performance, Remuneration and Nominations Committee (PPRNC) of the Board reviews and recommends executive and employee remuneration arrangements within an annually reviewed framework that is designed to support the achievement of strategic goals, sustainable financial performance and sustained growth in shareholder value.

From time to time the committee may engage external remuneration consultants to assist with this review but none were engaged in FY21.

Key principles that guide the remuneration framework include:

<b>Fair and competitive</b>	Provide appropriate rewards to attract and retain high calibre employees for an international and growing business. Market benchmarks are used and include domestic and international peers depending on the role being evaluated and location of the role
<b>Simple</b>	Clear, visible and calculable reward linked to sustained company performance and shareholder value creation. Wherever possible executives will be aware of the status of their incentive achievement mid-period
<b>Aligned to strategy</b>	Reward linked to achievement of strategic goals and sustainable performance of the company
<b>Shareholder aligned</b>	Reward explicitly linked to short and long-term shareholder value creation
<b>Sustained delivery</b>	Reward balanced to optimise long, medium and short term, performance

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

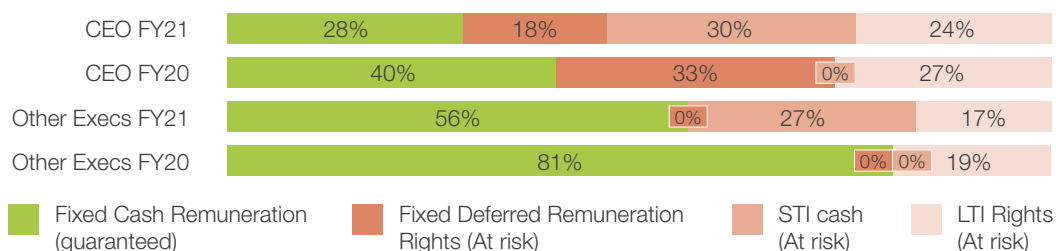
- Designs compensation to motivate and retain a high performing global CEO and executive team in line with shareholder interests
- Encourages increasing level of executive shareholdings
- Aligns interest of shareholders and executives via increasing SBP payments
- Retrospectively discloses performance hurdles and calculation of award and payments made to ensure transparency
- Encourages increased variabilisation of pay linked to short and long-term performance
- Limits executive termination packages to less than 12 months' pay plus accrued leave
- Rewards sustained long-term performance, not just single year peak performance
- Utilises measurable, shareholder relevant targets
- Retains Board discretion over level of award

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

The actual remuneration mix for FY21 and FY20 is shown in table 2 below. The percentages are distorted by the suspension of FY20 STI scheme and the discretionary payments made in FY21, but the year-on-year comparison still clearly shows an increase in the weight of variable and share-based, at risk compensation.

FY22 will see the balance of other executives remuneration begin to move from fixed cash remuneration with the introduction of a deferred remuneration rights scheme for key executives.

**Table 2: Actual Remuneration Mix of CEO and other KMPs for FY21 compared to FY20**



## Remuneration report (audited) continued

### 4. Remuneration framework continued

- **Contracts** – Employment contracts are entered with executives designed to attract and retain the employees whilst safeguarding the Group's interests. None of the KMPs have fixed-term contracts. Amounts payable on termination vary from a minimum statutory entitlement to a maximum of 12 months of fixed pay plus accrued leave balances. In accordance with the terms of the LTI performance rights plan any performance rights not vested at the date of termination will be forfeited and will lapse, unless otherwise determined by the Board. Rights under the fixed deferred remuneration scheme will lapse on resignation but will be pro-rated for time served in the case of termination without cause.
- **Hedging prohibited** – The Group has a policy that prohibits KMPs and their closely related parties from entering into an arrangement that has the effect of limiting the exposure to risk relating to an element of that member's compensation. The policy complies with the requirements of s.206J of the *Corporations Act 2001*.
- **Measurement** – The PPRNC is responsible for assessing performance against KPIs and 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. From time to time the committee may also engage external remuneration consultants to assist with this review. An external specialist is always used to calculate and report on TSR and relative TSR performance against a peer group for use in LTI evaluation. In the event of fraudulent or dishonest misconduct, the Board reserves the right to deem any unvested rights to have lapsed.

### 5. Linking remuneration to performance

The Group's remuneration principles and framework aims to align executive remuneration to the Group's strategic and business objectives, sustained business performance and the creation of sustainable shareholder value.

The key measures that are applied to Executive KMP incentive plans – EBIT and TSR – are both measurable, verifiable and well aligned to shareholder value creation.

EBIT – Earnings before interest and tax (EBIT) is a well-recognised measure of the Group's performance and ability to generate cash to fund growth and distribute dividends. It is well defined and measurable.

- The STI pool is only funded when a stretch EBIT target, set by the Board at the beginning of the year, is delivered
- Board discretion may be used in deciding an STI award if an unusual environment eventuates, but performance against a stretch target would still be monitored
- EBIT is preferred to EBITDA given the strategic importance of investment in new product development and associated amortisation costs
- TSR – Total Shareholder Return is a measure of share price appreciation, and dividends paid, expressed as a % of the opening share price. The Group measures both its own absolute TSR and its relative TSR which compares the company against an index of approximately 60 peers within the S&P/ASX200 Consumer Staples, Consumer Discretionary and Industrials indices.
- Executives are rewarded by a vesting of performance rights into shares based on meeting a target TSR or achieving a relative ranking against peers measured over a three year period. This aligns management and shareholder interests.

Table 3 below shows the Group's sales, profit and share price performance over the last 5 years.

The measures shown are consistent with the measures used in determining the variable amounts of remuneration to be awarded to executives. There is a strong alignment between executive reward and shareholder return as seen in the below table.

# Directors' report continued

## Remuneration report (audited) continued

### 5. Linking remuneration to performance continued

Table 3: Five Year Group Performance (\$m)

Year ended	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Group Revenue	605.7	652.3	760.0	952.2	<b>1,187.7</b>
Revenue Growth	5.1%	7.7%	17.5%	25.3%	<b>24.7%</b>
Group EBIT	79.0	86.9	97.3	97.7	<b>136.4</b>
EBIT Growth	7.2%	10.0%	12.0%	0.4%	<b>39.6%</b>
NPAT	53.8	58.5	67.4	63.9	<b>91.0</b>
Earnings per share (cents)	41.4	45.0	51.8	48.8	<b>65.8</b>
EPS Growth	7.2%	8.7%	15.2%	(5.8)%	<b>34.8%</b>
Total dividends per share (cents)	30.5	33.0	37.0	41.0	<b>26.5</b>
Share price at 30 June (\$)	10.45	11.62	16.36	22.76	<b>29.87</b>
Share Price Change	39.5%	11.2%	40.8%	39.3%	<b>31.2%</b>
One Year TSR	43.5%	14.2%	43.8%	41.5%	<b>32.6%</b>
Average STI as % Maximum Opportunity	39.7%	78.0%	76.0%	0% <sup>1</sup>	<b>100%</b>
Percentage of Executive LTI performance rights that vested related to schemes maturing in the year	100%	100%	100%	100%	<b>100%</b>

<sup>1</sup> FY20 STI scheme was suspended as part of cost cutting measures implemented in April-June 2020 in the face of extreme business uncertainty. A discretionary payout of 50% was subsequently made in 1H 2021.

- The Group FY21 STI plan was based on Board discretion, given the uncertainty over the COVID-19 impact at the beginning of the financial year.
- A stretch EBIT target of \$128m was also monitored representing 15% growth on normalised FY20 EBIT and 30% on statutory FY20 EBIT. \$128m was in line with consensus at the beginning of FY21. Actual EBIT of \$136.4m comfortably exceeded \$128m having absorbed the STI pool payout.
- The Group's annual FY22 STI plan has a stretch financial EBIT target based on growth on Group EBIT for FY22, which will be retrospectively disclosed as a part of the FY22 remuneration report.
- The FY21 LTI scheme performance rights have absolute TSR performance hurdles to determine vesting %. These absolute TSR targets, actual TSR achieved by the company and associated rights vesting in FY24 will be retrospectively disclosed as part of the FY24 remuneration report.

### 6. Executive remuneration - detailed elements

There are four key components in executive remuneration

- Fixed Cash Remuneration
- Fixed Deferred Remuneration in Rights
- Short Term Performance Incentive
- Long Term Performance Incentive

#### i) Fixed cash remuneration

Executives receive their fixed cash remuneration in cash or other non-cash benefits. Fixed cash remuneration is reviewed annually by the PPRNC, 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. Breville increasingly competes in a global market for talent and employs both Australian and international executives; thus, the Group benchmarks both domestically, and internationally, when reviewing suitability of remuneration.

Details of fixed cash remuneration by KMPs is shown in the remuneration tables 6 and 7.

FY20 saw a company-wide salary reduction in May and June reducing reported fixed cash remuneration. A discretionary payment in October 2020 effectively refunded this amount to employees including KMPs.

## Remuneration report (audited) continued

### 6. Executive remuneration - detailed elements continued

#### ii) Fixed deferred remuneration in share rights

Fixed remuneration may also be delivered by way of a deferred grant of share rights. These rights will vest, and are exercisable, at the completion of a specific period of employment service. The rights automatically lapse if the executive resigns before the vesting date, or is terminated with cause, and vest, on a pro rata basis, if the executive is terminated without cause.

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

**Table 4: Fixed Deferred Remuneration included in Remuneration tables 6 and 7**

Fixed Deferred Remuneration – share rights year of issue	Conditions	Issue Price	Number outstanding 30 June 2021	Number outstanding 30 June 2020
FY18	<ul style="list-style-type: none"> <li>Issued for nil consideration</li> <li>Exercise price is \$0.</li> <li>Participant (Jim Clayton) must be employed by the company on 30 June 2020.</li> <li>100% vested at 30 June 2021 as vesting date is 31 August 2020.</li> </ul>	\$10.12	-	60,000
FY20	<ul style="list-style-type: none"> <li>Issued for nil consideration</li> <li>Exercise price is \$0.</li> <li>Participant (Jim Clayton) must complete the service period between:                             <ul style="list-style-type: none"> <li>16,467 rights: 26 August 2019 – 25 August 2020.</li> <li>29,940 rights: 26 August 2020 – 25 August 2021</li> <li>29,940 rights: 26 August 2021 – 25 August 2022.</li> <li>29,940 rights: 26 August 2022 – 25 August 2023.</li> <li>29,940 rights: 26 August 2023 – 25 August 2024.</li> </ul> </li> <li>12% vested at 30 June 2021.</li> </ul> <p>* In line with AASB2, fair value was based on VWAP for H1 FY20.</p>	\$16.70	<b>119,760</b>	136,227
FY21	<ul style="list-style-type: none"> <li>Issued for nil consideration</li> <li>Exercise price is \$0.</li> <li>Participant (Jim Clayton) must complete the service period between:                             <ul style="list-style-type: none"> <li>22,311 rights: 26 August 2020 – 25 August 2025.</li> </ul> </li> <li>0% vested at 30 June 2021 as vesting date is 25 August 2025.</li> </ul>	\$22.41	<b>22,311</b>	-

# Directors' report continued

## Remuneration report (audited) continued

### 6. Executive remuneration - detailed elements continued

#### iii) Short term performance incentives (STI)

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

<b>Who participates?</b>	Executives and other employees
<b>How is STI delivered?</b>	Cash
<b>What is the STI opportunity?</b>	Executives and other employees are eligible for an annual maximum incentive of between 5% and 50% of fixed cash remuneration.
<b>What are the performance conditions for each financial year?</b>	<p>The STI rewards executives and other employees for their contribution to achievement of Group financial outcomes.</p> <p>The total Group incentive payment is based on the achievement of a stretch target pre-bonus EBIT set by the Board. No STI pool is awarded or bonus payable to any employee until this pre-STI EBIT is exceeded. As pre-STI EBIT exceeds the target, the STI pool is funded until the maximum is reached.</p> <p>Actual STI payments are awarded to each executive or employee depending on the extent to which the STI pool is funded, their maximum % achievable and the delivery of divisional and individual targets.</p>
<b>How is performance assessed?</b>	<p>After measurement and audit of Group EBIT</p> <ul style="list-style-type: none"> <li>the PPRNC recommends the amount of STI to be paid to the Group CEO for Board approval; and</li> <li>for the other executives and employees, PPRNC will seek recommendations on total and individual pay outs from the Group Chief Executive Officer based on Group EBIT, divisional profits and, in some cases, personal targets.</li> </ul>

Also paid in FY21 were the following discretionary amounts.

#### Discretionary FY20 STI recognition

During the uncertainty during the 30 June 2020 reporting period the FY 20 STI scheme was prudently suspended despite a strong company performance in a difficult environment and target being exceeded on a normalised basis.

In October 2020 after 6 months of continued strong performance during the pandemic, the Board at its discretion, awarded a 50% payout for the FY20 STI. This is shown as a discretionary payment in FY21.

Also included in the balance is a discretionary payment of 50 shares at a share price of \$26.96 (face value \$1,348) which was part of a company-wide recognition of the Group reaching the milestone of \$1bn sales made to all employees in May 2021. The executive KMPs also received this award. This amount is included under the discretionary award heading in table 6.

#### iv) Long term performance incentives (LTI)

The Group operates an LTI scheme with an annual grant of LTI share rights that vest in the future reliant on sustained shareholder value creation. The objective of the LTI plan is to reward and incentivise executives in a manner that aligns with sustainable long-term value creation.

<b>Who participates?</b>	<p>The LTI plan is made available to executives who are able to influence the generation of shareholder value and have a direct impact on the company's performance against long-term performance hurdles.</p> <p>LTI grants to participants (excluding the CEO) are recommended by the CEO to the PPRNC. This recommendation, together with a recommendation by the PPRNC of an LTI grant to the CEO, is then put to the Board for approval.</p>
<b>How is LTI delivered?</b>	Upon satisfaction of the performance hurdles, the performance rights will vest and convert into fully paid ordinary shares in the company.
<b>What is the LTI opportunity?</b>	Depending upon their position and seniority in the organisation, executives and other employees are eligible for an annual LTI award of between 10% - 125% of their Base Remuneration.



## Remuneration report (audited) continued

### 6. Executive remuneration - detailed elements continued

#### iv) Long term performance incentives (LTI) continued

<b>What are the performance hurdles for the FY21 LTI grant?</b>	<p>For the FY 21 grant absolute TSR hurdles with minimum and stretch thresholds have been set.</p> <p>The grant has a performance period of 3 years.</p> <p>The vesting schedule is as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">The Group (BRG) TSR performance ranking relative to peer group</th> <th style="text-align: left;">Proportion of performance rights that will vest</th> </tr> </thead> <tbody> <tr> <td>Below minimum TSR hurdle</td> <td>0%</td> </tr> <tr> <td>Meets minimum TSR hurdle</td> <td>50%</td> </tr> <tr> <td>Between minimum and stretch hurdle</td> <td>Pro rata between 50% and 100%, based on the relative TSR performance</td> </tr> <tr> <td>Above stretch hurdle</td> <td>100%</td> </tr> </tbody> </table> <p>As detailed above the proposed FY21 scheme has been redesigned to reflect current and expected expected turbulence in stock price performances given the impact of the COVID-19 pandemic and therefore has adopted an absolute, rather than a relative, TSR target. For information, the relative TSR performance will still be measured for the FY21 grant. Both absolute minimum and threshold targets and relative TSR will be disclosed for the FY21 scheme in the FY24 Remuneration report.</p>	The Group (BRG) TSR performance ranking relative to peer group	Proportion of performance rights that will vest	Below minimum TSR hurdle	0%	Meets minimum TSR hurdle	50%	Between minimum and stretch hurdle	Pro rata between 50% and 100%, based on the relative TSR performance	Above stretch hurdle	100%
The Group (BRG) TSR performance ranking relative to peer group	Proportion of performance rights that will vest										
Below minimum TSR hurdle	0%										
Meets minimum TSR hurdle	50%										
Between minimum and stretch hurdle	Pro rata between 50% and 100%, based on the relative TSR performance										
Above stretch hurdle	100%										
<b>How is performance assessed?</b>	<p>TSR performance is calculated by an independent external adviser at the end of each performance period. Table 12 provides details of the KMP performance rights granted under the FY21 plan.</p> <p>Please refer to Section 9: Appendix (table 13) for Peer Group of S&amp;P/ASX200 in the Consumer Staples, Consumer Discretionary and Industrials sectors.</p>										
<b>When does the FY21 LTI vest?</b>	<p>The performance rights will vest over a period of three years and will vest on the 29 August 2023.</p>										
<b>How are grants treated on termination?</b>	<p>All outstanding unvested performance rights automatically lapse upon an executive ceasing to be employed by the Group unless otherwise determined by the Board.</p>										
<b>Are there restrictions on disposal of performance shares following the vesting and exercise of FY21 performance rights?</b>	<p>To make the scheme globally tax efficient, there are no explicit disposal restrictions after vesting, notwithstanding that any trading in shares is at all times subject to the company's share trading policy.</p>										
<b>Do participants receive dividends on unvested performance rights?</b>	<p>Participants do not receive distributions or dividends on unvested performance rights.</p>										
<b>What happens if there is a change of control?</b>	<p>In the event of a takeover bid where the bidder and its associates become entitled to at least 50% of the voting shares of the company, any performance rights granted will vest where the Board, in its absolute discretion, is satisfied that performance is in line with any performance condition applicable to those performance rights. Any performance rights which do not vest will immediately lapse, unless otherwise determined by the Board.</p>										

