

# Breville®

BREVILLE  
GROUP  
LIMITED

## Innovation & Inspiration

Annual Report 2009



# Annual Report 2009

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## AGM

Tuesday 10 November, 2009 at 10am

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

### Right: Breville Professional 800 Class Bench Mixer.

The innovative Scraper Beater virtually eliminates the need to scrape the bowl by hand and cuts mixing time by up to 60%.

### Cover: Breville Fresca Espresso Machina™.

Featuring an integrated grinder, it turns beans into espresso in under a minute.

# Chairman's Review

During the 2009 financial year, the Breville Group experienced differing results across its various markets in what was arguably the most challenging and volatile economic environment for many years, especially in North America and Europe.

In this environment and supported by a robust Australian performance, sales growth of 5.3% and a minimal reduction of 4.9% in underlying EBITDA was encouraging. In addition, inventory levels and working capital were tightly managed, which resulted in a further improvement in the Group's conservative financial structure.

We have achieved these results by continuing to focus on our core electrical business and by maintaining our investment in product innovation, brand excellence and people development.

The Group's international strategy is fundamental to its future growth. The increase in our North American electrical sales and product listings was very encouraging given the economic challenges in that market.

We believe that we are currently well placed to capitalise on these efforts, despite continuing economic uncertainties.

As you are aware, we appointed Stephen Audsley as Chief Executive Officer in September 2008. Under his leadership, the team is focussed on identifying and realising opportunities to deliver improved earnings.

Finally, I would like to thank my board colleagues, our dedicated management and staff, suppliers, customers and shareholders for their continued support in what has been a most challenging, but at the same time, important year of progress.

I trust you will find this annual report informative and helpful.



John Schmoll  
Non-executive chairman





**Below: Breville Smart Grill.**  
Embedded heating elements detect heat loss and add more power when needed for optimum searing temperature.



# CEO's Review

During the 2009 financial year we responded to volatile foreign exchange rates and commodity prices and to fluctuating consumer sentiment. We took action to ensure that operating costs were reduced responsibly and that working capital was managed tightly. As a result of these actions, cash generation was strong and net borrowings were reduced.

Importantly, the Group maintained its strategic focus on differentiation through continued investment in its design and innovation capabilities to respond to changing consumer and financial market conditions. This strategy remains fundamental to the future success of the Group.

The performance of the Australian business was pleasing with further growth in sales and profits. Market share growth was achieved by both the Breville and Kambrook brands, driven by a strong pipeline of new products.

Our international business, operating predominantly in North America and Europe, had a difficult year and was more severely impacted by the significant economic downturn in those markets. The North American market exhibited some positive signs in the second half of the 2009 financial year, following a major deterioration in consumer demand in the latter part of calendar 2008. The Export business, selling primarily to the European market, remained soft in the second half of FY09.

The Group's balance sheet remained strong providing a solid foundation for the future. In addition to the seasonal run down of inventories post Christmas, an increased focus on working capital management resulted in a significant reduction in inventory levels. This assisted in reducing year end net borrowings by \$10.3m to \$33.0m.

The Group's gearing ratio was a conservative 20.1%. Interest cover remained strong at 6.0 times.

We have recently completed a review of the Group which confirmed the overall direction of our strategy. The review also highlighted a number of opportunities to deliver improved financial performance and to grow shareholder returns. We are focussed on developing these opportunities over the coming years.

We have also made a number of changes to the structure and composition of the leadership team to ensure that we are appropriately focused for the future.

Whilst we expect the 2010 financial year to continue to be challenging, we are currently well placed to deliver improved earnings.

On a personal note, I would like to thank the entire Breville Group team for the support and assistance they have provided to me since joining the Group.



Stephen Audsley  
Chief Executive Officer

## Financial Summary

\$ Millions except where indicated	GROUP	
	June 2009	June 2008
Revenue	431.9	410.2
Underlying* EBITDA	33.6	35.3
Underlying* net profit after tax	15.9	19.1
Underlying* earnings per share (cents)	12.2	15.1
Gearing ratio (%)	20.1	24.8
Interest cover (times)	6.0	5.9

\* before significant items

# Markets and Brands

*“A strong performance from the Australian business, complemented by further development of international markets.”*

## Key Markets: Australia

The Australian business experienced strong sales and profit growth despite the challenging economic conditions. The Breville brand performed well in the mid to premium segment and Kambrook complemented this with a quality and value oriented offering. The result reflects the benefits of a strong product development pipeline and clear positioning of the portfolio of brands.

## Breville

Breville has strengthened its position in the Australian market in the mid to premium price points, increasing its value share of the small domestic appliance market. This growth was assisted by the launch in Australia of premium products that were developed for the global market.