# Directors' report continued

## Remuneration report (audited) continued

### 6. Executive remuneration - detailed elements continued

Table 5: LTI plans for which compensation is included in the remuneration tables 6 & 7

LTI Plan for the year ended	Performance hurdles/conditions	Fair value per performance right at Grant date \$	Number outstanding 30 June 2021 (Executive only)	Number outstanding 30 June 2020 (Executive only)
<i>FY17 Performance based LTI rights</i>	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:		-	55,100
June 2017	(a) Total shareholder return (TSR) from 30 June 2016 to 30 June 2018 applying both an Absolute Test and a Relative Test.	\$3.43		
	(b) Total shareholder return (TSR) from 30 June 2016 to 30 June 2019 applying both an Absolute Test and a Relative Test.	\$3.49		
	(c) Total shareholder return (TSR) from 30 June 2016 to 30 June 2020 applying both an Absolute Test and a Relative Test.	\$3.51		
	100% vested (165,600 shares) as at 30 June 2021 (22,500 lapsed <sup>1</sup> ).			
<i>FY18 Performance based LTI rights</i>	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:		48,200	96,400
June 2018	(a) Total shareholder return (TSR) from 30 June 2017 to 30 June 2019 applying both an Absolute Test and a Relative Test.	\$7.05		
	(b) Total shareholder return (TSR) from 30 June 2017 to 30 June 2020 applying both an Absolute Test and a Relative Test.	\$6.81		
	(c) Total shareholder return (TSR) from 30 June 2017 to 30 June 2021 applying both an Absolute Test and a Relative Test.	\$6.68		
	67% vested (96,700 shares) as at 30 June 2021 (nil lapsed).			
<i>FY19 Performance based LTI rights</i>	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:		131,600	197,700
June 2019	(a) Total shareholder return (TSR) from 30 June 2018 to 30 June 2020 applying both an Absolute Test and a Relative Test.	\$7.07		
	(b) Total shareholder return (TSR) from 30 June 2018 to 30 June 2021 applying both an Absolute Test and a Relative Test.	\$6.81		
	(c) Total shareholder return (TSR) from 30 June 2018 to 30 June 2022 applying both an Absolute Test and a Relative Test.	\$6.58		
	33% vested (66,100 shares) as at 30 June 2021 (nil lapsed).			

## Remuneration report (audited) continued

### 6. Executive Remuneration - detailed elements continued

Table 5: LTI plans for which compensation is included in the remuneration tables 6 & 7 continued

LTI Plan for the year ended	Performance hurdles/conditions	Fair value per performance right at Grant date \$	Number outstanding 30 June 2021 (Executive only)	Number outstanding 30 June 2020 (Executive only)
<i>FY20 Performance based LTI rights</i>	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:		<b>193,500</b>	193,500
June 2020	(a) Total shareholder return (TSR) from 30 June 2019 to 30 June 2021 applying both an Absolute Test and a Relative Test.	\$6.51		
	(b) Total shareholder return (TSR) from 30 June 2019 to 30 June 2022 applying both an Absolute Test and a Relative Test.	\$6.81		
	(c) Total shareholder return (TSR) from 30 June 2019 to 30 June 2023 applying both an Absolute Test and a Relative Test.	\$7.06		
	0% vested as at 30 June 2021 (nil lapsed).			
<i>FY21 Performance based LTI rights</i>	Issued for nil consideration. - Exercise price is \$0. - Term of three years with vesting applying Absolute Test of total shareholder return (TSR) from 30 June 2020 to 30 June 2023.		<b>147,632</b>	-
June 2021	0% vested as at 30 June 2021 (nil lapsed).	\$14.69		

<sup>1</sup> Performance-based LTI rights lapsed for June 2017 relate to resignation of M. Cohen on 17 November 2017.

### 7. Non-executive director remuneration

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

The remuneration of non-executive directors is reviewed annually. Each director receives a fee for being a director of the company. An additional fee is also paid to each director who also acts as chairperson of a Board committee recognising the additional time commitment required by the director to facilitate the running of the committee.

Directors' fees were reduced by 40% during the months of May and June 2020 as part of the Group-wide temporary salary cuts. This deduction was not repaid. Directors' fees were subject to an increase effective from the 1<sup>st</sup> January 2021:

- Main Board Chairman Fee: increased from \$300,000 to \$350,000 p.a. inclusive of superannuation.
- Main Board Member Fee: increased from \$123,500 to \$145,000 pa inclusive of superannuation.
- Sub-Committee Chair Fee: Maintained at \$30,000 pa inclusive of superannuation.

The Group's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by general meeting. The aggregate remuneration of \$1,400,000 per year was approved by shareholders at the annual general meeting held in November 2016.

The remuneration of non-executive directors for the year ended 30 June 2021 is detailed in Table 6 on page 50 with the total fees paid of \$1,184,349 representing 85% of this approved aggregate remuneration.

An increase of this aggregate remuneration limit to \$1,800,000 to allow the Group to attract high calibre international directors, will be proposed for shareholder approval at the AGM In November 2021.

# Directors' report continued

## Remuneration report (audited) continued

### 8. Statutory Remuneration Tables

Table 6: KMP Remuneration for the year ended 30 June 2021 (FY21)

The following tables 6 and 7 set out the statutory KMP remuneration disclosures, prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards. No termination benefits were paid in FY21.

	Short-term employee benefits					Total short term employee benefits	Post employment benefits	Long term employee benefits	Share-based payment	Total	Fixed remuneration		Performance related
	Cash bonuses	Discretionary bonus for FY20 performance	Discretionary Salary repayment	Other	Fixed deferred remuneration rights						\$	%	
<b>Non-executive directors</b>													
S. Fisher – Chairperson	-	-	-	-	297,720	25,593	-	-	323,313	100.0%	-	-	
T. Antonie	-	-	-	-	121,923	11,583	-	-	133,506	100.0%	-	-	
P. Cowan	-	-	-	-	121,923	11,583	-	-	133,506	100.0%	-	-	
S. Herman	-	-	-	-	121,923	11,583	-	-	133,506	100.0%	-	-	
D. Howell	-	-	-	-	121,923	11,583	-	-	133,506	100.0%	-	-	
L. Myers	-	-	-	-	149,320	14,186	-	-	163,506	100.0%	-	-	
K. Wright	-	-	-	-	149,320	14,186	-	-	163,506	100.0%	-	-	
<b>Sub-total non-executive directors</b>					<b>1,084,052</b>	<b>100,297</b>			<b>1,184,349</b>				
<b>Other key management personnel</b>													
J. Clayton	925,000	712,500	357,598	54,808	2,696,674	25,000	19,937	870,906	3,612,517	46.3%	29.6%	24.1%	
S. Brady	545,000	210,000	106,348	33,958	925,306	25,000	12,105	195,467	1,157,878	55.8%	27.3%	16.9%	
M. Nicholas	550,000	201,250	101,973	33,173	886,396	25,000	10,090	177,323	1,098,809	56.3%	27.6%	16.1%	
M. Payne <sup>(b)</sup>	557,483	185,038	92,151	29,545	898,562	-	-	182,587	1,081,149	57.5%	25.6%	16.9%	
C. Torng	530,000	194,250	98,473	32,019	854,742	25,000	9,430	178,190	1,067,362	55.9%	27.4%	16.7%	
<b>Sub-total executive KMP</b>	<b>3,107,483</b>	<b>1,503,038</b>	<b>756,543</b>	<b>183,503</b>	<b>6,261,680</b>	<b>100,000</b>	<b>51,562</b>	<b>1,604,473</b>	<b>8,017,715</b>				
<b>Totals</b>	<b>4,191,535</b>	<b>1,503,038</b>	<b>756,543</b>	<b>183,503</b>	<b>7,345,732</b>	<b>200,297</b>	<b>51,562</b>	<b>1,604,473</b>	<b>9,202,064</b>				

(a) Discretionary payment in lieu of FY20 bonus forgone includes a discretionary payment of 50 shares at a share price of \$26.96, which was part of a company-wide recognition for achieving \$1bn sales and was not specifically for KMPs.

(b) M. Payne salary is denominated in USD so reported numbers in AUD are subject to exchange rate fluctuations.

(c) Fixed Deferred Remuneration in shares, under AASB2, includes \$376k relating to the FY21 service period and \$271k relating to future service periods.

(d) Non-executive directors salary increases were made effective from 1 January 2021.

(e) Repayment of salaries in lieu of salaries sacrificed in FY20.

## Remuneration report (audited) continued

### 8. Statutory Remuneration Tables continued

Table 7: KMP Remuneration for the year ended 30 June 2020 (FY20)

	Short-term employee benefits				Fixed deferred remuneration rights <sup>(b)</sup>		Total short term employee benefits		Post employment benefits		Long-term employee benefits		Share-based payment		Fixed remuneration		Performance related	
	Salary & fees	Cash bonuses	STI	Other	Fixed deferred remuneration rights <sup>(b)</sup>	Total short term employee benefits	Superannuation	Long service leave	LTI Performance rights	Share-based payment	Total	STI	LTI	%	%	%	%	
<b>Non-executive directors</b>																		
S. Fisher – Chairperson	252,897	-	-	-	-	252,897	24,025	-	-	-	276,922	-	-	100.0%	-	-	-	
T. Antonie	104,110	-	-	-	-	104,110	9,890	-	-	-	114,000	-	-	100.0%	-	-	-	
P. Cowan	104,110	-	-	-	-	104,110	9,890	-	-	-	114,000	-	-	100.0%	-	-	-	
S. Herman	104,110	-	-	-	-	104,110	9,890	-	-	-	114,000	-	-	100.0%	-	-	-	
D. Howell	104,110	-	-	-	-	104,110	9,890	-	-	-	114,000	-	-	100.0%	-	-	-	
L. Myers	129,136	-	-	-	-	129,136	12,268	-	-	-	141,404	-	-	100.0%	-	-	-	
K. Wright	129,136	-	-	-	-	129,136	12,268	-	-	-	141,404	-	-	100.0%	-	-	-	
<b>Sub-total non-executive directors</b>	<b>927,609</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>927,609</b>	<b>88,121</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,015,730</b>	<b>-</b>	<b>-</b>	<b>100.0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Other key management personnel</b>																		
J. Clayton	871,635	-	17,658	-	757,707	1,647,000	25,000	10,519	625,691	2,308,210	72.9%	-	27.1%	-	-	-	-	
S. Brady	513,431	-	28,269	-	-	541,700	25,000	5,837	143,341	715,878	80.0%	-	20.0%	-	-	-	-	
M. Nicholas	518,269	-	7,229	-	-	525,498	25,000	8,016	108,256	666,770	83.8%	-	16.2%	-	-	-	-	
M. Payne <sup>(a)</sup>	596,137	-	43,515	-	-	639,652	-	-	133,983	773,635	82.7%	-	17.3%	-	-	-	-	
C. Torng	488,263	-	-	-	-	488,263	24,141	10,906	166,442	689,752	75.9%	-	24.1%	-	-	-	-	
<b>Sub-total executive KMP</b>	<b>2,987,735</b>	<b>-</b>	<b>96,671</b>	<b>-</b>	<b>757,707</b>	<b>3,842,113</b>	<b>99,141</b>	<b>35,278</b>	<b>1,177,713</b>	<b>5,154,245</b>								
<b>Totals</b>	<b>3,915,344</b>	<b>-</b>	<b>96,671</b>	<b>-</b>	<b>757,707</b>	<b>4,769,722</b>	<b>187,262</b>	<b>35,278</b>	<b>1,177,713</b>	<b>6,169,975</b>								

<sup>(a)</sup> M Payne salary is denominated in USD so reported numbers in AUD are subject to exchange rate fluctuations.

<sup>(b)</sup> Fixed Deferred Remuneration in shares, under AASB2, includes \$490k relating to the FY20 service period and \$268k relating to future service periods. The FY20 charge represents an increase of \$276k over the \$214k charge recognised in FY19.

# Directors' report continued

## Remuneration report (audited) continued

### 8. Statutory Remuneration Tables continued

Table 8: KMP STI cash bonuses awards in FY21 and FY20 and LTI performance rights vesting in FY21

Name	STI Cash bonuses			Share-based LTI performance base compensation vesting in FY21		
	Financial Year	% Earned	% Forfeited	Financial Year Granted	% Vested	% Forfeited
J. Clayton	2021	100.0%	0.0%	2019	100%	0%
	2020	0.0% <sup>1</sup>	100.0%	2018	100%	0%
				2017	100%	0%
S. Brady	2021	100.0%	0.0%	2019	100%	0%
	2020	0.0% <sup>1</sup>	100.0%	2018	100%	0%
				2017	100%	0%
M. Nicholas	2021	100.0%	0.0%	2019	100%	0%
	2020	0.0% <sup>1</sup>	100.0%			
M. Payne	2021	100.0%	0.0%	2019	100%	0%
	2020	0.0% <sup>1</sup>	100.0%	2018	100%	0%
				2017	100%	0%
C. Torng	2021	100.0%	0.0%	2019	100%	0%
	2020	0.0% <sup>1</sup>	100.0%	2018	100%	0%
				2017	100%	0%

<sup>1</sup> In November 2020 a discretionary bonus equivalent to 50% of the potential STI bonus for FY20 was awarded and paid to participating employees.

Table 9: KMP shareholdings

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

30 June 2021	Balance at 1 July 2020	On exercise of rights	Net change other <sup>(a)</sup>	Balance at 30 June 2021
<b>Directors</b>				
S. Fisher	127,764	-	2,236	130,000
P. Cowan	10,968	-	-	10,968
T. Antonie	43,791	-	-	43,791
S. Herman	42,484	-	-	42,484
D. Howell	139,264	-	736	140,000
L. Myers	100,000	-	-	100,000
K. Wright	21,764	-	-	21,764
<b>Other KMP</b>				
J. Clayton	335,264	173,467	(328,288)	180,443
S. Brady	326,351	21,900	(176,535)	171,716
M. Nicholas	32,835	8,300	50	41,185
M. Payne	50,015	21,800	(10,470)	61,345
C. Torng	120,800	20,400	(21,415)	119,785
<b>Total <sup>(b)</sup></b>	<b>1,351,300</b>	<b>245,867</b>	<b>(533,686)</b>	<b>1,063,481</b>

\* Held directly, indirectly or beneficially.

<sup>(a)</sup> 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.

<sup>(b)</sup> 1% of total share capital is owned by KMPs (1% in FY20)

## Remuneration report (audited) continued

### 8. Statutory Remuneration Tables continued

Table 9: KMP shareholdings continued

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

30 June 2020	Balance at 1 July 2019	On exercise of performance rights	Net change other	Balance at 30 June 2020
<b>Directors</b>				
S. Fisher	118,000	-	9,764	127,764
P. Cowan	5,000	-	5,968	10,968
T. Antonie	36,349	-	7,442	43,791
S. Herman	36,000	-	6,484	42,484
D. Howell	127,500	-	11,764	139,264
L. Myers	250,000	-	(150,000)	100,000
K. Wright	20,000	-	1,764	21,764
<b>Other KMP</b>				
J. Clayton	260,700	72,800	1,764	335,264
S. Brady	398,067	22,065	(93,781)	326,351
M. Nicholas	20,578	-	12,257	32,835
M. Payne	30,485	19,530	-	50,015
C. Torng	59,485	61,315	-	120,800
<b>Total</b>	<b>1,362,164</b>	<b>175,710</b>	<b>(186,574)</b>	<b>1,351,300</b>

Table 10: KMP Performance rights granted

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

	Grant Date	First exercise date	Last exercise date	Expiry Date	Exercise price	Fair value per performance right at grant date (\$) (Note 18)	Vested and exercised in FY21	Number of Rights
FY17 Performance based	9 Aug 16 <sup>(a)*</sup>	29 Aug 19	3 Oct 19	3 Oct 19	0.00	3.49	Yes	55,100
FY17 Performance based	9 Aug 16 <sup>(a)*</sup>	31 Aug 20	2 Oct 20	2 Oct 20	0.00	3.51	Yes	55,100
FY18 Performance based	13 Nov 17 <sup>(b)*</sup>	29 Aug 19	1 Oct 19	1 Oct 19	0.00	7.05	Yes	48,500
FY18 Performance based	13 Nov 17 <sup>(b)*</sup>	28 Aug 20	1 Oct 20	1 Oct 20	0.00	6.81	Yes	48,200
FY18 Performance based	13 Nov 17 <sup>(b)*</sup>	27 Aug 21	1 Oct 21	1 Oct 21	0.00	6.68		48,200
FY19 Performance based	11 Sep 18 <sup>(c)*</sup>	28 Aug 20	1 Oct 20	1 Oct 20	0.00	7.07	Yes	66,100
FY19 Performance based	11 Sep 18 <sup>(c)*</sup>	27 Aug 21	1 Oct 21	1 Oct 21	0.00	6.81		65,900
FY19 Performance based	11 Sep 18 <sup>(c)*</sup>	29 Aug 22	3 Oct 22	3 Oct 22	0.00	6.58		65,700
FY20 Performance based	11 Oct 19 <sup>(d)*</sup>	28 Aug 20	1 Oct 21	1 Oct 21	0.00	6.51		64,600
FY20 Performance based	11 Oct 19 <sup>(d)*</sup>	27 Aug 21	3 Oct 22	3 Oct 22	0.00	6.81		64,450
FY20 Performance based	11 Oct 19 <sup>(d)*</sup>	29 Aug 22	2 Oct 23	2 Oct 23	0.00	7.06		64,450
FY21 Performance based	7 Sep 20 <sup>(e)*</sup>	29 Aug 23	1 Oct 23	1 Oct 23	0.00	14.69		147,632

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

# Directors' report continued

## Remuneration report (audited) continued

### 8. Statutory Remuneration Tables continued

**Table 10: KMP Performance rights granted continued**

- (a) 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. One tranche remains to be tested at 30 June 2020.
- (b) There are three equal tranches to be tested at 30 June 2019, 30 June 2020 and 30 June 2021 all with a total shareholder return hurdle (TSR) applying an absolute test and a relative test. Two tranches remain to be tested at 30 June 2020 and 30 June 2021 respectively.
- (c) There are three equal tranches to be tested at 30 June 2020, 30 June 2021 and 30 June 2022 all with a total shareholder return hurdle (TSR) applying an absolute test and a relative test.
- (d) There are three equal tranches to be tested at 30 June 2021, 30 June 2022 and 30 June 2023 all with a total shareholder return hurdle (TSR) applying an absolute test and a relative test.
- (e) One tranche with a total shareholder return hurdle (TSR) applying an absolute test.

**Table 11: Fixed deferred remuneration share rights holding of KMPs**

The terms and conditions of each grant of share rights issues as fixed deferred remuneration affecting remuneration of KMPs 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 at grant date (\$) (Note 18)	Number of rights	Vested and exercised 30 June 2021	Number of rights
13 Nov 17 <sup>(a)</sup>	31-Aug-20	1-Oct-20	1-Oct-20	0.00	10.12	60,000	Yes	60,000
29 Jan 20 <sup>(b)*</sup>	25-Aug-20	1-Oct-20	1-Oct-20	0.00	16.70	16,467	Yes	16,467
29 Jan 20 <sup>(c)*</sup>	25-Aug-21	1-Oct-21	1-Oct-21	0.00	16.70	29,940	-	-
29 Jan 20 <sup>(d)*</sup>	25-Aug-22	3-Oct-22	3-Oct-22	0.00	16.70	29,940	-	-
29 Jan 20 <sup>(e)*</sup>	25-Aug-23	2-Oct-23	2-Oct-23	0.00	16.70	29,940	-	-
29 Jan 20 <sup>(f)*</sup>	25-Aug-24	1-Oct-24	1-Oct-24	0.00	16.70	29,940	-	-
7 Sep 20 <sup>(g)</sup>	25-Aug-25	3-Oct-25	3-Oct-25	0.00	19.60	22,311	-	-

\* material terms and conditions of the grant were agreed in January 2020.

- (a) Participant, in this case the CEO must be employed by the company on 30 June 2020 for the rights to vest.
- (b) Participant, in this case the CEO, must complete the service period between 26 August 2019 – 25 August 2020 for the rights to vest.
- (c) Participant, in this case the CEO, must complete the service period between 26 August 2020 – 25 August 2021 for the rights to vest.
- (d) Participant, in this case the CEO, must complete the service period between 26 August 2021 – 25 August 2022 for the rights to vest.
- (e) Participant, in this case the CEO, must complete the service period between 26 August 2022 – 25 August 2023 for the rights to vest.
- (f) Participant, in this case the CEO, must complete the service period between 26 August 2023 – 25 August 2024 for the rights to vest.
- (g) Participant, in this case the CEO, must complete the service period between 26 August 2024 – 25 August 2025 for the rights to vest.



## Remuneration report (audited) continued

### 8. Statutory Remuneration Tables continued

Table 12: Performance rights holdings of KMP

30 June 2021	Balance 30 June 2020	Granted as remuneration <sup>(a)</sup>	Vested and exercised	Other <sup>(b)</sup>	Balance 30 June 2021
<b>Other key management personnel</b>					
J. Clayton	301,700	80,879	(97,000)	-	285,579
S. Brady	67,900	17,403	(21,900)	-	63,403
M. Nicholas	47,200	16,678	(8,300)	-	55,578
M. Payne	64,100	16,574	(21,800)	-	58,874
C. Torng	61,800	16,098	(20,400)	-	57,498
	<b>542,700</b>	<b>147,632</b>	<b>(169,400)</b>	-	<b>520,932</b>

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

<sup>(b)</sup> Includes forfeitures and lapses.

30 June 2020	Balance 30 June 2019	Granted as remuneration <sup>(a)</sup>	Vested and exercised	Other <sup>(b)</sup>	Balance 30 June 2020
<b>Other key management personnel</b>					
J. Clayton	269,700	104,800	(72,800)	-	301,700
S. Brady	66,565	23,400	(22,065)	-	67,900
M. Nicholas	24,800	22,400	-	-	47,200
M. Payne	62,330	21,300	(19,530)	-	64,100
C. Torng	101,515	21,600	(61,315)	-	61,800
	<b>524,910</b>	<b>193,500</b>	<b>(175,710)</b>	-	<b>542,700</b>

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

<sup>(b)</sup> Includes forfeitures and lapses.

# Directors' report continued

## Remuneration report (audited) continued

### 9. Peer Group Appendix

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

Code	Company	Sector	Code	Company	Sector
TPG	TPG Telecom Ltd	Communication Services	CWN	Crown Resorts Ltd	Consumer Discretionary
NEC	Nine Entertainment Co Holdings Ltd	Communication Services	SGR	Star Entertainment Grp Ltd/The	Consumer Discretionary
UWL	Uniti Group Ltd	Communication Services	KGN	Kogan.com Ltd	Consumer Discretionary
REA	REA Group Ltd	Communication Services	ALL	Aristocrat Leisure Ltd	Consumer Discretionary
TLS	Telstra Corp Ltd	Communication Services	SKC	SKYCITY Entertainment Group Ltd	Consumer Discretionary
NWS	News Corp	Communication Services	CGC	Costa Group Holdings Ltd	Consumer Staples
DHG	Domain Holdings Australia Ltd	Communication Services	ELD	Elders Ltd	Consumer Staples
CAR	carsales.com Ltd	Communication Services	GNC	GrainCorp Ltd	Consumer Staples
CNU	Chorus Ltd	Communication Services	A2M	a2 Milk Co Ltd/The	Consumer Staples
SEK	SEEK Ltd	Communication Services	EDV	Endeavour Group Ltd/Australia	Consumer Staples
SPK	Spark New Zealand Ltd	Communication Services	BKL	Blackmores Ltd	Consumer Staples
DMP	Domino's Pizza Enterprises Ltd	Consumer Discretionary	COL	Coles Group Ltd	Consumer Staples
GEM	G8 Education Ltd	Consumer Discretionary	BGA	Bega Cheese Ltd	Consumer Staples
BAP	Bapcor Ltd	Consumer Discretionary	ING	Inghams Group Ltd	Consumer Staples
PBH	PointsBet Holdings Ltd	Consumer Discretionary	WOW	Woolworths Group Ltd	Consumer Staples
FLT	Flight Centre Travel Group Ltd	Consumer Discretionary	UMG	United Malt Grp Ltd	Consumer Staples
PMV	Premier Investments Ltd	Consumer Discretionary	MTS	Metcash Ltd	Consumer Staples
APE	Eagers Automotive Ltd	Consumer Discretionary	TWE	Treasury Wine Estates Ltd	Consumer Staples
ARB	ARB Corp Ltd	Consumer Discretionary	SOL	Washington H Soul Pattinson & Co Ltd	Energy
IEL	IDP Education Ltd	Consumer Discretionary	WHC	Whitehaven Coal Ltd	Energy
GUD	GUD Holdings Ltd	Consumer Discretionary	BPT	Beach Energy Ltd	Energy
JBH	JB Hi-Fi Ltd	Consumer Discretionary	OSH	Oil Search Ltd	Energy
BRG	Breville Group Ltd	Consumer Discretionary	ALD	Ampol Ltd	Energy
HVN	Harvey Norman Holdings Ltd	Consumer Discretionary	VEA	Viva Energy Group Ltd	Energy
SUL	Super Retail Group Ltd	Consumer Discretionary	STO	Santos Ltd	Energy
RBL	Redbubble Ltd	Consumer Discretionary	WOR	Worley Ltd	Energy
IVC	InvoCare Ltd	Consumer Discretionary	WPL	Woodside Petroleum Ltd	Energy
WEB	Webjet Ltd	Consumer Discretionary	JHG	Janus Henderson Group PLC	Financials
TAH	Tabcorp Holdings Ltd	Consumer Discretionary	CGF	Challenger Ltd	Financials
CTD	Corporate Travel Management Ltd	Consumer Discretionary	PDL	Pendal Group Ltd	Financials
WES	Wesfarmers Ltd	Consumer Discretionary	MPL	Medibank Pvt Ltd	Financials
CKF	Collins Foods Ltd	Consumer Discretionary	VUK	Virgin Money UK PLC	Financials
			AUB	AUB Group Ltd	Financials

## Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of Board meetings attended by each director or by each committee member, in the case of the audit and risk committee (A&RC) and the people, performance, remuneration and nominations committee (PPRNC), was as follows:

Number of meetings	Full board	Audit & risk (A&RC)	People, performance, remuneration & nominations (PPR&NC)
	12	5	4
S. Fisher	12 <sup>(b)</sup>	5 <sup>(a)</sup>	4 <sup>(a)</sup>
T. Antonie	12	5 <sup>(a)</sup>	4 <sup>(a)</sup>
P. Cowan	12	5 <sup>(a)</sup>	4 <sup>(a)</sup>
S. Herman	12	5 <sup>(a)</sup>	4 <sup>(a)</sup>
D. Howell	12	5	4
L. Myers	12	5 <sup>(b)</sup>	4
K. Wright	12	5	4 <sup>(b)</sup>

Notes

<sup>(a)</sup> Not a member of the relevant committee but they are invited to attend the committee meeting .

<sup>(b)</sup> Designates the current chairperson of the Board or committee.

## Committee membership

As of the date of this report, the company had an audit and risk committee (A&RC) and a people, performance, remuneration and nominations committee (PPRNC) and a newly formed sustainability committee. The details of the functions and memberships of the committees are presented in the corporate governance statement.

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

All Chairs and members of the above committees are independent.

The sustainability committee is chaired by P. Cowan (independent non-executive director) with K. Wright and S. Herman and a number of key executives as the initial committee members.

All Board Members may attend A&RC and PPRNC and sustainability committee meetings by standing invitation.

## Indemnification of directors and officers

The directors and officers of the company are indemnified by the company against losses or liabilities that they may sustain or incur as an officer of the company in the proper performance of their duties. During the financial year, the company paid premiums in respect of contracts to insure the directors and officers of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premiums.

## Likely future developments and expected results

Disclosure of information as to likely future developments in the operations of the consolidated entity and expected results of those operations would be prejudicial to the interests of the consolidated entity. Accordingly, such information has not been included in this report.

## Environmental regulations and performance

The consolidated entity is not involved in any activities that have a marked influence on the environment within its area of operation. The Group's commitment to sustainability including environmental initiatives is outlined in pages 22-34 of the Directors' Report.

## Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support the principles of good corporate governance. The company's corporate governance statement is on page 59.

# Directors' report continued

## Performance rights

### Unissued shares

As of the date of this report there were 1,388,145 potential unissued shares under the performance rights and fixed deferred remuneration share rights schemes (2020: 1,380,127). Refer to note 18 of the financial report for further details of the performance rights outstanding and fixed deferred remuneration share rights. Neither performance right holders, nor fixed deferred remuneration share rights holders, have any right, by virtue of the performance right, to participate in any share issue of the company.

### Lapse of unvested performance rights

During the year 1,954 unvested performance rights lapsed following the cessation of employment of employees or executives and no unvested performance rights lapsed as a result of performance hurdles not being met. (2020: 7,600 unvested performance rights lapsed following the cessation of employment of employees or executives and no unvested performance rights lapsed as a result of performance hurdles not being met).

## Auditor's declaration of independence

Attached on page 111 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 2021. This auditor's declaration forms part of this directors' report.

## Non-audit services

During the financial year ended 30 June 2021 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 2021 are set out in note 20 on page 106. These services primarily relate to tax compliance and advisory services.

The increase in the Group's audit fee between FY20 to FY21 is reflective of additional procedures and audit effort required over the expanded European and Mexican geographies as well as the partial roll out of a new ERP.

For FY21, the ratio between audit and non-audit fees is 1.1 to 1.0.

A portion of the non-audit fees associated with taxation and accounting advisory services in FY21 are non-recurring in nature relating to VAT consulting in Europe, the Baratza acquisition and immigration and visa support. The group has re-tendered its US tax compliance work and will move this away from PwC in FY22, which will reduce the spend on non-audit services with PwC.

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

Breville Group announced to the ASX on 17 August 2021 a number of Board changes. These changes are detailed in that announcement and will be reflected in next year's Directors' Report.

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

Signed in accordance with a resolution of directors.



Steven Fisher  
Non-executive Chairperson

Sydney  
17 August 2021

# 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 (4<sup>th</sup> Edition)'.

The ASX principles that have been adopted are outlined below.

The company's corporate governance practices throughout the year ended 30 June 2021 were compliant with the council's principles and recommendations, except for those differences disclosed and explained in this statement.

The following documents are available in the corporate governance section of the company's website [brevillegroup.com](http://brevillegroup.com)

- Audit and risk committee charter
- Board charter
- Anti-bribery and corruption
- Modern slavery policy
- Diversity policy
- Share trading policy
- Code of conduct
- People, performance, remuneration and nominations 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 of the date of this report are as follows:

Director	Appointed	Term in office	Qualifications	Non-executive	Independent	Last elected
Steven Fisher (Chairperson)	2004	17 years	B.ACC, CA (SA)	Yes	No	2018
Timothy Antonie	2013	7 years	BEcon	Yes	No	2020
Peter Cowan	2018	3 years	Other	Yes	Yes	2018
Sally Herman	2013	8 years	BA, GAICD	Yes	No	2019
Dean Howell	2008	13 years	FCA, CTA	Yes	Yes	2020
Lawrence Myers	2013	7 years	B.Acct, CA, CTA	Yes	Yes	2018
Kate Wright	2016	5 years	BA	Yes	Yes	2019

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
- Multinational businesses
- Marketing
- Consumer goods
- Risk management
- Banking Compliance and governance
- Accounting, tax, reporting, and financial analysis
- Mergers, acquisitions and capital raisings
- Human resources and executive remuneration
- Investor relations.

## 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 secretaries

The company secretaries are directly accountable to the Board on all matters relating to the proper functioning of the Board.

### Diversity policy

The company is an equal opportunity employer and values differences such as gender, age, 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 in the corporate governance section and is subject to periodic review, 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, including gender balance are:

- Representation of women trained in recruitment and selection panels: Ongoing progress was made during the year with additional women being trained;
- Issuing the company's equal opportunity statement to recruiting agencies: This continued 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 during the year;
- Enhancing the gender balance in career development in senior and managerial roles; and
- Continue flexible working arrangements where operationally appropriate.
- A target gender balance of at least 40% of either gender in managerial and executive roles and approximately 30% for the Board.

The proportion of women employees in the company at 30 June 2021 is shown in the following table:

	30 June 2021	30 June 2020
Women on the Board <sup>1</sup>	29%	29%
Women in senior executive roles <sup>2</sup>	35%	30%
Women in managerial roles <sup>3</sup>	36%	32%
Women in company	45%	45%

<sup>1</sup> The number of women on the Board remained at 2.

<sup>2</sup> Senior and executive roles is comprised of all executive staff reporting to the CEO and their direct reports.

<sup>3</sup> Managerial roles include all executive, senior and management roles.

To assist the Board in fulfilling its responsibilities in relation to diversity, the implementation of these objectives is overseen by PPRNC. The committee shall:

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

### Workplace equality

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

### Evaluating the performance of the Board

The Chairperson 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 Chairperson to the Board following the assessment. This performance assessment was completed by the Chairperson during the year.

### Evaluating the performance of key executives

The performance of key executives is reviewed against specific and measurable qualitative and quantitative performance criteria and includes:

- financial measures of the company's performance;
- development and achievement of strategic objectives;
- development of management and staff;
- compliance with legislative and company policy requirements; and
- achievement of key performance indicators.