Strong growth was achieved in the core categories of kettles and toasters following encouraging consumer acceptance of the Breville Professional 800 Collection® of premium toasters and kettles. Supported by a comprehensive marketing program, sales of the Professional 800 Collection® resulted

in the Breville brand reaching a record market share of over 40%\* of the toaster market during the peak Christmas trading period. Importantly, the flow-on effect drove not only toaster sales growth for the full financial year of over 35%\*, but also over 25%\* growth year on year in the complementary kettle category.

In the second half of the financial year, strong growth continued with the successful launch of the new flagship Breville Professional 800 Collection® Programmable Espresso coffee machine with in-built grinder.

\* Source GFK 2009 (value share)





**Above: Breville Variable Temperature Kettle.** This kettle has 5 temperature settings for optimal brewing, depending on the type of tea or coffee you require.

**Left: Breville Auto Toaster.** Only Breville Professional toasters have push button features like *Lift and Look™* to check the progress of your toast without interrupting the cycle, and *A Bit More™* for, well, that little bit more.

# Markets and Brands continued



**Below: Kambrook Stainless Steel Slow Cooker.**

This cooker features an Auto function, allowing you to set it in the morning and have dinner ready when you get home at night.

**Right: Breville Smart Oven. *Element IQ™*** sets the ideal temperature and time and adjusts the power of the quartz elements for optimum results no matter what you're cooking.

## Kambrook

Kambrook performed well, increasing its market share profitably, as its ranges continued to resonate with consumers seeking reliable products at affordable prices.

Kambrook represents a significant strategic advantage and growth opportunity for the Group. Recent strengthening of the Kambrook management team and clear brand positioning in core categories have positioned the brand well to capitalise on future opportunities.

## Philips

The Philips brand retained its position as the clear market leader in men's shavers\* and maintained a strong position in the premium priced iron category\*.

The Philips distribution partnership provides synergies for the Group's retail partners, with customers able to efficiently purchase the full spectrum of small appliance products from the one company.

\* Source GFK 2009 (value share)





## Key Markets: North America

### Breville – Electrical business

The electrical business in North America responded well to the launch of new products, achieving sales growth despite the significant challenges posed by the economic and retail conditions in that market.

In the USA, the launch of a compact convection oven, premium toaster and variable temperature kettle products with innovative features like the “A Bit More”™ button, “Lift and Look”™ function and “Element IQ”™ have quickly established themselves as the new benchmarks in their categories. Importantly, these products were launched at a significant price premium to competitors’ existing products which has resulted in strong sales at price points well above the category averages.

The success of the compact convection oven is particularly pleasing as this was the first product developed specifically by the Group for the North American market and reinforces the strength of capabilities within our product development group.

### Non-electrical Homewares

As previously foreshadowed, the Group reduced its non-electrical product ranges in North America to focus on providing those products best suited to its key retail partners’ market positions.

During the year, the Group expanded its retail penetration in North America of the Scanpan range of cookware and accessories, under its exclusive distribution agreement with Scanpan A/S.

## Key Markets: Export

The Group continued its growth in the branded electrical business in Asia, the Middle East, South Africa and South America, expanding into new countries in the financial year through distribution partnerships with local enterprises.

During the year, we also commenced the distribution of Breville branded products into China. These first small steps into one of the world’s fastest growing markets are exciting and build another potential growth platform for the future.

The Group’s sales in Europe were impacted by the global financial crisis in the latter part of 2008, as our distributors and retailers consolidated stock levels to free up capital. The short-term impact on orders was significant, leading to an overall decline in international revenues from the record levels achieved in 2007/08.

## Sustainability & Social Responsibility

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

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

# Platform for Growth

*“Breville is a trusted authority in small domestic appliances, underpinned by an absolute commitment to developing relevant, innovative solutions.”*

## Innovation & Inspiration

The strength of the Breville brand is based on the proven ability to design and develop innovative products that are relevant to consumers and simple to use.

Breville innovation leads the way in the Australasian and North American small appliance markets. Over the past decade, numerous best in class products have been launched, collecting an impressive array of design awards both locally and internationally.

During the year, Breville maintained its strong investment in the innovation and marketing of new products, solidifying its position as the most recognized small appliance brand among Australasian consumers\*.

Perhaps even more exciting, is the growing platform the brand is building internationally. Breville’s ongoing investment in North America delivered increases in market share and brand awareness, despite the difficulties faced in the uncertain economic conditions. Sales and product listings increased in North America for the fifth year in a row and Breville maintains a healthy momentum leading into 2009/10.

Investment in product development continues to aim for growth through:

- New categories and markets – for example, compact convection ovens for North America; and
- Expanding and developing existing product ranges with innovations that respond to consumer needs – for example, espresso coffee machines with in-built grinders and motorized toasters with the “A Bit More”™ button.

Further development of the brand internationally represents the Group’s most significant growth opportunity.

\* Source Millward Brown brand health survey 2008

## People

Breville recognises the contribution its people make to the culture of innovation and inspiration required to create world class products. Breville continues to invest in its product development capabilities by recruiting, training and developing marketers, engineers and industrial designers.

We have consistently retained our talented people, who have accumulated over 150 years of combined industry experience. Their specialized skills and capabilities put Breville at the forefront of innovation in the small appliance category.



# Financial Report

for the year ended 30 June 2009

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Below: Breville Fresca Espresso Machina™. Featuring an integrated grinder, it turns beans into espresso in under a minute.



# Directors' Report

The board of directors of Breville Group Limited (BRG or company) has pleasure in submitting its report in respect of the year ended 30 June 2009.

## 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 follows. Directors were in office for this entire period unless indicated otherwise.

### John Schmoll

**Non-executive chairman,  
B.Com, FCA, FAICD**

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

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

- AWB Limited (since March 2005) #
- Orotongroup Limited (since November 2005) #
- Chandler Macleod Limited (since December 2005)

# denotes current directorship

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

### Steven Fisher

**Non-executive director,  
B.ACC, CA(SA)**

Mr Fisher has more than 20 years experience in general management positions in the wholesale consumer goods industry and is currently general manager of the Voyager Group.

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

### Dean Howell

**Non-executive director,  
FCA, FTIA**

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

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

### Steven Klein

**Non-executive director,  
LLB, B.Com**

Mr Klein has extensive legal experience in mergers and acquisitions, capital raisings, and public company takeovers. Mr Klein has been a partner of Arnold Bloch Leibler since 1996.

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

### Samuel Weiss

**Non-executive director,  
AB, Harvard University; MS, Columbia Business School; FAICD**

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

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

- Altium Limited #
- GLG Corp Limited #
- Orotongroup Limited #
- IPGA Limited #

# denotes current directorship

## Company secretary

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

### Shiraz Khan

#### B.Bus, CPA

Mr Khan has been the company secretary since 28 September 2007. He is a certified practicing accountant and has over 20 years experience in senior finance roles in a number of manufacturing and consumer products companies in Australia and New Zealand.

## Reporting currency and rounding

The financial report is presented in Australian dollars and all amounts have been rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC class order 98/0100. The company is an entity to which the class order applies.

## Principal activities

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

## Company overview

The underlying strategic intent of the company is a stated commitment to innovative product development, to drive growth in sales and profits in Australia and the broader international market. In line with this intent, the company has:

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

## Performance indicators

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

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

## Review of results and operations

Sales revenues of the consolidated entity for the year to 30 June 2009 were \$431,941,000 which was 5.3% higher than the consolidated sales for the previous corresponding year (2008: \$410,243,000).

The group's underlying net profit after tax attributable to shareholders for the year to 30 June 2009 was \$15,850,000. This was a 17.1% decrease on the previous corresponding year of \$19,126,000 (underlying, after adjusting for non-recurring items). The non-recurring charges in the year primarily relate to non-trading, non cash unrealised mark-to-market losses, (2008: gains) as well as redundancy costs.

The basic earnings per share for the consolidated entity was 9.08 cents per share (2008: 16.50 cents per share). The basic earnings per share calculated using the underlying net profit after tax was 12.24 per share (2008: 15.11 cents per share).

### Financial position

Operating cash flow for the year was \$27,339,000 (2008: \$31,334,000) and proceeds were used to pay down debt. Net debt completed the year at \$33,008,000 (2008: \$43,340,000) and represents 20.1% debt to capital employed ratio (2008: 24.8%).

## Risk management

The company's risk management is discussed in the corporate governance statement on page 21.

# Directors' Report continued

## Dividends

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

	Cents per ordinary share	\$'000
<b>Final dividends recommended:</b>	1.5	1,943
<b>Dividends paid in the year:</b>		
Interim FY09 dividend paid	4.0	5,181
Final FY08 dividend paid	2.0	2,590

## Significant changes in the state of affairs

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

## Directors' interests

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

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

## Remuneration report (audited)

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

### Details of key management personnel

#### (i) Directors:

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

#### (ii) Executives:

S. Audsley	Group chief executive officer – appointed 22 September 2008
V. Cheung	Managing director Hong Kong
C. Clive	Chief executive officer North America – appointed 1 September 2007, retrenched 15 January 2009
M. Cohen	Group chief financial officer
J. Lord	Group general manager marketing and product development – appointed 1 February 2009
M. Melis	General manager supply chain
J. Sargeant	General manager sales Australia
H. Silver	Group chief operating officer

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

## Remuneration report (audited) continued

### Compensation philosophy

The performance of the company depends upon the quality of its directors and executives. To prosper the company must attract, retain, motivate and develop highly skilled directors and executives in order to secure the longevity of the business.

Based on this philosophy, the company embodies in its compensation strategy and framework a total rewards approach that joins two interrelated outcomes: improved business results and a focus on a performance based culture.

The following principles define the compensation framework:

- Provision of competitive rewards (in terms of fixed and variable pay) to attract high calibre and adept executives;
- Return and benefit to the shareholder and linking of executive reward to shareholder value and business results;
- Drive desired value creation and behaviours in the workforce, including establishment of demanding performance hurdles in relation to variable executive compensation; and
- Reinforcement of the overall business strategy and organisational success.