### Performance evaluation

All key executives were subject to an annual performance review with their direct manager during the reporting period.

## Principle 2: Structure the Board to 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. The Board annually assesses if there is a need for its existing Directors to undertake professional development to ensure they perform their role effectively.

In accordance with good corporate governance, where the Chairperson 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 Chairperson and representing the Board as the lead independent director when the Chairperson 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 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. Peter Cowan, Mr. Dean Howell, Mr. Lawrence Myers and Ms. Kate Wright are independent directors. Mr. Dean Howell's independence was explicitly reviewed in light of his tenure with the Group, and this was reconfirmed given his track record of independent opinion and action and the fact that the executive team was substantially changed over the last 6 years so Mr. Howell's tenure working with this current leadership is no longer than most of the Board.

The following directors are not classified independent directors:

- Mr Steven Fisher (non-executive Chairperson) ceased his employment by an entity associated with a substantial shareholder of the company during FY19.
- Mr Timothy Antonie (non-executive director) is a non-executive director of Premier Investments Ltd, a substantial shareholder of the company; and

- Ms Sally Herman (non-executive director) is a non-executive director of Premier Investments Ltd, a substantial shareholder of the company.

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

The majority of the Board members are independent directors.

### Material personal interest requirement

The Corporations Act provides that unless agreed by the Board, where any director has a material personal interest in a matter, the director will not be permitted to be present during discussions, or to vote on the matter.

### Access to independent advice

There are procedures in place to enable directors, in connection with their duties and responsibilities as directors, to seek independent professional advice at the expense of the company. Prior written approval of the Chairperson is required, which will not be unreasonably withheld.

### Board committees

The Board has established the audit and risk committee and people, performance, remuneration and nominations committee to assist in the execution of its duties and to allow detailed consideration of complex issues. The composition of these committees is shown on page 62 and comprises only independent directors. The Board has recently established a sustainability sub-committee to assist in the management of the complex risks and opportunities related to sustainability. The committee is chaired by a non-executive director and has both non-executive and executive membership.

## 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. The company is currently working on refreshing formal communication on the alignment of its values to its key strategic objectives, during FY22.

The Group has an anti-bribery and corruption policy which, in conjunction with the code of conduct and whistleblowing policy, sets out the responsibilities of all the Group's employees (including contractors) and directors regarding dealing with outside parties.

# Corporate governance statement

## continued

### Principle 3: Promote ethical and responsible decision making *continued*

The policy prohibits all personnel in all jurisdictions in which the company operates or conducts commercial activities from engaging in any activity that constitutes bribery or corruption and other improper inducements and/or payments. To ensure that these values and the policy are properly adhered to, the Group has appointed an Anti-Bribery Compliance Officer who is responsible for monitoring the application of this policy. Breaches of the whistleblower and anti-bribery and corruption policy are reported to the Board via the Group CFO.

### Principle 4: Safeguard integrity 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 monitoring and maintaining the 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

The directors' report, on page 57, outlines the number of A&RC meetings held during the year and the member's attendance at those meetings. It also outlines the qualifications of A&RC members on pages 14 and 15.

Board members, group CEO, company secretaries, group CFO; 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 Breville's case, all of whom are independent directors.

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

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

### Principle 5: Make timely and balanced disclosure

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

Materials used for investor and analyst briefings purposes are made public via ASX announcements.

### 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.

The company communicates to its shareholders via our Share Registry notification of meetings and how to participate, with required notice. The notice of meeting describes how to vote and participate in the AGM. Substantive resolutions are accessible to all security holders via its share registrar's platform, which takes an electronic and mail-in poll of votes.



## Principle 6: Respect the rights of shareholders *continued*

### 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 that enable the monitoring of progress against performance targets and the evaluation of trends;
- policies and procedures that enable management of the company's material business risks;
- formal strategic planning sessions; and
- presentation of periodic reports to the Board and the A&RC of the company's approach to risk management and its assessment there of 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 2021, the company did not have a separately established risk committee with the duties and responsibilities typically delegated to such a committee undertaken by 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, performance, remuneration and nominations committee

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

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

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

In accordance with the council's recommendation 8.1, the PPR&NC comprises:

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

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

For details on the number of meetings of the PPRNC held during the year and the members' attendance at those meetings, refer to the directors' report on page 57.

The company's policies for participants in equity-based remuneration schemes are published on its website. Key management personnel and associates are prohibited from entering into transactions with options, hedging arrangements or other derivative products. All trading activity by KMPs, and their associates, in relation to the company's shares, requires formal sign off by the Company Secretary and Chairman.

### 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 36 to 56.

# Consolidated income statement

## for the year ended 30 June 2021

	Note	Consolidated	
		30 June 2021 \$'000	30 June 2020 Restated* \$'000
Revenue	3(a)	1,187,659	952,244
Cost of sales	3(b)	(773,991)	(631,684)
<b>Gross profit</b>		<b>413,668</b>	320,560
Other income		284	294
Employee benefits expenses	3(e)	(117,833)	(89,213)
Premises & utilities expenses		(12,344)	(12,646)
Advertising and marketing expenses		(66,428)	(35,053)
Doubtful debt expense	6	(1,517)	(13,757)
Other expenses	3(d)	(52,532)	(50,130)
<b>Earnings before interest, tax, depreciation &amp; amortisation (EBITDA)</b>		<b>163,298</b>	120,055
Depreciation & amortisation expense	3(c)	(26,868)	(22,338)
<b>Earnings before interest &amp; tax (EBIT)</b>		<b>136,430</b>	97,717
Finance costs	3(f)	(9,157)	(8,368)
Finance income	3(f)	130	192
<b>Profit before income tax</b>		<b>127,403</b>	89,541
Income tax expense	4	(36,435)	(25,595)
<b>Net profit after income tax for the year attributable to members of Breville Group Limited</b>		<b>90,968</b>	63,946
		<b>Cents</b>	Cents
<b>Earnings per share for profit attributable to the ordinary equity holders of Breville Group Limited:</b>			
- basic earnings per share	12	65.8	48.8
- diluted earnings per share	12	65.2	48.8

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

\*Refer to Note 1 for description and impact of restatement.

# Consolidated statement of comprehensive income for the year ended 30 June 2021

	Consolidated	
	30 June 2021	30 June 2020 Restated*
Note	\$'000	\$'000
<b>Net profit after income tax for the year</b>	<b>90,968</b>	63,946
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Foreign currency translation differences	<b>(14,742)</b>	(2,346)
Net change in fair value of cash flow hedges	<b>488</b>	(325)
Income tax on other comprehensive income	4 <b>4,370</b>	2,733
<b>Other comprehensive income for the year, net of income tax</b>	<b>(9,884)</b>	62
<b>Total comprehensive income for the year attributable to members of Breville Group Limited</b>	<b>81,084</b>	64,008

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

*\*Refer to Note 1 for description and impact of restatement.*

# Consolidated statement of financial position as at 30 June 2021

	Consolidated		
	Note	30 June 2021 \$'000	30 June 2020 Restated* \$'000
<b>Current assets</b>			
Cash and cash equivalents	5	129,907	128,457
Trade and other receivables	6	119,335	156,106
Inventories	7	216,670	153,734
Other financial assets	15	2,625	2,243
Current tax assets	4	4,927	2,788
<b>Total current assets</b>		<b>473,464</b>	443,328
<b>Non-current assets</b>			
Plant and equipment	8	14,434	13,541
Deferred tax assets	4	17,426	14,768
Right-of-use assets	22	33,186	17,198
Intangible assets	9	229,804	144,012
Other financial assets	15	2,326	-
<b>Total non-current assets</b>		<b>297,176</b>	189,519
<b>Total assets</b>		<b>770,640</b>	632,847
<b>Current liabilities</b>			
Trade and other payables	6	175,796	147,891
Lease liabilities	22	7,210	7,382
Current tax liabilities	4	11,861	5,014
Provisions	6	23,592	20,214
Other financial liabilities	15	626	1,016
<b>Total current liabilities</b>		<b>219,085</b>	181,517
<b>Non-current liabilities</b>			
Other payables	6	12,194	15,499
Borrowings	14	-	-
Lease liabilities	22	31,506	16,964
Deferred tax liabilities	4	61	2,724
Provisions	6	1,309	1,060
<b>Total non-current liabilities</b>		<b>45,070</b>	36,247
<b>Total liabilities</b>		<b>264,155</b>	217,764
<b>Net assets</b>		<b>506,485</b>	415,083
<b>Equity</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	13	309,615	246,445
Reserves	13	(14,537)	2,059
Retained earnings		211,407	166,579
<b>Total equity</b>		<b>506,485</b>	415,083

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

\*Refer to Note 1 for description and impact of restatement.

# Consolidated statement of changes in equity for the year ended 30 June 2021

Consolidated	Note	Issued capital \$'000	Foreign currency translation reserve \$'000	Employee equity benefits reserve \$'000	Cash flow hedge reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>2020</b>							
<b>At 1 July 2020 (Restated*)</b>		<b>246,445</b>	<b>2,921</b>	<b>(1,721)</b>	<b>859</b>	<b>166,579</b>	<b>415,083</b>
Foreign currency translation reserve		-	(14,742)	-	-	-	(14,742)
Cash flow hedges		-	-	-	488	-	488
Income tax on items taken directly to equity	4	-	-	4,517	(147)	-	4,370
<b>Total other comprehensive income for the year</b>		-	(14,742)	4,517	341	-	(9,884)
Profit for the year		-	-	-	-	90,968	90,968
<b>Total comprehensive (loss)/income for the year</b>		-	(14,742)	4,517	341	90,968	81,084
Dividends paid	11	-	-	-	-	(46,140)	(46,140)
Ordinary shares issued for Performance Rights Plan (LTI) and Fixed Deferred Remuneration Plan, net of transaction costs and tax	13(a)	11,659	-	(453)	-	-	11,206
Ordinary shares issued to underwriters, net of transactions costs and tax, and participants of the DRP	13(a)	27,971	-	-	-	-	27,971
Ordinary shares issued net of transaction costs and tax, on acquisition of Baratz	9	23,540	-	-	-	-	23,540
Ordinary shares acquired by the Trustee of the Breville Group Performance Share Plan (LTI)	13(b)	(11,206)	-	-	-	-	(11,206)
Transferred to participants of the performance rights plan (LTI)	13(b)	11,206	-	(11,206)	-	-	-
Share-based payments		-	-	4,947	-	-	4,947
<b>At 30 June 2021</b>		<b>309,615</b>	<b>(11,821)</b>	<b>(3,916)</b>	<b>1,200</b>	<b>211,407</b>	<b>506,485</b>
<b>2020</b>							
<b>At 1 July 2019 (Original)</b>		140,050	5,267	(1,800)	1,086	165,732	310,335
Adjustment due to change in accounting standard (AASB 16)	22(d)	-	-	-	-	(3,188)	(3,188)
Accounting Policy change - SaaS		-	-	-	-	(9,062)	(9,062)
<b>At 1 July 2019*</b>		140,050	5,267	(1,800)	1,086	153,482	298,085
Foreign currency translation reserve		-	(2,346)	-	-	-	(2,346)
Cash flow hedges		-	-	-	(325)	-	(325)
Income tax on items taken directly to equity	4	-	-	2,635	98	-	2,733
<b>Total other comprehensive income for the year</b>		-	(2,346)	2,635	(227)	-	62
Profit for the year*		-	-	-	-	63,946	63,946
<b>Total comprehensive (loss)/income for the year*</b>		-	(2,346)	2,635	(227)	63,946	64,008
Dividends paid	11	-	-	-	-	(50,849)	(50,849)
Ordinary shares issued, net of transaction costs and tax	13(a)	106,395	-	-	-	-	106,395
Ordinary shares acquired by the Trustee of the Breville Group Performance Share Plan (LTI)	13(b)	(5,496)	-	-	-	-	(5,496)
Transferred to participants of the performance rights plan (LTI)	13(b)	5,496	-	(5,496)	-	-	-
Share-based payments		-	-	2,940	-	-	2,940
<b>At 30 June 2020</b>		<b>246,445</b>	<b>2,921</b>	<b>(1,721)</b>	<b>859</b>	<b>166,579</b>	<b>415,083</b>

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

\*Refer to Note 1 for description and impact of restatement.

# Consolidated cash flow statement

## for the year ended 30 June 2021

		Consolidated	
		30 June 2021	30 June 2020 Restated*
Note		\$'000	\$'000
<b>Cash flows from operating activities</b>			
	Receipts from customers	1,314,512	1,004,785
	Payments to suppliers and employees	(1,148,624)	(843,246)
	Finance costs paid	(8,351)	(6,973)
	Income tax paid	(33,400)	(28,930)
	Finance income received	130	192
	<b>Net cash flows from operating activities</b>	<b>124,267</b>	125,828
<b>Cash flows used in investing activities</b>			
	Purchase of plant and equipment	(6,827)	(7,004)
	Proceeds from sale of plant and equipment	57	126
	Development of intangible assets	(24,288)	(24,905)
	Cash consideration paid on acquisition of business	(60,636)	(14,289)
	<b>Net cash flows used in investing activities</b>	<b>(91,694)</b>	(46,072)
<b>Cash flows used in financing activities</b>			
	Proceeds from issue of shares net of transaction costs	-	100,722
	Proceeds from borrowings	56,547	202,604
	Repayment of borrowings	(57,902)	(253,704)
	Proceeds from ordinary shares issued to underwriters of Dividend Reinvestment Plan (DRP)	27,607	-
	Equity dividends paid	(45,630)	(50,849)
	Principal elements of lease payments	(7,479)	(7,325)
	<b>Net cash flows used in financing activities</b>	<b>(26,857)</b>	(8,552)
	<b>Net increase in cash and cash equivalents</b>	<b>5,716</b>	71,204
	Cash and cash equivalents at beginning of the year	128,457	57,129
	Net foreign exchange difference	(4,266)	124
	<b>Cash and cash equivalents at end of the year</b>	<b>129,907</b>	128,457

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

*\*Refer to Note 1 for description and impact of restatement.*

# Notes to the financial statements

## for the year ended 30 June 2021

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# Notes to the financial statements

## for the year ended 30 June 2021

### 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 34. The directors' report is unaudited (except for the remuneration report) and does not form part of the financial report.

#### (a) Basis of preparation

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

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

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

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

#### (b) 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 the Monte-Carlo or Black-Scholes option pricing model, using the assumptions detailed in note 18.

##### 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.



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

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.

### Provision for Doubtful Debts

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

## (e) Notes to the financial statements

Notes relating to individual line items in the financial statements include accounting policy information where it is considered relevant to an understanding of these items. Details of the impact of new accounting policies and all other accounting policy information are disclosed in note 24 of the financial report.

## (f) Change of accounting policy – Intangible assets - Restatement

The group previously capitalised costs incurred in configuring or customising a supplier's application software in a cloud computing arrangement as intangible assets, as the group considered that it would benefit from those costs to implement the cloud-based software over the life of the software. Following the IFRS Interpretations Committee agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in April 2021, the group has reconsidered its accounting treatment and adopted the treatment set out in the IFRS IC agenda decision, which is to recognise those costs as intangible assets only if the activities create an intangible asset that the entity controls and the intangible asset meets the recognition

criteria. Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the supplier of the cloud-based software to significantly customise the cloud-based software for the group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the cloud computing arrangement.

The change has been applied retrospectively and comparative information has been restated. As a result of the change in accounting policy the following impacts to the financial statements have been identified:

### Consolidated income statement

Increase / (decrease) profit	FY21 \$'000	FY20 \$'000
Other expenses	(10,265)	(6,467)
Depreciation and amortisation	4,153	3,245
EBIT	(6,112)	(3,222)
Income tax expense	1,834	967
NPAT	(4,279)	(2,255)
Increase / (decrease)	<b>Cents</b>	Cents
Basic EPS	(3.1)	(1.7)
Diluted EPS	(3.1)	(1.7)

### Other Comprehensive Income

Increase / (decrease) profit	FY21 \$'000	FY20 \$'000
Total comprehensive income	(4,279)	(2,255)

### Consolidated statement of financial position

Increase / (decrease)	30 June 2021 \$'000	30 June 2020 \$'000	1 July 2019 \$'000
Intangible assets	(22,280)	(16,167)	(12,945)
Deferred tax assets	6,684	4,850	3,883
Retained earnings	(15,596)	(11,317)	(9,062)

### Consolidated cash flow statement

Inflow / (outflow)	FY21 \$'000	FY20 \$'000
Payments to suppliers and employees (inclusive of GST)	(10,265)	(6,467)
Development of intangible assets	10,265	6,467

# Notes to the financial statements

## for the year ended 30 June 2021

### Note 2. Operating segments

#### Operating segments

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

The Group's external reporting segments are 'Global Product' and 'Distribution'.

'Global Product' sells premium products designed and developed by Breville, which are sold globally. Products may be sold directly or through 3<sup>rd</sup> parties, and may be branded Breville®, Sage®, Baratza® or carry a 3<sup>rd</sup> party brand.

'Distribution' sells products that are designed and developed by a 3<sup>rd</sup> 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 3<sup>rd</sup> party brand.