### Remuneration committee

The remuneration committee of the board of directors of the company is responsible for determining and reviewing the total compensation arrangements for directors and the senior executive team.

The remuneration committee assesses the appropriateness of the nature and amount of compensation of key management personnel on an annual basis by reference to relevant individual and company performance and market conditions and by also taking into consideration internal relativities.

### Compensation structure

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

### Non-executive director compensation

#### Objective

The board seeks to set aggregate compensation at a level which provides the company with the ability to attract and retain directors of high calibre, whilst incurring a cost which is acceptable to shareholders.

#### Structure

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided by the board between the directors. The aggregate compensation of \$700,000 per year was approved by shareholders at the annual general meeting held in November 2008.

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

The compensation of non-executive directors for the year ended 30 June 2009 is detailed in Table 1 on page 16 of this report.

### Senior executive compensation

#### Objective

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

- Reward executives for company and individual performance against specific targets set with reference to business objectives and results;
- Align the interest, focus and performance of the executives with those of the shareholders;
- Offer performance based incentives that encourage executives to strive for the achievement of both individual and organisational results;
- Attract and retain talented executives; and
- Ensure total compensation is competitive by market standards.

# Directors' Report continued

## Remuneration report (audited) continued

### Senior executive compensation continued

#### Structure

In determining the level and make-up of executive compensation, the remuneration committee engages an external consultant as appropriate, to provide independent advice in the form of a written report detailing market levels of compensation for comparable executives' roles across all global locations. The group chief operating officer under his responsibility for group human resources, provides a summary of the report and recommendations to the remuneration committee for consideration.

It is the remuneration committee's policy that employment contracts are entered into with the senior executives. Details of the contracts are provided on page 15.

Compensation consists of the following key elements:

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

The proportion of the fixed compensation and variable compensation (potential short term and long term incentives) is established for each senior executive by the remuneration committee.

Tables 1 and 2 on pages 16 and 17 of this report detail the variable components (%) of the compensation of key management personnel of the group.

#### Fixed compensation

##### Objective

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

Fixed compensation is reviewed annually by the remuneration committee and the process consists of reviewing performance, relevant comparative market compensation, internal relativities and, where appropriate, external advice on policies and practices. As noted above, the committee has access to external advice independent of management when required.

##### Structure

Senior executives are given the opportunity to receive their fixed compensation in a variety of forms including cash and other benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

### Variable compensation – short term incentive (STI)

#### Objective

The objective of the STI program is to reward senior executives on the achievement of performance objectives, providing them with the opportunity to earn over and above their fixed compensation should the agreed objectives be achieved. Executives and other senior managers are eligible to earn a percentage of their base pay, being 20-40% based on their position and seniority in the organisation. The incentive payment is based on the achievement of individual and group objectives. This is determined on an individual executive basis.

The principle objectives of the plan are:

- To ensure that the organisation delivers its primary financial measures and targets on an annual basis to deliver sustainable performance and continuing organisational growth;
- To achieve the business goals through rewarding individual contribution and performance; and
- To promote and facilitate the concept of shared ownership whereby executives who contribute to the success of the organisation will also share in that success.

The total potential STI available is set at a level so as to provide sufficient incentive to the senior executives to achieve operational targets and such that the cost to the company is reasonable.

#### Structure

Actual STI payments to key management personnel are dependent on the extent to which the specific operating targets set at the commencement of the year are met. The operational targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial measures of performance. Included are measures such as underlying profit before tax, contribution, sales, margin, management of department expenses, employee development & staff training, customer service performance, and product development & category management. The company has predetermined financial performance benchmarks which must be met in order to trigger payments under the short term incentive scheme and these are varied on a yearly basis in line with the annual budgeting process.

On an annual basis, after consideration of performance against the established KPI's, incorporating both individual and group objectives, a review is undertaken by the group chief executive officer and the group chief operating officer under his responsibility for group human resources, to determine the amount, if any, of the short term incentive payment each executive is eligible to receive. A recommendation by the chief

## Remuneration report (audited) continued

executive officer is then put to the remuneration committee for approval. The chief executive officer may also award discretionary bonuses to the senior executive team for significant contributions to the business and for outstanding performance. All discretionary bonuses are also presented as recommendations to the remuneration committee for approval.

The aggregate of the annual STI payments available for executives across the company is subject to the approval of the remuneration committee and payments are typically paid as a cash bonus. The minimum amount of the STI cash payments assuming that no executives meet their respective KPIs for the 2009 financial year is nil.

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

#### Objective

The objective of the LTI plan is to reward senior executives in a manner that aligns this element of compensation with the creation of shareholder wealth.

The LTI scheme is only made available to executives and key managers who are able to influence the generation of shareholder wealth and have a direct impact on the company's performance against relevant long term performance hurdles.

#### Structure

LTI grants to senior executives are provided in the form of options and performance rights issued in accordance with the second senior executive option plan and the performance rights plan at the recommendation of the chief executive officer and as approved by the remuneration committee.

The company uses underlying earnings per share (underlying EPS) as the performance hurdle for the long term incentive plan. Underlying EPS represents the earnings per share from operations adjusted for non-recurring significant items. The use of EPS is market practice as it ensures an alignment between shareholder return and reward for the executives.

#### Relationship of rewards to performance

The performance hurdle to be achieved is based on the company's underlying EPS achieving growth over a three year term, of at least 8% per annum, compounded annually. Options and performance rights will vest only if this performance hurdle is met. If the underlying EPS growth condition is not achieved in any year, the underlying EPS growth for that year will be carried forward and recalculated at the end of the following year until the end of the term of the options and performance rights. As a result, options and performance rights may still vest and become exercisable where the vesting conditions are met in a subsequent year.

If the performance hurdle has been met, the executive will generally be able to exercise options as follows:

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

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

Performance rights granted in April 2009 become exercisable in the period 1 Sept 2011 – 3 Oct 2011 if the cumulative underlying EPS performance hurdle is achieved. The exercise price of the performance rights is nil.

For full details refer to notes 28 and 30.

### Group performance

The table below shows the performance of the group over the past five years (including the current year) as measured by the group's underlying and basic earnings per share (EPS) over time.

Year ending	30 June 2005	30 June 2006	30 June 2007	30 June 2008	<b>30 June 2009</b>
<b>Underlying basic earnings per share (cents)</b>	15.82#	17.70	16.02	15.11	<b>12.24</b>
<b>Basic earnings per share (cents)</b>	12.33	10.99	(27.37)	16.50	<b>9.08</b>

# Includes the results of the discontinued Australian Homewares operation.

### Employment contracts

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

# Directors' Report continued

## Remuneration report (audited) continued

### Remuneration of key management personnel

**Table 1: Remuneration for the year ended 30 June 2009 (Consolidated)**

	Short-term employee benefits				Post-em- ployment benefits	Long- term employee benefits	Termi- nation benefits	Share- based payment	Total	% per- formance related
	Salary & fees \$	Cash bonuses \$	Non- monetary benefits \$	Other \$	Super- annuation \$	Long service leave \$		Options / Perfor- mance rights \$		\$
<b>Non-executive directors</b>										
J. Schmoll – chairman	140,000	-	-	-	12,600	-	-	-	152,600	-
S. Fisher	92,923	-	-	-	8,363	-	-	-	101,286	-
D. Howell	82,077	-	-	-	7,387	-	-	-	89,464	-
S. Klein (a)	87,200	-	-	-	-	-	-	-	87,200	-
S. Weiss	85,000	-	-	-	7,650	-	-	-	92,650	-
<b>Sub-total non-executive directors</b>	<b>487,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>523,200</b>	
<b>Other key management personnel</b>										
S. Audsley – appointed 22 September 2008	374,656	-	-	-	27,000	6,448	-	4,926	413,030	1.19
V. Cheung	459,935	102,691	14,706	62,102	42,774	-	-	-	682,208	15.05
C. Clive - retrenched 15 January 2009	205,685	-	-	28,311	-	43,761	216,700	-	494,457	-
M. Cohen	298,384	-	-	30,000	26,335	7,008	-	117,325	479,052	24.49
J. Lord – appointed 1 February 2009	158,786	-	-	30,000	16,991	3,336	-	1,690	210,803	0.80
M. Melis	265,000	-	15,346	13,154	24,935	4,414	-	2,876	325,725	0.88
J. Sargeant (b)	239,539	45,911	-	30,000	21,143	4,468	-	23,583	364,644	19.06
H. Silver (b)	239,907	25,000	-	31,000	23,842	4,195	-	2,643	326,587	8.46
<b>Sub-total executive KMP</b>	<b>2,241,892</b>	<b>173,602</b>	<b>30,052</b>	<b>224,567</b>	<b>183,020</b>	<b>73,630</b>	<b>216,700</b>	<b>153,043</b>	<b>3,296,506</b>	
<b>Totals</b>	<b>2,729,092</b>	<b>173,602</b>	<b>30,052</b>	<b>224,567</b>	<b>219,020</b>	<b>73,630</b>	<b>216,700</b>	<b>153,043</b>	<b>3,819,706</b>	

Note

(a) S. Klein's fees are paid to Arnold Bloch Leibler, a firm of which he is a partner. Accordingly these fees are subject to GST. The amounts shown above are net of GST.

(b) J. Sargeant and H. Silver did not meet the definition of key management personnel for the 2008 financial year but are key management personnel for 2009.