	Consolidated					
	30 June 2021			30 June 2020 Restated*		
	Global Product \$'000	Distribu- tion \$'000	Total \$'000	Global Product \$'000	Distribu- tion \$'000	Total \$'000
<b>Segment revenue</b>	<b>984,159</b>	<b>203,500</b>	<b>1,187,659</b>	764,409	187,835	952,244
<b>Segment results</b>						
<b>EBITDA</b>	<b>137,101</b>	<b>26,197</b>	<b>163,298</b>	93,286	26,769	120,055
Depreciation and amortisation	(25,992)	(876)	(26,868)	(21,128)	(1,210)	(22,338)
<b>EBIT</b>	<b>111,109</b>	<b>25,321</b>	<b>136,430</b>	72,158	25,559	97,717
Finance income			130			192
Finance costs			(9,157)			(8,368)
<b>Profit before income tax</b>			<b>127,403</b>			89,541
<b>Other segment information</b>						
Capital expenditure - plant and equipment	4,962	1,885	6,847	5,727	1,612	7,339
Capital expenditure - intangibles	106,502	-	106,502	53,652	-	53,652

\* Refer to Note 1 for description and impact of restatement.

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>(a) Segment revenue</b>		
<b>Global Product</b>		
Americas	492,951	422,329
EMEA	257,029	170,015
APAC	234,179	172,065
<b>Total Global Product revenue</b>	<b>984,159</b>	764,409

#### Distribution

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

### Note 3. Revenue and expenses

	Consolidated		
	Note	30 June 2021 \$'000	30 June 2020 Restated* \$'000
<b>(a) Revenue</b>			
Sale of goods		1,187,659	952,244
<b>Total revenue</b>		<b>1,187,659</b>	952,244
<b>(b) Cost of sales</b>			
Costs of inventories recognised as an expense (includes write-down of inventory to net realisable value (note 7))		684,399	556,990
Costs of delivering goods to customers		47,632	38,910
Warranty expense		41,960	35,784
<b>Total cost of sales</b>		<b>773,991</b>	631,684
<b>(c) Depreciation and amortisation expense</b>			
Depreciation – right-of-use assets	22(b)	6,086	6,377
Depreciation – plant and equipment	8	5,718	5,574
Amortisation – computer software	9	182	63
Amortisation – development costs	9	14,704	10,145
Amortisation – customer relationships	9	178	179
<b>Total depreciation and amortisation expense</b>		<b>26,868</b>	22,338
<b>(d) Other expenses</b>			
Net foreign exchange (gain)/loss		2,922	(307)
Other product related costs		8,380	5,819
Impairment charge – IoT platform	9	-	9,644
Information technology costs (including Software development expenses formerly capitalised relating to Global IT Platform 2.0)		21,367	15,477
Professional and administration costs (including insurance)		9,041	7,668
Other		10,822	11,829
<b>Total other expenses</b>		<b>52,532</b>	50,130
<b>(e) Employee benefits expenses</b>			
Wages & salaries, leave and other employee related benefits		94,342	82,143
Short term incentives		11,062	-
Defined contribution plan expense		6,141	4,130
Share-based payments expense		6,288	2,940
<b>Total employee benefits expenses</b>		<b>117,833</b>	89,213

\* Refer to Note 1 for description and impact of restatement.

# Notes to the financial statements

## for the year ended 30 June 2021

### Note 3. Revenue and expenses continued

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>(f) Finance costs/income</b>		
Finance costs paid or payable on borrowings and bank overdrafts:		
• interest and borrowing costs	<b>6,898</b>	5,385
Interest on other payables – non current (deferred consideration)	<b>1,045</b>	1,395
Interest on lease liabilities	<b>1,214</b>	1,588
Finance costs	<b>9,157</b>	8,368
Finance income	<b>(130)</b>	(192)
<b>Total net finance costs</b>	<b>9,027</b>	8,176

#### Recognition and measurement

##### Sale of goods

Revenue from Contracts with Customers is recognised at a point in time when the performance obligation of transferring goods to the buyer has been satisfied and the transaction price can be measured. Goods are considered transferred to the buyer when the buyer obtains control of those goods, which is at the earlier of delivery of the goods or the transfer of legal title to the buyer. Revenue is measured at the fair value of the consideration received or receivable, net of returns, allowances, trade discounts and volume rebates.

##### 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.

##### Other Expenses

Other expenses increased by \$2,402,000 to \$52,532,000 from pcp \$50,130,000 largely due to IT spend incurred in rolling out the global platform, forex losses and increased investment in product development, partially offset by the non-repeat of a one-off IoT impairment in FY20.

##### Employee Expenses

Employee benefit expenses increased by \$28,620,000 to \$117,833,000 from pcp \$89,213,000 led by the increased wages and salaries associated with the hiring of over 100 new employees globally in FY21 and the awarding of a discretionary short term incentive in FY21 after it was suspended in FY20.

## Note 4. Income tax

	<b>Consolidated</b>	
	<b>30 June 2021</b>	30 June 2020 Restated*
	<b>\$'000</b>	\$'000
The major components of income tax expense are:		
<b>Income statement</b>		
<b>Current income tax</b>		
Current income tax charge	<b>42,118</b>	28,063
Adjustments in respect of current income tax of previous years	<b>(1,888)</b>	(238)
<b>Deferred income tax</b>		
Relating to the origination and reversal of temporary differences	<b>(3,795)</b>	(2,230)
<b>Total income tax expense reported in the income statement</b>	<b>36,435</b>	25,595
<b>Deferred income tax related to items charged or credited directly to other comprehensive income</b>		
Employee equity benefits reserve	<b>(4,517)</b>	(2,635)
Net (loss)/gain on revaluation of cash flow hedges	<b>147</b>	(98)
<b>Income tax (benefit)/expense reported in other comprehensive income</b>	<b>(4,370)</b>	(2,733)
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the parent entity's applicable income tax rate is as follows:		
<b>Profit before income tax</b>	<b>127,403</b>	89,541
At the parent entity's statutory income tax rate of 30% (2020: 30%)	<b>38,221</b>	26,862
• adjustments in respect of current income tax of previous years	<b>(1,888)</b>	(238)
• effect of different rates of tax on overseas income	<b>(798)</b>	(527)
• expenditure not allowable for income tax purposes	<b>1,138</b>	1,389
• other	<b>(238)</b>	(1,891)
<b>Income tax expense reported in the income statement</b>	<b>36,435</b>	25,595

\* Refer to Note 1 for description and impact of restatement.

# Notes to the financial statements

## for the year ended 30 June 2021

### Note 4. Income tax continued

	Consolidated		Consolidated	
	Statement of financial position		Income statement	
	30 June 2021	30 June 2020 Restated*	30 June 2021	30 June 2020 Restated*
	\$'000	\$'000	\$'000	\$'000
<b>Deferred income tax</b>				
Deferred income tax at 30 June relates to the following:				
<b>Deferred tax liabilities</b>				
Brand names	1,875	1,875	-	-
Development costs	15,829	13,285	(2,544)	(1,280)
Other intangibles	1,869	760	(1,109)	(479)
Cash flow hedge reserve	515	368	-	-
Accelerated depreciation for tax purposes	430	505	75	(23)
<b>Gross deferred income tax liabilities</b>	<b>20,518</b>	16,793		
<b>Deferred tax assets</b>				
Losses available for offset against future taxable income	55	193	(138)	(118)
Provisions and accruals	14,358	12,665	1,248	5,374
Other long term payables	-	743	(743)	(116)
Employee benefits	5,902	2,406	3,496	(1,202)
Revaluation of inventories	1,119	777	342	(274)
Employee equity benefits reserve	7,583	5,028	641	446
Net leasing liability	1,649	1,326	323	(418)
Other	7,217	5,699	2,204	320
<b>Gross deferred income tax assets</b>	<b>37,883</b>	28,837		
<b>Net deferred income tax assets</b>	<b>17,365</b>	12,044		
<b>Deferred tax expense</b>			<b>3,795</b>	2,230
	<b>30 June 2021</b>	30 June 2020		
	<b>\$'000</b>	<b>\$'000</b>		
<b>Current income tax</b>				
<b>Current tax asset</b>	<b>4,927</b>	2,788		
<b>Current tax liabilities</b>	<b>11,861</b>	5,014		

\* Refer to Note 1 for description and impact of restatement.

At 30 June 2021, there is no recognised or unrecognised deferred income tax liability (2020: \$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 2021

### Note 5. Cash and cash equivalents

		<b>Consolidated</b>	
Note	<b>30 June 2021</b>	30 June 2020	
	<b>\$'000</b>	\$'000	
<b>Cash at bank and on hand</b>	(a)	<b>129,907</b>	128,457
<b>Notes:</b>			
- Cash at bank earns interest at floating rates based on daily bank deposit rates.			
- At 30 June 2021, the Group had available \$269,141,000 (2020: \$272,429,000) of undrawn committed borrowing and overdraft facilities in respect of which all conditions precedent had been met. This does not include the three year committed seasonal facility which is drawable between August and January (see note 14).			
- The fair value of cash and cash equivalents is \$129,907,000 (2020: \$128,457,000).			
Cash and cash equivalents	(a)	<b>129,907</b>	128,457
Non-current borrowings	14	-	-
<b>Net cash</b>	(b)	<b>129,907</b>	128,457
<b>(a) Reconciliation of net profit after tax for the year to net cash flows from operating activities</b>		<b>30 June 2021</b>	30 June 2020
		<b>\$'000</b>	Restated*
			\$'000
Net profit for the year		<b>90,968</b>	63,946
<b>Adjustments for:</b>			
Depreciation and amortisation (including AASB16)		<b>26,868</b>	22,338
Impairment charge		-	9,644
Share-based payments		<b>4,938</b>	2,940
Foreign exchange losses/(gains)		<b>3,392</b>	(307)
Loan to supplier		<b>(2,692)</b>	-
Other		<b>(63)</b>	-
<b>Changes in assets and liabilities:</b>			
Decrease/(increase) in:			
Trade receivables, prepayments and other receivables		<b>36,771</b>	8,906
Inventories		<b>(62,935)</b>	(382)
Other current assets		<b>(2,140)</b>	(82)
Non-current assets		<b>(3,250)</b>	(2,453)
(Decrease)/increase in:			
Current liabilities		<b>38,129</b>	22,492
Non-current liabilities		<b>(5,719)</b>	(1,214)
<b>Net cash flows from operating activities</b>		<b>124,267</b>	125,828

\* Refer to Note 1 for description and impact of restatement.



## Note 5. Cash and cash equivalents continued

### (b) Net debt reconciliation

Consolidated	Cash \$'000	Borrowings \$'000	Total \$'000
<b>Net cash at 30 June 2019</b>	57,129	(47,283)	9,846
Cash flows	71,204	51,100	122,304
FX adjustments	124	(3,817)	(3,693)
<b>Net cash at 30 June 2020</b>	128,457	-	128,457
Cash flows	<b>5,716</b>	<b>(1,355)</b>	<b>4,361</b>
FX adjustments	<b>(4,266)</b>	<b>1,355</b>	<b>(2,911)</b>
<b>Net cash at 30 June 2021</b>	<b>129,907</b>	<b>-</b>	<b>129,907</b>

### (c) Disclosure of financing facilities

Refer to note 14.

#### Recognition and measurement

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

## Note 6. Receivables, payables and provisions

	Consolidated		
	Note	30 June 2021 \$'000	30 June 2020 \$'000
<b>Trade and other receivables</b>			
<b>Current</b>			
Trade receivables	(a)	<b>123,922</b>	166,133
Allowance for uncollectible receivables		<b>(15,111)</b>	(14,101)
<b>Trade receivables, net</b>		<b>108,811</b>	152,032
Prepayments		<b>6,396</b>	2,487
Other receivables	(b)	<b>4,128</b>	1,587
<b>Total current trade receivables, prepayments and other receivables</b>		<b>119,335</b>	156,106

#### Notes:

(a) Trade receivables are non-interest bearing and are generally on 30-60 day terms. An allowance for uncollectible, or doubtful, receivables is calculated on a probability weighted measure of expected credit losses using historic, present and future economic conditions. A charge of \$1,517,000 (2020: \$13,757,000) has been recognised by the Group as an expense in 'other expenses' for the current year for specific debtors for which such evidence exists.

# Notes to the financial statements

## for the year ended 30 June 2021

### Note 6. Receivables, payables and provisions continued

#### Trade and other receivables continued

	<b>30 June 2021</b>
	<b>\$'000</b>
<b>Carrying amount at the beginning of the year:</b>	<b>14,101</b>
Provision	1,517
Write offs	(14)
Net exchange differences	(493)
<b>Carrying amount at the end of the year:</b>	<b>15,111</b>

At 30 June 2021 an ageing analysis of those trade receivables (net of allowance for uncollected receivables) are as follows:

	<b>Consolidated</b>	
	<b>30 June 2021</b>	30 June 2020
	<b>\$'000</b>	\$'000
Current	<b>105,705</b>	149,168
31 – 60 days overdue	<b>1,804</b>	1,747
61+ days overdue	<b>1,302</b>	1,117
<b>Trade receivables, net</b>	<b>108,811</b>	152,032

Trade receivables (net) past due, but not impaired, amount to \$3,106,000 (2020: \$2,864,000). In all instances each operating unit has been in contact with the relevant debtor and is satisfied that payment will be received in full or has been provided for.

- (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.

#### Recognition and measurement

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost. Bad debts are written off when incurred. An allowance for uncollectible, or doubtful, receivables is calculated on a probability weighted measure of expected credit losses using historic, present and future economic conditions. The carrying value and estimated net fair values of the trade and other receivables is assumed to approximate their fair value, being the amount at which the asset could be exchanged between willing parties.

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

	<b>Consolidated</b>	
Note	<b>30 June 2021</b>	30 June 2020
	<b>\$'000</b>	\$'000
<b>Trade and other payables</b>		
<b>Current</b>		
Trade and other payables – unsecured	<b>175,796</b>	147,891
<b>Total current trade and other payables</b>	<b>175,796</b>	147,891
<b>Non current</b>		
Other payables (a)	<b>12,194</b>	15,499
	<b>12,194</b>	15,499

#### Notes:

- (a) Relates to earn-outs in relation to the acquisition of ChefSteps which is measured at fair value.

## Note 6. Receivables, payables and provisions continued

### Recognition and measurement

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

	Consolidated		
	Note	30 June 2021 \$'000	30 June 2020 \$'000
<b>Provisions</b>			
<b>Current</b>			
Warranty and faulty goods	(a)	13,645	12,562
Employee benefits – annual leave	(a)	6,919	5,058
Employee benefits – long service	(a)	2,972	2,544
Other provisions	(a)	56	50
<b>Total current provisions</b>	(a)	<b>23,592</b>	20,214
<b>Non-current</b>			
Employee benefits – long service	(a)	1,309	1,060
<b>Total non-current provisions</b>	(a)	<b>1,309</b>	1,060

Consolidated	Warranty and faulty goods \$'000	Employee benefits - annual leave \$'000	Employee benefits - long service \$'000	Other Provisions \$'000	Total \$'000
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### (a) Movement in provisions

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

Current	12,562	5,058	2,544	50	20,214
Non-current	-	-	1,060	-	1,060
<b>Total</b>	12,562	5,058	3,604	50	21,274

#### Movement in provisions during the year:

Amounts utilised during the year	(37,888)	(3,051)	(24)	-	(40,963)
Additional provisions made in the year	39,549	4,982	713	5	45,249
Net exchange differences	(578)	(70)	(12)	1	(659)
<b>Net movement</b>	1,083	1,861	677	6	3,627

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

Current	13,645	6,919	2,972	56	23,592
Non-current	-	-	1,309	-	1,309
<b>Total</b>	13,645	6,919	4,281	56	24,901

# Notes to the financial statements

## for the year ended 30 June 2021

### Note 6. Receivables, payables and provisions continued

#### Provisions continued

##### (a) Movement in provisions continued

###### 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. During the COVID pandemic related lock downs in various markets, the ability of consumers to make returns has been somewhat constrained.

###### *Employee benefits - annual leave*

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

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

###### *Employee benefits - long service*

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

### Note 7. Inventories

	Note	Consolidated	
		30 June 2021 \$'000	30 June 2020 \$'000
Finished goods (at lower of cost and net realisable value)	(a)	142,102	126,995
Stock in transit (at cost)		74,568	26,739
<b>Total inventories</b>		<b>216,670</b>	153,734

#### Notes:

- (a) Total net finished goods provision movements recognised in the income statement totalled a \$1,680,000 debit (2020: \$19,000 debit) for the Group. This net debit/credit is included in the cost of inventories line in the cost of sales. The nature of the Group's finished products make obsolescence and deterioration in storage unlikely.