## Remuneration report (audited) continued

### Remuneration of key management personnel continued

**Table 2: Remuneration for the year ended 30 June 2008 (Consolidated)**

	Short-term employee benefits				Post-employment benefits	Long-term employee benefits	Termination benefits	Share-based payment	Total	% performance related
	Salary & fees	Cash bonuses	Non-monetary benefits	Other	Super-annuation	Long service leave	Options			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-executive directors</b>										
J. Schmoll - chairman	122,308	-	-	-	10,447	-	-	-	132,755	-
S. Fisher	89,423	-	-	-	8,048	-	-	-	97,471	-
D. Howell – appointed 31 March 2008	18,462	-	-	-	1,662	-	-	-	20,124	-
S. Klein (a)	79,025	-	-	-	-	-	-	-	79,025	-
S. Weiss – appointed 31 March 2008	19,615	-	-	-	1,765	-	-	-	21,380	-
J. McConnell – resigned 31 March 2008	56,535	-	-	-	1,843	-	-	-	58,378	-
Sub-total non-executive directors	385,368	-	-	-	23,765	-	-	-	409,133	-
<b>Executive directors</b>										
J. Hersch - retired 30 September 2007	169,212	-	-	-	14,538	-	34,497	-	218,247	-
<b>Other key management personnel</b>										
V. Cheung	351,101	76,742	12,893	67,745	32,615	-	-	-	541,096	14.18
C. Clive – appointed 1 September 2007	327,241	-	-	-	-	-	-	-	327,241	-
M. Cohen	210,000	120,000	-	32,457	17,182	4,204	-	20,465	404,308	34.74
A. Gelemanovic – retrenched 23 July 2007	9,538	-	-	-	858	-	98,425	-	108,821	-
P. Hill – resigned 16 June 2008	460,385	360,000	26,192	-	39,368	-	-	-	885,945	40.63
R. Hoare (b)	250,307	90,000	30,000	3,853	22,532	5,042	-	4,335	406,069	23.23
S. Khan (c)	103,077	30,000	22,500	5,486	9,277	3,239	-	5,610	179,189	19.87
B. Liu – resigned 30 April 2008	199,877	-	6,727	14,603	7,995	-	154,907	-	384,109	-
M. Melis	254,231	90,000	30,000	5,636	22,055	5,859	-	3,740	411,521	22.78
P. Milburn – resigned 28 September 2007	39,000	-	-	-	3,510	-	191,380	-	233,890	-
S. Woods – resigned 5 February 2008	232,774	-	4,178	-	-	-	-	-	236,952	-
Sub-total executive KMP	2,606,743	766,742	132,490	129,780	169,930	18,344	479,209	34,150	4,337,388	
<b>Totals</b>	<b>2,992,111</b>	<b>766,742</b>	<b>132,490</b>	<b>129,780</b>	<b>193,695</b>	<b>18,344</b>	<b>479,209</b>	<b>34,150</b>	<b>4,746,521</b>	

Note

(a) S. Klein's fees are paid to Arnold Bloch Leibler, a firm of which he is a partner. Accordingly these fees are subject to GST.

The amounts shown above are net of GST.

(b) R. Hoare did not meet the definition of key management personnel for the 2007 financial year but is key management personnel for 2008.

(c) Appointed company secretary 28 Sept. 2007. All remuneration above (including the cash bonus) has been prorated accordingly.

# Directors' Report continued

## Remuneration report (audited) continued

**Table 3: Compensation options and performance rights: granted and vested during the year ended 30 June 2009 (consolidated)**

The following compensation options and performance rights were granted to key management personnel during the year ended 30 June 2009.

30 June 2009	Granted		Terms and conditions for each grant					Vested
	Number	Grant date	Fair value per option / performance right at grant date (\$) (Note 28)	Exercise price per option / performance right (\$) (Note 28)	Expiry date	First exercise date	Last exercise date	Number
<b>Options</b>								
M. Cohen	300,000	1 July 08	0.53	1.12	1 Jul 12	1 Jul 09	1 Jul 12	-
<b>Performance rights</b>								
S. Audsley	274,000	20 April 09	0.57	-	3 Oct 11	1 Sept 11	3 Oct 11	-
M. Cohen	179,000	20 April 09	0.57	-	3 Oct 11	1 Sept 11	3 Oct 11	-
J. Lord	94,000	20 April 09	0.57	-	3 Oct 11	1 Sept 11	3 Oct 11	-
M. Melis	160,000	20 April 09	0.57	-	3 Oct 11	1 Sept 11	3 Oct 11	-
J. Sargeant	147,000	20 April 09	0.57	-	3 Oct 11	1 Sept 11	3 Oct 11	-
H. Silver	147,000	20 April 09	0.57	-	3 Oct 11	1 Sept 11	3 Oct 11	-
<b>Total</b>	<b>1,301,000</b>							<b>-</b>

No options or performance rights were exercised during the year ended 30 June 2009.

**Table 4: Compensation options: granted during the year ended 30 June 2008 (consolidated)**

The following compensation options were granted to key management personnel during the year ended 30 June 2008.

30 June 2008	Granted		Terms and conditions for each grant					Vested
	Number	Grant date	Fair value per option at grant date (\$) (Note 28)	Exercise price per option (\$) (Note 28)	Expiry date	First exercise date	Last exercise date	Number
<b>Options</b>								
M. Cohen	100,000	2 Nov 07	0.53	2.36	2 Nov 11	2 Nov 08	2 Nov 11	-
P. Hill*	1,000,000	2 Nov 07	0.53	2.36	2 Nov 11	2 Nov 08	2 Nov 11	-
R. Hoare	30,000	5 Jun 08	0.24	1.96	7 Apr 10	7 Apr 07	7 Apr 10	-
<b>Total</b>	<b>1,130,000</b>							<b>-</b>

\* These options lapsed upon the resignation of P. Hill on 16 June 2008.

**Table 5: Options and performance rights granted as part of remuneration (consolidated)**

<b>30 June 2009: Options and performance rights granted to key management personnel during the year ended 30 June 2009 are disclosed in Table 3 above.</b>	30 June 2008: Options granted to key management personnel during the year ended 30 June 2008 are disclosed in Table 4 above.
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## Remuneration report (audited) continued

**Table 6: Shares issued on exercise of compensation options and performance rights during the year ended 30 June 2009 (consolidated)**

**No shares were issued on exercise of compensation options or performance rights by key management personnel during the year ended 30 June 2009.**

**Table 7: Shares issued on exercise of compensation options during the year ended 30 June 2008 (consolidated)**

	Shares issued	Paid per share (Note 30)	Unpaid per share*
30 June 2008	Number	\$	\$
J. Hersch	166,666	1.85	-
J. Hersch	250,000	1.66	-
V. Cheung	90,000	-	1.85
R. Hoare	60,000	-	1.85
P. Milburn	30,000	1.85	-
Total	596,666		

\* Breville Group Limited has provided loans to fund the exercise of options to acquire shares in the company. For further details refer to note 30.

## Directors' meetings

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

	Full board	Audit & risk (A&RC)	Remuneration
Number of meetings	<b>13</b>	<b>5</b>	<b>6</b>
J. Schmoll	<b>13(c)</b>	<b>5</b>	<b>6</b>
S. Fisher	<b>13</b>	<b>5*</b>	<b>6</b>
D. Howell	<b>12</b>	<b>5(c)**</b>	<b>5</b>
S. Klein	<b>13</b>	<b>5</b>	<b>6</b>
S. Weiss	<b>13</b>	<b>5</b>	<b>6(c)</b>

Notes

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

\* Resigned as chairman of A&RC on 1 May 2009. Chairman of three A&RC meetings during the year.

\*\* Appointed chairman of A&RC on 1 May 2009. Chairman of two A&RC meetings during the year.

## Committee membership

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

## Indemnification of directors and officers

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

# Directors' Report continued

## Likely developments and expected results

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

## Environmental regulations and performance

The consolidated entity is not involved in any activities that have a marked influence on the environment within its area of operation.

## Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Breville Group Limited support the principles of good corporate governance. The company's corporate governance statement is on page 21.

## Share options

### Unissued shares

As at the date of this report and the reporting date, there were 620,000 un-issued ordinary shares under options (2008: 1,610,000 at the date of the report and 1,310,000 at the reporting date) and 1,282,000 un-issued shares under performance rights (2008: Nil). Refer to note 28 of the financial report for further details of the options and performance rights outstanding. Option and performance right holders do not have any right, by virtue of the option or performance right, to participate in any share issue of the company.

### Shares issued as a result of the exercise of options

During the year, no employees or executives have exercised any options or performance rights to acquire fully paid ordinary shares in Breville Group Limited (2008: 1,030,666 fully paid ordinary shares were acquired through exercised options at a weighted average exercise price of \$1.80).

## Auditor's declaration of independence

Attached is a copy of the auditor's declaration provided under section 307C of the Corporations Act 2001 in relation to the audit for the year ended 30 June 2009. This auditor's declaration forms part of this directors' report.

## Non-audit services

The following non-audit services were provided by the company's primary auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia received or is due to receive the following amounts for the provision of non-audit services:

Tax compliance services	\$94,000
Non-audit related services	\$22,000

Affiliates of Ernst & Young Australia received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance services	\$30,000
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## Change of name

On 14 November 2008, the consolidated entity changed its name from Housewares International Limited to Breville Group Limited. As a result, from 25 November 2008 the consolidated entity commenced trading under the ASX code 'BRG'.

## Significant events after year end

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

Signed in accordance with a resolution of directors.



John Schmoll  
Non-executive chairman

Sydney  
24 August 2009

# Corporate Governance Statement

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

The ASX principles that have been adopted are outlined below.

The company's corporate governance practices throughout the year ended 30 June 2009 were compliant with the council's recommendations, except for those differences disclosed and explained in this statement.