## Note 7. Inventories continued

### Recognition and measurement

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

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

## Note 8. Non-current assets - plant and equipment

	Consolidated		
	Note	30 June 2021 \$'000	30 June 2020 \$'000
<b>At the beginning of the year</b>			
At cost (gross carrying amount)		50,807	44,628
Accumulated depreciation and impairment		(37,266)	(32,585)
<b>Net carrying amount</b>		<b>13,541</b>	12,043
<b>Reconciliation of the carrying amount:</b>			
<b>Carrying amount at the beginning of year</b>		<b>13,541</b>	12,043
Additions		6,832	7,171
Additions from acquisitions		15	168
Disposals		(44)	(271)
Depreciation	3(c)	(5,718)	(5,574)
Net exchange difference		(192)	4
<b>Carrying amount at the end of year</b>		<b>14,434</b>	13,541
<b>At the end of the year</b>			
At cost (gross carrying amount)		56,779	50,807
Accumulated depreciation and impairment		(42,345)	(37,266)
<b>Net carrying amount</b>		<b>14,434</b>	13,541

### 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.

# Notes to the financial statements

## for the year ended 30 June 2021

### Note 9. Non-current assets - intangible assets

	Consolidated	
	30 June 2021 \$'000	30 June 2020 Restated* \$'000
Development costs	52,742	44,248
Computer software	1,425	812
Customer relationships	581	759
Goodwill & Brand Names	175,056	98,193
<b>Total intangible assets (net carrying amount)</b>	<b>229,804</b>	<b>144,012</b>

Consolidated 2021	Note	Develop- ment costs \$'000	Computer software \$'000	Customer relation- ships \$'000	Goodwill \$'000	Total \$'000
<b>At the beginning of the year</b>						
At cost (gross carrying amount)		124,047	981	1,835	98,193	225,056
Accumulated amortisation and impairment		(79,799)	(169)	(1,076)	-	(81,044)
<b>Net carrying amount</b>		<b>44,248</b>	<b>812</b>	<b>759</b>	<b>98,193</b>	<b>144,012</b>
<b>Reconciliation of the carrying amount:</b>						
<b>Carrying amount at the beginning of year</b>						
		44,248	812	759	98,193	144,012
Additions		23,494	795	-	656	24,945
Additions from acquisition of Baratza	(i)	-	-	-	81,557	81,557
Amortisation	3(c)	(14,704)	(182)	(178)	-	(15,064)
Net exchange difference		(296)	-	-	(5,350)	(5,646)
<b>Carrying amount at the end of year</b>		<b>52,742</b>	<b>1,425</b>	<b>581</b>	<b>175,056</b>	<b>229,804</b>
<b>At the end of the year</b>						
At cost (gross carrying amount)		147,204	1,776	1,835	175,056	325,871
Accumulated amortisation and impairment		(94,462)	(351)	(1,254)	-	(96,067)
<b>Net carrying amount</b>		<b>52,742</b>	<b>1,425</b>	<b>581</b>	<b>175,056</b>	<b>229,804</b>

## Note 9. Non-current assets - intangible assets continued

Consolidated 2020 Restated*	Note	Develop- ment costs \$'000	Computer software* \$'000	Customer relation- ships \$'000	Goodwill \$'000	Total \$'000
<b>At the beginning of the year*</b>						
At cost (gross carrying amount)*		99,376	107	1,835	70,179	171,497
Accumulated amortisation and impairment*		(60,024)	(107)	(897)	-	(61,028)
<b>Net carrying amount*</b>		39,352	-	938	70,179	110,469
<b>Reconciliation of the carrying amount:</b>						
<b>Carrying amount at the beginning of year</b>						
		39,352	-	938	70,179	110,469
Additions*		24,047	874	-	-	24,921
Additions from acquisition of ChefSteps	(ii)	717	-	-	28,014	28,731
Impairment charge – IoT platform	(iii)	(9,644)	-	-	-	(9,644)
Amortisation*	3(c)	(10,145)	(62)	(179)	-	(10,386)
Net exchange difference		(79)	-	-	-	(79)
<b>Carrying amount at the end of year*</b>		44,248	812	759	98,193	144,012
<b>At the end of the year*</b>						
At cost (gross carrying amount)*		124,047	981	1,835	98,193	225,056
Accumulated amortisation and impairment*		(79,799)	(169)	(1,076)	-	(81,044)
<b>Net carrying amount*</b>		44,248	812	759	98,193	144,012

\* Refer to Note 1 for description and impact of restatement.

### Notes:

- (i) Acquisition of Baratz - Goodwill of \$81,557,000 was recognised arising from the acquisition of Baratz, LLC, a US-based business on 1 October 2020, for a total consideration of \$84,176,000. \$60,636,000 of the consideration was paid in cash (net of cash acquired in the business) and \$23,540,000 by the issue of 884,956 fully paid ordinary shares in Breville priced at the 20-day VWAP of Breville shares traded on the ASX prior to 1 October 2020 at a value of \$26.60 per share. The cash portion was funded from existing cash reserves. The shares are subject to a trading lock. The acquisition has been included within the Global Product segment.
- (ii) Acquisition of ChefSteps – Goodwill of \$28,014,000 and \$717,000 of Development Costs were recognised arising from the acquisition of Chefsteps Inc., a US-based business on 16 July 2019. Cash consideration was paid on acquisition with a further deferred consideration payable as an earn out based on future performance of the acquired assets. The assets have been included within the Global Product segment cash generating unit (CGU).
- (iii) One-off impairment charge to IoT platform assets arising as a result of strategic decision to move to a standards-based IoT platform and to write-off development work on a range of proprietary IoT platforms.

# Notes to the financial statements

## for the year ended 30 June 2021

### Note 9. Non-current assets - intangible assets continued

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

<b>(a) Development costs</b>	
Internally generated / Acquired	Internally generated and acquired products and product platforms
Recognition	Capitalised at cost and recognised only after the Group can demonstrate the technical feasibility and commercial viability of the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Research costs are expensed as incurred.
Useful lives	Finite
Amortisation method	Amortised straight line over the period of expected future sales, no more than 3-5 years, from the related launch date on a straight line basis.
Impairment test	Annually and more frequently when an indication of impairment exists. An impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. The amortisation method is reviewed at each year end.
<b>(b) Computer software</b>	
Internally generated / Acquired	Internally generated and acquired software
Recognition	Capitalised at cost
Useful lives	Finite
Amortisation method	Amortised over the useful life, not exceeding 7 years, on a straight line basis.
Impairment test	When an indication of impairment exists. The amortisation method is reviewed at each year end.
<b>(c) Customer relationships</b>	
Internally generated / Acquired	Acquired customer relationships
Recognition	Capitalised at cost or if acquired as part of a business combination at fair value at the date of acquisition
Useful lives	Finite
Amortisation method	Amortised over the useful life, not exceeding 10 years, on a straight line basis.
Impairment test	Annually and more frequently when an indication of impairment exists. The amortisation method is reviewed at each year end.
<b>(d) Goodwill and brand names</b>	
Internally generated / Acquired	Acquired goodwill and brand names
Recognition	Initially capitalised at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Capitalised at cost or if acquired as part of a business combination at fair value at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.
Useful lives	Indefinite
Amortisation method	No amortisation
Impairment test	Annually and more frequently when an indication of impairment exists.



## Note 9. Non-current assets - intangible assets continued

The amortisation period and the amortisation method for an intangible asset with a finite useful life is 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 range of the estimated useful life of capitalised Development Costs changed effective from the 1st January 2021. The estimated life and thus amortisation period moved to a range of 3-5 years from a flat 3 years. 3-5 years more accurately reflects the actual in-market life of the products, especially given that most are rolled out globally, which can take at least 18 months to achieve. The impact on FY21 has been to reduce in-year amortisation by \$3,101,000 from the previous 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

On a consistent basis, goodwill and brand names acquired through business combinations have been allocated to these cash generating units or Groups of cash generating units for impairment testing as follows:

- Global Product APAC
- Global Product Americas
- Global Product EMEA
- Distribution

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 9.6% to 11.2% (2020: of 8.0% to 11.5%), 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 2022 budgets are extrapolated using a 2.0% - 3.0% growth rate (2020: 3.0%), which is considered a reasonable estimate of the long-term average growth rate for the wholesale consumer products industry.

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

### **Key assumptions used in value in use calculations for the cash generating units for 30 June 2021 and 30 June 2020**

The key assumptions on which management has based its cash flow projections when determining the value in use of the cash generating units are budgeted revenue and gross margins. The basis used to determine the value assigned to the budgeted revenue and gross margins are based on past performance and expectations for the future.

# Notes to the financial statements

## for the year ended 30 June 2021

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

		Consolidated	
Note	30 June 2021 \$'000	30 June 2020 \$'000	
<b>Carrying amount of goodwill and brand names are allocated as follows:</b>			
<b>Breville Group</b>			
- brand names with indefinite useful lives	<b>13,800</b>	13,800	
<b>Global Product APAC</b>			
- goodwill	<b>22,794</b>	22,794	
<b>Global Product Americas</b>			
- goodwill	<b>112,578</b>	35,715	
<b>Distribution</b>			
- goodwill	<b>8,109</b>	8,109	
- brand names with indefinite useful lives	<b>17,775</b>	17,775	
	<b>175,056</b>	98,193	
<b>All cash generating units</b>			
- goodwill	<b>143,481</b>	66,618	
- brand names with indefinite useful lives	<b>31,576</b>	31,575	
<b>Total carrying amount of goodwill and brand names</b>	<b>175,056</b>	98,193	

#### 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.

# Capital management

## Note 11. Dividends

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>(a) Dividends on ordinary shares declared, paid or issued via Dividend Reinvestment Plan (DRP) during the year:</b>		
<b>Final partially franked dividend for the year ending 30 June 2020 of 20.5 cents per share, 12.3 cents (60%) franked</b> (2020: final partially franked dividend for 2019 of 18.5 cents per share, 11.1 cents (60%) franked)		
• Paid in cash	27,567	24,121
• Shares issued via DRP	511	-
<b>Final dividend</b>	<b>28,078</b>	<b>24,121</b>
<b>Fully franked interim dividend for the year ending 30 June 2021 of 13.0 cents per share, 13.0 cents (100%) franked</b> (2020: interim partially franked dividend for 2020 of 20.5 cents per share, 12.3 cents (60%) franked)		
• Paid in cash	18,062	26,728
<b>Interim dividend</b>	<b>18,062</b>	<b>26,728</b>
<b>Total partially franked dividends declared and paid during the year of 33.5 cents per share, 25.3 cents (76%) franked</b> (2020: 39.0 cents per share (23.4 cents (60%) franked))		
	<b>46,140</b>	<b>50,849</b>
<b>Total dividends</b>	<b>46,140</b>	<b>50,849</b>
<b>(b) Dividends on ordinary shares proposed and not recognised as a liability:</b>		
<b>Final fully franked dividend for 2021 of 13.5 cents per share, (100%) franked</b> (2020: final partially franked dividend of 20.5 cents per share, 12.3 cents (60%) franked)		
	<b>18,757</b>	<b>28,078</b>
<b>(c) Franking credit balance</b>		
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% (2020: 30%)	17,718	13,754
• franking (debits)/credits that will arise from the payment of income tax (receivable)/payable as at the end of the year	4,244	(1,545)
	<b>21,962</b>	<b>12,209</b>
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	(8,038)	(7,198)
<b>Total franking credit balance</b>	<b>13,924</b>	<b>5,011</b>

The tax rate at which dividends are franked is 30% (2020: 30%).

# Notes to the financial statements

## for the year ended 30 June 2021

### Note 12. Earnings per share

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

	Consolidated	
	30 June 2021 \$'000	30 June 2020 Restated* \$'000
<b>Earnings used in calculating basic and diluted earnings per share:</b>		
<b>Net profit attributable to ordinary equity holders of Breville Group Limited</b>	<b>90,968</b>	63,946
	<b>Thousands</b>	Thousands
<b>Weighted average number of shares:</b>		
<b>Weighted average number of ordinary shares for basic earnings per share</b>	<b>138,339</b>	131,090
<b>Weighted average number of ordinary shares for diluted earnings per share</b>	<b>139,505</b>	131,090
<b>Weighted average number of exercised, forfeited or expired potential ordinary shares included in diluted earnings per share</b>	<b>-</b>	-

\* Refer to Note 1 for description and impact of restatement.

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.

### Note 13. Issued capital and reserves

	Note	Consolidated	
		30 June 2021 \$'000	30 June 2020 \$'000
<b>Issued capital</b>			
Ordinary shares – authorised, issued and fully paid	(a)	<b>309,615</b>	246,445
Ordinary shares – held by the Breville Group Performance Share Plan Trust	(b)	-	-
<b>Total contributed equity</b>		<b>309,615</b>	246,445

## Note 13. Issued capital and reserves continued

### Issued capital continued

#### 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 Share Plan are deducted from equity. No gain or loss is recognised in the income statement on the purchase of the Group's equity instruments by the Breville Group Performance Share Plan Trust.

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

	Note	Consolidated 30 June 2021		Consolidated 30 June 2020	
		Number of shares	\$'000	Number of shares	\$'000
<b>(a) Movements in ordinary issued shares:</b>					
<b>Beginning of the year</b>		<b>136,544,125</b>	<b>246,445</b>	130,095,322	140,050
<b>Movements during the year</b>					
Ordinary shares issued during the year for Performance Rights Plan (LTI) and Fixed Deferred Remuneration Plan.	(i)	<b>423,167</b>	<b>11,659</b>	331,155	5,496
Ordinary shares issued, net of transaction costs and tax, as part of DRP	(ii)	<b>1,088,556</b>	<b>27,971</b>	-	-
Ordinary shares issued, net of transaction costs and tax, as part of capital raise		-	-	6,117,648	100,899
Ordinary shares issued on acquisition of Baratza	(iii)	<b>884,956</b>	<b>23,540</b>	-	-
<b>End of the year</b>		<b>138,940,804</b>	<b>309,615</b>	136,544,125	246,445
<b>(b) Movements in ordinary shares held by the Breville Group performance share plan trust:</b>					
<b>Beginning of the year</b>		-	-	-	-
<b>Movements during the year</b>					
Ordinary shares transferred to participants of the Breville Group Performance Share Plan	(iv)	<b>406,700</b>	<b>11,206</b>	331,155	5,496
Ordinary shares subscribed to/acquired by the Breville Group Performance Share Plan Trust during the year - cash	(v)	<b>(406,700)</b>	<b>(11,206)</b>	(331,155)	(5,496)
<b>End of the year</b>		-	-	-	-

# Notes to the financial statements

## for the year ended 30 June 2021

### Note 13. Issued capital and reserves continued

#### Issued capital continued

- (i) During the year the group issued 423,167 fully paid ordinary shares (2020: 331,155) of Breville Group Limited as a result of the vesting of performance rights issued under the Breville Group performance share plan. The average value attributable to these issued shares was \$27.55 (2020: \$16.60), as of the date of issue.
- (ii) In October 2020 the group issued 1,088,556 shares at \$25.79 per share as part of the fully underwritten dividend reinvestment Plan (DRP).
- (iii) In October 2020 the group issued 884,956 shares at \$26.60 per share as part of the consideration for the acquisition of Baratz, LLC.
- (iv) During the year the Trustee of the Breville Group Performance Share Plan Trust transferred 406,700 ordinary company shares (2020: 331,155) to participants in order to fulfil its obligations under the Breville Group Limited Performance Share Plan.
- (v) During the year the Trustee of the Breville Group Performance Share Plan Trust subscribed to 406,700 ordinary shares of Breville Group Limited (2020: subscribed to 331,155 shares) in order to fulfil its obligations under the Breville Group Limited Performance Share Plan. The average value placed on these subscriptions was \$27.55 per share (2020: average value placed on these subscriptions was \$16.60 per share). Details are provided in note 16(b) and note 18.

#### (c) Rights over ordinary shares:

The company has a share-based payment rights schemes 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 1,388,145 (2020: 1,380,127) potential unissued ordinary shares in respect of rights that were outstanding.

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>Reserves</b>		
Foreign currency translation reserve	(11,821)	2,921
Employee equity benefits reserve	(3,916)	(1,721)
Cash flow hedge reserve	1,200	859
<b>Total reserves</b>	<b>(14,537)</b>	2,059

#### 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	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>Non-current</b>		
<b>Other loans:</b>		
- Cash advance facilities	-	-
<b>Total non-current borrowings</b>	<b>-</b>	<b>-</b>

## 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 2021 and 30 June 2020.

The Australia and New Zealand financing facilities were 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 were guaranteed by Breville Group Limited. The Hong Kong facility was secured via a security agreement over the assets and undertakings of HWI International Limited. A security agreement in favour of ANZ was in existence over the assets and undertakings of Breville USA, Inc. Breville Group Limited has issued corporate guarantees in favour of the local bank (HSBC) which provides the day to day US, Canadian, UK, Mexican and German transactional banking facilities. Borrowings may include Australian dollar, US dollar, Canadian dollar, British pounds, Euro and New Zealand dollar denominated amounts.

### Fair value

The carrying value and estimated net fair values of the borrowings held with banks (determined under Level 2, as described in note 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 2021 was assessed to be insignificant (2020: insignificant). Details regarding interest rate, foreign exchange and liquidity risk are disclosed in note 15.

	Note	Consolidated	
		30 June 2021 \$'000	30 June 2020 \$'000
<b>Financing facilities available</b>			
At reporting date, the following financial facilities have been negotiated and were available to the group:			
Facilities used at the reporting date	(a)	6,045	7,984
Facilities unused at the reporting date	(b)	275,492	276,974
<b>Total facilities</b>	(c)	<b>281,537</b>	284,958
<b>(a) Facilities used at the reporting date:</b>			
- Non-current cash advance facilities – committed		-	-
- Non-current cash advance facilities – uncommitted		-	-
- Overdraft facilities		-	395
- Business transactions facilities		304	1,929
- Indemnity/guarantee facilities		5,741	5,660
- Documentary credit facilities		-	-
<b>Facilities used as at reporting date</b>		<b>6,045</b>	7,984
<b>(b) Facilities unused at the reporting date:</b>			
- Non-current cash advance facilities – committed		259,255	261,376
- Non-current cash advance facilities – uncommitted		-	-
- Overdraft facilities		9,886	11,053
- Business transactions facilities		3,478	1,612
- Indemnity/guarantee facilities		2,207	2,207
- Documentary credit facilities		666	726
<b>Facilities unused as at reporting date</b>		<b>275,492</b>	276,974
<b>(c) Total facilities:</b>			
- Non-current cash advance facilities – committed		259,255	261,376
- Non-current cash advance facilities – uncommitted		-	-
- Overdraft facilities		9,886	11,448
- Business transactions facilities		3,782	3,541
- Indemnity/guarantee facilities		7,948	7,867
- Documentary credit facilities		666	726
<b>Total facilities</b>		<b>281,537</b>	284,958

# Notes to the financial statements

## for the year ended 30 June 2021

### Note 14. Borrowings continued

#### Group facilities

At 30 June 2021, the Group had debt facilities with ANZ bank including;

- a committed base (\$142,800,000) and seasonal multicurrency facilities (\$93,165,000 at peak) from 1 to 3 years
- a \$115,000,000 one year multicurrency facility, with a defined extension mechanism.

The Group's 3 year committed seasonal facilities were available between August and January for FY21, FY22 and FY23, which ranged between \$39,959,000 and \$93,165,000 (2020: between \$43,619,000 and \$99,682,000).

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

In August 2021 the Group amended its existing facilities with ANZ bank which now comprise;

- \$250,000,000 committed multicurrency facilities with tenures between 1.5 and 5 years
- \$100,000,000 one year uncommitted facility.

#### Recognition and measurement

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

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

### Note 15. Financial risk management

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

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

#### Recognition and measurement

##### *Derivative financial instruments and hedging*

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

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

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

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

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



## Note 15. Financial risk management continued

### Recognition and measurement continued

#### *Derivative financial instruments and hedging continued*

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

#### *Cash flow hedges*

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

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

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

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

#### *Other Financial assets at amortised cost*

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

	30 June 2021 \$'000	30 June 2020 \$'000
Loans to suppliers – Current	285	-
Loans to suppliers – Non Current	2,326	-
<b>Total</b>	<b>2,611</b>	-

### 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 2021, the Group has the following exposure to interest rate risk:

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
Cash at bank	129,907	128,457
Cash advance facilities	-	-
<b>Net exposure</b>	<b>129,907</b>	128,457

The Group's net exposure to interest rate risk calculated as at 30 June 2021 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.

At 30 June 2021, the Group did not have any borrowings drawn down from its cash advance facilities, and so there is no material interest rate risk that would impact finance costs due to exposure to floating rates.

# Notes to the financial statements

## for the year ended 30 June 2021

### Note 15. Financial risk management continued

#### Foreign currency risk

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

To hedge exposure arising from the purchase of inventories or payments in currencies other than the business unit's functional currency, 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 2021, the Group has the following financial assets and liabilities exposed to foreign currency risk:

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
Cash at bank	2,547	7,346
Trade and other receivables	4,519	3,178
Trade and other payables	(3,734)	(15,358)
Other financial assets – derivative assets – forward exchange contracts	2,340	2,243
Other financial liabilities – derivative liabilities – forward exchange contracts	(626)	(1,016)
<b>Net exposure</b>	<b>5,046</b>	<b>(3,607)</b>

#### Instruments used by the group

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

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

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

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

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

The fair value of all derivative assets and liabilities have been determined under Level 2. The fair value of Non-current other payables of \$12,194,000 has been determined under Level 3. Expected cash outflows are estimated based on the terms of the sale contract and the entity's knowledge of the business and how the current economic environment is likely to impact the valuation. Changes in the fair value are not expected to differ significantly from the carrying value.

## 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 USD, Euro and CHF. These contracts are hedging highly probable forecasted purchases and highly probable forecasted payments and they are timed to mature when settlement of purchases or the payments are scheduled to be made. All forward exchange contracts have 0-12 months maturity (2020: 0-12 months).

The cash flows are expected to occur between 0-12 months from 1 July 2021 (2020: 0-12 months) and the cost of sales and where applicable the sale of goods within the income statement will be affected in the next financial year as the inventory is sold or the payments are made. At balance date, the details of outstanding contracts are:

	Consolidated	
	30 June 2021 A\$'000	30 June 2020 A\$'000
Buy USD	139,579	115,446
Buy Euro	13,235	3,265
Buy CHF	23,502	17,222

The cash flow hedges of the forecast purchases and forecast payments are considered to be highly effective and any gain or loss on the contracts is taken directly to equity. Where the contracts are hedging highly probable forecasted inventory purchases, when the inventory is received or the risk is assumed, the amount recognised in equity is adjusted to the inventory account in the balance sheet. During the year \$4,172,000 was debited to inventory (2020: \$4,698,000 credited) and \$6,446,127 was debited (2020: \$2,254,000 credited) to equity in respect of the Group.

At 30 June 2021, the Group had hedged 37% (2020: 42%) of its forecast foreign currency purchases extending to June 2022 (2020: June 2021). The remaining 63% (2020: 58%) is exposed to some foreign exchange risk, however is also naturally hedged within the Group.

In respect of net derivative assets and liabilities above, being the fair value of forward exchange contracts designated as cash flow hedges, a decrease of 10% in the US dollar exchange rate against local currencies, all other variables held constant, would result in an increase in equity of \$11,671,000 (2020: \$10,649,000). 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 \$9,349,000 (2020: \$8,633,000).

### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Board monitors the Group's gearing ratio and compliance with debt covenants on a regular basis. The Group's gearing ratio at 30 June 2021 and 30 June 2020 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 (including trade receivables), excluding investments, of the Group that has been recognised on the balance sheet is the carrying value amount, net of any uncollectible receivables (measured on a collective basis).

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group appropriately provides for expected credit losses on a timely basis, and in calculating the expected credit loss rates, the Group considers historic loss rates for each category of customers, adjusting for forward looking macroeconomic data.

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

# Notes to the financial statements

## for the year ended 30 June 2021

### Note 15. Financial risk management continued

#### Credit risk continued

Post COVID-19 a number of retailers/customers have experienced cashflow difficulties with an increased instance of delayed payments or bankruptcy. At the same time insurers have reduced insurable limits with a number of customers heightening 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 appropriately provided for.

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

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.

#### Group financial liabilities

As at 30 June 2021, the Group did not have any outstanding debt relating to its cash advance facilities (2020: the Group did not have any outstanding debt relating to its cash advance facilities).

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 2021, the remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	30 June 2021 \$'000	30 June 2020 \$'000
Less than 1 year	183,632	156,289
Between 1 and 5 years	43,700	32,463
	<b>227,332</b>	188,752

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 2021			30 June 2020		
	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	175,796	12,194	187,990	147,891	15,499	163,390
Borrowings	-	-	-	-	-	-
Lease liabilities	7,210	31,506	38,716	7,382	16,964	24,346
Other financial liabilities	626	-	626	1,016	-	1,016
	<b>183,632</b>	<b>43,700</b>	<b>227,332</b>	156,289	32,463	188,752

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.

Legal entity	Country of incorporation	Note	Equity interest	
			30 June 2021 %	30 June 2020 %
Thebe International Pty Limited	Australia	(a)	100	100
<i>Investments not held directly by Breville Group Limited:</i>				
Breville Holdings Pty Limited	Australia	(a)	100	100
Breville Pty Limited	Australia	(a)	100	100
Breville R&D Pty Limited	Australia		100	100
Breville Group Performance Share Plan Trust	Australia	(b)	-	-
Breville New Zealand Limited	New Zealand		100	100
HWI International Limited	Hong Kong		100	100
Breville Services (Shenzhen) Company Limited	China		100	100
Breville Holdings USA, Inc.	USA		100	100
Breville USA, Inc.	USA		100	100
Baratza LLC	USA		100	
Holding HWI Canada, Inc.	Canada		100	100
HWI Canada, Inc.	Canada		100	100
Breville Canada, L.P.	Canada		100	100
BRG Appliances Limited	UK		100	100
Sage Appliances GmbH	Germany		100	100
Sage Appliances France SaS	France		100	100
Breville Mexico, S.A. de C.V.	Mexico		100	-
Breville Servicios, S.A. de C.V.	Mexico		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.

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 (refer note 13)

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 year the Trustee of the Breville Group Performance Share Plan Trust subscribed to 406,700 ordinary shares of Breville Group Limited (2020: subscribed to 331,155 shares) in order to fulfil its obligations under the Breville Group Limited Performance Share Plan. The average value placed on these subscriptions was \$27.55 per share (2020: average value placed on these subscriptions was \$16.60 per share). Details are provided in note 18.

# Notes to the financial statements

## for the year ended 30 June 2021

### Note 17. Parent entity information

As at and throughout the financial year ended 30 June 2021 the parent company of the Group was Breville Group Limited.

	30 June 2021 \$'000	30 June 2020 \$'000
<b>Results of the parent entity</b>		
<b>Profit of the parent entity</b>	<b>51,490</b>	53,457
<b>Total comprehensive income of the parent entity</b>	<b>51,490</b>	53,457
<b>Financial position of the parent entity</b>		
Current assets	<b>104,167</b>	74,996
Total assets	<b>320,008</b>	253,684
Current liabilities	-	-
Total liabilities	-	-
<b>Net assets</b>	<b>320,008</b>	253,684
<b>Equity attributable to the equity holders of the parent</b>		
Issued capital	<b>309,615</b>	246,445
Employee equity benefits reserve	<b>(3,916)</b>	(1,721)
Retained earnings	<b>14,309</b>	8,960
<b>Total shareholders' equity</b>	<b>320,008</b>	253,684

### 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 Canada and Mexico which provides the day to day US, Canadian, Mexican, UK, French and German transactional banking facilities.

### Tax consolidation

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

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

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

- the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group; and
- assets or liabilities arising for Breville Group Limited under the tax funding agreement as amounts receivable from or payable to other entities in the Group.

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

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

## Other

### Note 18. Share-based payments

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

Under the performance rights plan (LTI) and fixed deferred remuneration rights plan participants are issued with rights over the ordinary shares of Breville Group Limited issued in accordance with the Breville Group Limited Share Plan. See pages 45 to 47 of the Remuneration report for details of the two plans.

At 30 June 2021 there were 1,388,145 (2020: 1,380,127) total rights outstanding under both plans, 1,246,074 (2020: 1,183,900) under the performance rights plan (LTI) and 142,071 (2020: 196,227) under the fixed deferred remuneration rights 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.

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

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

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

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

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

	Note	30 June 2021		30 June 2020	
		Number of performance rights	WAEP	Number of performance rights	WAEP
<b>Outstanding at the beginning of the year</b>		<b>1,183,900</b>	<b>0.00</b>	1,046,255	0.00
Performance rights granted during the year		<b>410,828</b>	<b>0.00</b>	476,400	0.00
Performance rights exercised during the year		<b>(346,700)</b>	<b>0.00</b>	(331,155)	0.00
Performance rights lapsed during the year		<b>(1,954)</b>	<b>0.00</b>	(7,600)	0.00
<b>Outstanding at the end of the year</b>	(a)	<b>1,246,074</b>	<b>0.00</b>	1,183,900	0.00
<b>Exercisable at the end of the year</b>		-	-	-	-

# Notes to the financial statements

## for the year ended 30 June 2021

### Note 18. Share-based payments continued

#### Rights outstanding under the performance rights plan (LTI)

##### Notes

(a) The outstanding balance as at 30 June 2021 is represented by:

Number of performance rights	Measure	Period start	Period End	Grant date	Vesting date	Expiry date	WAEP \$	Fair value at grant date (\$)
96,300	TSR	30-Jun-17	30-Jun- 21	13-Nov-17	27-Aug-21	1-Oct-21	0.00	6.68
116,000	TSR	30-Jun-18	30-Jun-21	11-Sep-18	27-Aug-21	1-Oct-21	0.00	6.81
114,900	TSR	30-Jun-18	30-Jun-22	11-Sep-18	29-Aug-22	3-Oct-22	0.00	6.58
19,800	TSR	30-Jun-18	30-Jun-21	16-Nov-18	27-Aug-21	1-Oct-21	0.00	6.81
19,700	TSR	30-Jun-18	30-Jun-22	16-Nov-18	29-Aug-22	3-Oct-22	0.00	6.58
159,200	TSR	30-Jun-19	30-Jun-21	11-Oct-19	27-Aug-21	1-Oct-21	0.00	6.51
157,400	TSR	30-Jun-19	30-Jun- 22	11-Oct-19	29-Aug-22	3-Oct-22	0.00	6.81
157,400	TSR	30-Jun-19	30-Jun- 23	11-Oct-19	29-Aug-23	2-Oct-23	0.00	7.06
3,450	TSR	30-Jun-20	30-Jun- 22	7-Sep-20	29-Aug-22	3-Oct-22	0.00	6.58
3,450	TSR	30-Jun -20	30-Jun- 23	7-Sep-20	27-Aug-21	2-Oct-23	0.00	6.81
398,474	TSR	30-Jun-20	30-Jun- 23	7-Sep-20	29-Aug-23	1-Oct-23	0.00	14.69
<b>1,246,074</b>							<b>0.00</b>	

#### Rights granted and outstanding under the fixed deferred remuneration plan

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

Note	30 June 2021		30 June 2020	
	Number of share rights	WAEP	Number of share rights	WAEP
<b>Outstanding at the beginning of the year</b>	<b>196,227</b>	<b>0.00</b>	60,000	0.00
Rights granted during the year	<b>22,311</b>	<b>0.00</b>	136,227	0.00
Rights exercised during the year	<b>(76,467)</b>	<b>0.00</b>	-	0.00
Rights lapsed during the year	-	<b>0.00</b>	-	0.00
<b>Outstanding at the end of the year</b>	<b>142,071</b>	<b>0.00</b>	196,227	0.00
<b>Exercisable at the end of the year</b>	-	-	-	-

#### Rights outstanding under the fixed deferred remuneration plan

##### Notes

(b) The outstanding balance as at 30 June 2021 is represented by:

Number of performance rights	Note	Grant date	Vesting date	Expiry date	WAEP \$	Fair value at grant date (\$)
29,940	(i)	29-Jan-20*	25-Aug-21	1-Oct-21	0.00	16.70
29,940	(ii)	29-Jan-20*	25-Aug-22	3-Oct-22	0.00	16.70
29,940	(iii)	29-Jan-20*	25-Aug-23	2-Oct-23	0.00	16.70
29,940	(iv)	29-Jan-20*	25-Aug-24	1-Oct-24	0.00	16.70
22,311	(v)	7-Sep-20	25-Aug-25	3-Oct-25	0.00	19.60
<b>142,071</b>					<b>0.0000</b>	



## Note 18. Share-based payments continued

### Rights outstanding under the fixed deferred remuneration plan continued

\* material terms and conditions of the grant were agreed in January 2020 but administrative finalisation of grants were delayed due to COVID-19 priorities. In line with AASB2, fair value was based on the price at the time when grant was agreed when VWAP for H1 FY20 was \$16.70.

- (i) Rights granted as fixed deferred remuneration with vesting condition that the participant must complete the service period between 26 August 2020 – 25 August 2021.
- (ii) Rights granted as fixed deferred remuneration with vesting condition that the participant must complete the service period between 26 August 2021 – 25 August 2022.
- (iii) Rights granted as fixed deferred remuneration with vesting condition that the participant must complete the service period between 26 August 2022 – 25 August 2023.
- (iv) Rights granted as fixed deferred remuneration with vesting condition that the participant must complete the service period between 26 August 2023 – 25 August 2024.
- (v) Rights granted as fixed deferred remuneration with vesting condition that the participant must complete the service period between 26 August 2024 – 25 August 2025.

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

The average remaining contractual life for the performance and the fixed deferred remuneration rights outstanding at 30 June 2021 is between 1 and 4 years (2020: 1 and 4 years).

The exercise price for performance rights and the fixed deferred remuneration rights outstanding at the end of the year was \$nil (2020: \$nil).

The weighted average fair value of performance rights granted under the performance rights plan during the year was \$14.69 (2020: \$6.83).

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

The following table lists the inputs to the model used for the grants during the year ended 30 June 2021 and 30 June 2020:

	<b>30 June 2021</b>	30 June 2020	30 June 2020	30 June 2020
	<b>(Monte- Carlo)</b>	(Monte- Carlo)	(Monte- Carlo)	(Monte- Carlo)
<b>Grant date</b>	<b>7 Sep 20</b>	11 Oct 19	11 Oct 19	11 Oct 19
<b>Vesting date</b>	<b>29 Aug 23</b>	27 Aug 21	29 Aug 22	29 Aug 23
<b>Dividend yield (%)</b>	<b>2.50</b>	2.50	2.50	2.50
<b>Expected volatility (%)</b>	<b>35.00</b>	33.00	33.00	33.00
<b>Historical volatility (%)</b>	<b>35.00</b>	33.00	33.00	33.00
<b>Risk-free interest rate (%)</b>	<b>0.30</b>	0.70	0.70	0.70
<b>Expected life of performance right</b>	<b>2.9 years</b>	1.8 years	2.8 years	3.8 years
<b>Performance right exercise price (\$)</b>	<b>0.00</b>	0.00	0.00	0.00
<b>Weighted average share price (\$)¹</b>	<b>22.41</b>	16.70	16.70	16.70
<b>Weighted average fair value (\$)¹</b>	<b>14.69</b>	6.51	6.81	7.06

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.

The weighted average fair value of share rights granted under the fixed deferred remuneration plan during the year was \$19.60 (2020: \$16.70).

# Notes to the financial statements

## for the year ended 30 June 2021

### Note 19. Related party transactions

	30 June 2021	30 June 2020
	\$'000	Restated* \$'000
<b>(i) Consolidated statement of financial position for class order closed group</b>		
<b>Current assets</b>		
Cash and cash equivalents	60,324	43,991
Trade and other receivables	52,483	59,111
Inventories	44,053	28,491
Current tax assets	-	1,545
Other financial assets	2,625	2,245
<b>Total current assets</b>	<b>159,485</b>	<b>135,383</b>
<b>Non-current assets</b>		
Investments	247,212	166,176
Right-of-use-assets	8,318	10,826
Plant and equipment	11,531	9,588
Intangible assets	102,728	98,723
Deferred tax assets	8,696	2,176
Other financial assets	2,326	-
<b>Total non-current assets</b>	<b>380,811</b>	<b>287,489</b>
<b>Total assets</b>	<b>540,296</b>	<b>422,872</b>
<b>Current liabilities</b>		
Trade and other payables	107,869	71,773
Current tax liabilities	4,244	-
Provisions	10,507	7,717
Lease liabilities	3,690	2,949
Other financial liabilities	625	1,016
<b>Total current liabilities</b>	<b>126,935</b>	<b>83,455</b>
<b>Non-current liabilities</b>		
Other payables	-	2,476
Lease liabilities	9,497	13,439
Provisions	1,180	911
<b>Total non-current liabilities</b>	<b>10,677</b>	<b>16,826</b>
<b>Total liabilities</b>	<b>137,612</b>	<b>100,281</b>
<b>Net assets</b>	<b>402,684</b>	<b>322,591</b>
<b>Equity</b>		
Issued capital	309,615	246,445
Reserves	(2,715)	(861)
Retained earnings	95,784	77,007
<b>Total equity</b>	<b>402,684</b>	<b>322,591</b>

\* Refer to Note 1 for description and impact of restatement.

## Note 19. Related party transactions continued

	30 June 2021	30 June 2020
	\$'000	Restated* \$'000
<b>(ii) Consolidated income statement for class order closed group</b>		
Profit from ordinary activities before income tax expense	94,540	80,989
Income tax expense relating to ordinary activities	(29,623)	(22,482)
<b>Net profit</b>	<b>64,917</b>	58,507
Accumulated profits at the beginning of the year	77,007	80,999
Adjustment due to change in accounting standard	-	(2,588)
Adjustment due to change in accounting policy	-	(9,062)
Dividends paid or reinvested	(46,140)	(50,849)
<b>Accumulated profits at the end of the year</b>	<b>95,784</b>	77,007

\* Refer to Note 1 for description and impact of restatement.

### (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:

	Note	Consolidated	
		30 June 2021	30 June 2020
		\$	\$
<b>Compensation by category: key management personnel</b>			
Short-term		7,345,732	4,769,722
Post-employment	(i)	200,297	187,262
Other long-term		51,562	35,278
LTI Share-based payment		1,604,473	1,177,713
<b>Total</b>		<b>9,202,064</b>	6,169,975

(i) This comprises defined contribution plans expense of \$200,297 (2020: \$187,262)

# Notes to the financial statements for the year ended 30 June 2021

## Note 20. Auditor's remuneration

	Consolidated	
	30 June 2021 \$	30 June 2020 \$
<b>Amounts received or due and receivable from the entity and any other entity in the consolidated entity:</b>		
<b>PricewaterhouseCoopers Australia – primary auditors</b>		
<b>Parent entity</b>		
Audit or review services	658,261	524,956
Taxation and accounting advisory services	130,036	101,468
<b>Network Firms of PricewaterhouseCoopers Australia</b>		
<b>Controlled entities</b>		
Audit or review services	153,739	154,869
Taxation and accounting advisory services	594,790	390,456
<b>Total auditor's remuneration</b>	<b>1,536,826</b>	<b>1,171,749</b>

## Note 21. 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) in Mexico and Canada, which provides the day to day US, Canadian, Mexican, UK, French and German transactional banking facilities.

## Note 22. Leases

This note provides information for leases where the group is a lessee. The Group does not act as a lessor under any circumstances.

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

	Note	Consolidated	
		30 June 2021 \$'000	30 June 2020 \$'000
<b>Right-of-use assets</b>			
Buildings		33,186	17,186
Vehicles		-	12
<b>Total</b>	(i)	<b>33,186</b>	<b>17,198</b>
<b>Lease liabilities</b>			
Current		7,210	7,382
Non-current		31,506	16,964
<b>Total</b>		<b>38,716</b>	<b>24,346</b>

(i) Additions to the right-of-use assets during FY21 were \$22,556,000 (FY20: \$4,029,000).

## Note 22. Leases continued

### b) Amounts recognised in the consolidated income statement

	Note	Consolidated	
		30 June 2021 \$'000	30 June 2020 \$'000
<b>Depreciation charge of right-of-use assets</b>			
Buildings		6,074	6,328
Vehicles		12	49
<b>Total</b>	3(c)	<b>6,086</b>	6,377
<b>Other expenses</b>			
Interest expense on lease liabilities (included in finance costs)	3(f)	1,214	1,588

The total cash outflow for leases during FY21 was \$8,693,000 (includes principal elements of lease payments of \$7,479,000 (refer consolidated cash flow statement) plus interest expense on lease liabilities of \$1,214,000). (FY20: total cash outflow for leases of \$8,913,000 (includes principal elements of lease payments of \$7,325,000 (refer consolidated cash flow statement) plus interest expense on lease liabilities of \$1,588,000).

As at 30 June 2021, the Group's leases do not contain any variable payment terms.

### c) The Group's leasing activities and how these are accounted for

The Group leases various office buildings and motor vehicles, with rental contracts typically spanning fixed periods of 1 to 6 years, with some having options to extend.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Breville Group Limited, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

# Notes to the financial statements

## for the year ended 30 June 2021

### Note 22. Leases continued

#### c) The Group's leasing activities and how these are accounted for continued

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and,
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

### Note 23. Significant events after year end

Breville Group announced to the ASX on 17 August 2021 a number of Board changes. These changes are detailed in that announcement and will be reflected in next year's Directors' Report. No other matters or circumstances have arisen since the end of the year which significantly affected or may affect the operations of the consolidated entity.

The financial report of Breville Group Limited for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors on 17 August 2021.

### Note 24. Other accounting policies

#### a) Foreign currency translation

##### (i) Functional and presentation currency

Both the functional and presentation currency of Breville Group Limited and its Australian subsidiaries are Australian dollars (AUD or A\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

##### (ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the foreign subsidiaries is either:

- USD - United States dollar (Breville Holdings USA, Inc. and Breville USA, Inc.);
- HKD - Hong Kong dollar (HWI International Limited);
- CAD - Canadian dollar (HWI Canada, Inc., Holding HWI Canada, Inc. and Breville Canada, L.P.);
- NZD - New Zealand dollar (Breville New Zealand Limited);
- GBP - British pound (BRG Appliances Limited);
- RMB - Chinese Renminbi (Breville Services (Shenzhen) Company Limited); and
- EUR – Euro (Sage Appliances GmbH and Sage Appliances France SaS).
- MXN – Mexican Peso (Breville Mexico, S.A. de C.V. and Breville Servicios, S.A. de C.V.)

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

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

## Note 24. Other accounting policies continued

### (iii) Disposal of foreign operations

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

### b) Investments and other financial assets

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

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

#### (i) 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.

### c) Other Taxes

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

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

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

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

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

### d) New accounting standards and interpretations

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

The accounting policies of the Group are consistent with those of the previous financial year with the exception of a change in policy on recognition of software intangible assets described in Note 1.

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

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

# Directors' declaration

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

1. In the opinion of the directors:
  - (a) the financial statements and notes set out on pages 64 to 109 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 2021 and of its performance for the financial 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 issued by the International Accounting Standards Board as disclosed in note 1;
  - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and,
  - (d) 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 by the Chief Executive Officer and Chief Financial Officer required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2021.

On behalf of the Board



Steven Fisher  
Non-executive chairman

Sydney  
17 August 2021



# Auditor's independence declaration



## *Auditor's Independence Declaration*

As lead auditor for the audit of Breville Group Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

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

Aishwarya Chandran  
Partner  
PricewaterhouseCoopers

Sydney  
17 August 2021

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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# Independent auditor's report



## *Independent auditor's report*

To the members of Breville Group Limited

### *Report on the audit of the financial report*

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#### *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 2021 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 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated cash flow statement for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

#### *Independence*

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

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### *Our audit approach*

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

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



<i>Materiality</i>	<i>Audit scope</i>
<ul style="list-style-type: none"> <li>• For the purpose of our audit we used overall Group materiality of \$6.3 million, which represents approximately 5% of the Group’s profit before tax.</li> <li>• We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</li> <li>• We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.</li> <li>• We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.</li> </ul>	<ul style="list-style-type: none"> <li>• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> <li>• The Group comprises entities located globally, with the most financially significant operations being located in Australia and the United States of America.</li> <li>• PwC Australia undertook all audit procedures to obtain sufficient appropriate audit evidence to express an opinion on the Group’s financial report as a whole.</li> </ul>

# Independent auditor's report continued



## Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><b>Estimated recoverable amount of goodwill and intangibles with indefinite lives</b></p> <p><i>(Refer to note 10)</i></p> <p>Under Australian Accounting Standards, the Group is required to test goodwill and intangibles with indefinite lives annually for impairment, irrespective of whether there are indicators of impairment.</p> <p>The Group assesses goodwill and intangibles with indefinite lives for impairment at the cash generating unit ('CGU') level. This assessment is inherently complex and judgemental. It requires judgement by the Group in forecasting the operational cash flows of the CGUs, and determining discount rates and terminal value growth rates used in the discounted cash flow models used to assess impairment (the 'models').</p> <p>The recoverable amount of goodwill and intangibles with indefinite lives was a key audit matter given the:</p> <ul style="list-style-type: none"><li>• financial significance of intangible assets to the consolidated statement of financial position; and</li><li>• judgement applied by the Group in completing the impairment assessments</li></ul>	<p>Assisted by PwC valuation experts in aspects of our work, our audit procedures included, amongst others:</p> <ul style="list-style-type: none"><li>• assessing the identification of CGUs and the allocation of carrying value of assets and liabilities and cash flows to those CGUs for consistency with our knowledge of the Group;</li><li>• assessing whether the models applied by the Group for impairment testing were prepared in accordance with the requirements of Australian Accounting Standards;</li><li>• comparing the cash flow forecasts in the models to the Board approved budget;</li><li>• testing the mathematical accuracy and integrity of the models;</li><li>• assessing the terminal value growth rates and discount rates applied in the models;</li><li>• assessing cash flow forecasts, which contain key growth assumptions included in the models against historical performance and budget accuracy, future strategic plans, the impact of COVID-19 and other market information;</li><li>• performing sensitivity analyses over the key assumptions used in the models to assess any possibility of a reasonable possible change; and</li><li>• evaluating the related financial statement disclosures for consistency with Australian Accounting Standards requirements.</li></ul>



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

***Other information***

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor’s report thereon. Prior to the date of this auditor’s report, the other information we obtained included the Company information, Directors’ report and Corporate governance statement. We expect the remaining other information to be made available to us after the date of this auditor’s report.

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

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

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

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

# Independent auditor's report continued



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## *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.

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## *Auditor's responsibilities for the audit of the financial report*

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

## *Report on the remuneration report*

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### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 36 to 56 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Breville Group Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.



---

### *Responsibilities*

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

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

PricewaterhouseCoopers

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

Aishwarya Chandran  
Partner

Sydney  
17 August 2021

# Shareholder information

## Substantial shareholders notices as at 24 August 2021

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

Name	% of issued ordinary shares	Number of ordinary shares
S. Lew Custodians <sup>(a)</sup>	31.96%	43,638,384
Benelong Australian Equity Partners	9.92%	13,777,357
Matthews International	6.13%	8,370,474
Greencape Capital Pty Ltd <sup>(b)</sup>	5.26%	7,303,405

<sup>(a)</sup> The interests of S. Lew Custodians Pty Limited include a deemed relevant interest in the 36,499,538 shares held by Premier Investments and shares held by other related parties of the group.

<sup>(b)</sup> Greencape Capital Pty Ltd and Challenger Limited both issued substantial shareholder notices relating to the same amount and holding, reflected as Greencape Capital Pty Ltd, an associated entity of Fidante Partners, which is a division of Challenger's Funds Management operating segment.

## Distribution of shareholdings as at 24 August 2021

Size of holding	Ordinary shareholders
1 to 1,000	5,074
1,001 to 5,000	1,564
5,001 to 10,000	230
10,001 to 100,000	257
100,001 and over	37
<b>Total shareholders</b>	<b>7,162</b>
Number of ordinary shareholders with less than a marketable parcel	0

## Voting rights

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



## Twenty largest shareholders by registered holder as at 24 August 2021

Name	Shares	% IC
Premier Investments Limited	35,761,415	25.74
HSBC Custody Nominees (Australia) Limited	29,766,990	21.42
Citicorp Nominees Pty Limited	23,913,615	17.21
J P Morgan Nominees Australia Pty Limited	13,135,149	9.45
National Nominees Limited	4,522,582	3.26
SL Superannuation No1 Pty Ltd	3,000,000	2.16
BNP Paribas Nominees Pty Ltd Six Sis Ltd	2,334,464	1.68
Lew Family Investments Pty Ltd	1,891,461	1.36
BNP Paribas Noms Pty Ltd	1,815,189	1.31
Lew Family Investments Ltd	1,535,718	1.11
BNP Paribas Nominees Pty Ltd	1,026,201	0.74
Premier Investments Ltd	738,123	0.53
S L Nominees Pty Ltd	711,667	0.51
Mirrabooka Investments Limited	600,000	0.43
HSBC Custody Nominees (Australia) Limited	461,263	0.33
Carole Todd Anderson	442,478	0.32
Citicorp Nominees Pty Limited	430,502	0.31
Netwealth Investments Limited	419,580	0.30
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd	322,432	0.23
Quotidian No 2 Pty Ltd	301,764	0.22
<b>Total</b>	<b>123,130,593</b>	<b>88.62</b>

## Unquoted equity securities as at 24 August 2021

	Number on issue	Number of holders
Rights issued under the Breville Group Performance Rights Plan and Fixed Deferred Remuneration Plan to take up ordinary shares	1,368,108*	52

\* Number of unissued ordinary shares under the performance rights plan (LTI) and fixed deferred remuneration - share rights.

# Company information

## Directors

### Steven Fisher

Non-executive chairman

### Timothy Antonie

Non-executive director

### Peter Cowan

Non-executive director

### Sally Herman

Non-executive director

### Dean Howell

Non-executive director

### Lawrence Myers

Non-executive director

Deputy Chairperson

### Kate Wright

Non-executive director

### Jim Clayton

Managing Director and CEO

## Company secretaries

### Sasha Kitto

### Craig Robinson

## 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](http://brevillegroup.com)

[breville.com](http://breville.com)

[kambrook.com.au](http://kambrook.com.au)

[sageappliances.com](http://sageappliances.com)

[chefsteps.com](http://chefsteps.com)

[baratza.com](http://baratza.com)

[beanz.com](http://beanz.com)

## ABN

Breville Group Limited ABN 90 086 933 431

## Share register

Link Market Services Limited

Level 12, 680 George Street

Sydney NSW 2000

Enquiries within Australia: (02) 8280 7111

Enquiries outside Australia: (+61 2) 8280 7111

Website: [linkmarketservices.com.au](http://linkmarketservices.com.au)

## Auditors

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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