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

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

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

<b>Director</b>	<b>Appointed</b>	<b>Term in office</b>	<b>Non-executive</b>	<b>Independent</b>	<b>Last elected</b>
John Schmoll (chairman)	2004	5 years	Yes	Yes	2007
Steven Fisher	2004	5 years	Yes	No	2007
Dean Howell	2008	1 year	Yes	Yes	2008
Steven Klein	2003	6 years	Yes	No	2008
Samuel Weiss	2008	1 year	Yes	Yes	2008

In accordance with the requirements of the company's constitution, either Mr Schmoll or Mr Fisher will seek re-election at the company's AGM later this year.

# Corporate Governance Statement continued

## 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 and monitoring the achievement of those goals, and establishing a sound system of risk oversight and management. The board will regularly review its performance and the performance of its committees.

### Evaluating the performance of key executives

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

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

### Performance evaluation

All key executives were subject to a performance review as described above during the reporting period.

## Principle 2: Structure of the board to add value

### Board composition

The company's constitution states that there must be a minimum of three directors and contains detailed provisions concerning the tenure of directors. The board currently comprises five non-executive directors. The directors' report, on page 10, outlines the relevant skills, experience, and expertise held by each director in office at the date of this report.

### Director independence

In considering whether a director is independent, the board refers to the company's "Criteria for assessing independence of directors", which are 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 judgment.

In accordance with the definition of independence above, and the materiality thresholds outlined in the company's policy 'Criteria for assessing independence of directors', it is the board's view that Mr Dean Howell, Mr John Schmoll and Mr Samuel Weiss are independent directors. The following directors are not independent directors:

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

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

### Majority independence

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

The majority of the board is considered to be independent.

### Independent chairman

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

### **Material personal interest requirement**

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

### **Access to independent advice**

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

### **Nomination committee**

During the year ended 30 June 2009, the company did not have a separately established nomination committee. All duties and responsibilities typically delegated to such a committee are the responsibility of the full board. Although the council's recommendation 2.4 recommends that a nomination committee can be a more efficient mechanism for the detailed examination of selection and appointment practices, particularly in larger companies, the board does not believe at this time that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

### **Evaluating the performance of the board**

Currently, whilst there is no formal review process of the performance of the board, it is an item that may be reviewed in the next reporting period. Currently, the chairman informally assesses the performance of individual directors and their contribution to board affairs.

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

### **Code of conduct**

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

### **Share trading policy**

All directors and employees are subject to Corporations Act restrictions on dealing in securities in the company if they are in possession of price sensitive information.

In addition, members of the board and employees have been notified of certain trading windows in which permitted dealings of the company securities may occur e.g. the period of one month commencing 24 hours after the ASX announcement of the half year and year end results and provided that they are not in possession of price sensitive information at that time.

Share dealings by directors are promptly notified to ASX. A summary of the share trading policy is available on the company's website at the investor relations, corporate governance section.

# Corporate Governance Statement continued

## Principle 4: Safeguard integrity in financial reporting

### Audit and risk committee

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

Among its responsibilities, the A&RC:

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

### Composition of committee

The current members of the A&RC are:

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

The directors' report, on page 19, outlines the number of A&RC meetings held during the year and the names of the attendees at those meetings. It also outlines the qualifications of A&RC members on page 10.

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

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

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

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

## Principle 5: Make timely and balanced disclosure

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

## Principle 6: Respect the rights of shareholders

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

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

## **Principle 7: Recognise and manage risk**

The company is committed to the identification, monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls. These include:

- guidelines and limits for approval of capital expenditure;
- policies and procedures for the management of financial risk and treasury operations including exposures to foreign currencies and movements in interest rates;
- annual budgeting and monthly reporting systems for all businesses which enable the monitoring of progress against performance targets and the evaluation of trends; and
- policies and procedures which enable management of the company's material business risks.

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

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

## **Principle 8: Remunerate fairly and responsibly**

### **Remuneration committee**

The board has a remuneration committee, comprising the following directors:

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

In accordance with the council's recommendation 8.1, the remuneration committee comprises:

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

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

For details on the number of meetings of the remuneration committee held during the year and the attendees at those meetings, refer to the directors' report on page 19.

### **Remuneration disclosure**

For a full discussion of the company's remuneration philosophy and framework, and the remuneration received by directors and executives in the current period, please refer to the remuneration report contained in the directors' report on pages 12 to 19.

# Income Statement

## for the year ended 30 June 2009

	Note	Consolidated		Parent	
		30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Revenue	2(a)	431,941	410,243	7,771	10,714
Cost of sales	2(b)	(308,909)	(289,634)	-	-
<b>Gross profit</b>		<b>123,032</b>	120,609	<b>7,771</b>	10,714
Other income	2(c)	845	791	-	-
Employee benefits (expenses)/benefit excluding redundancy costs	2(f)	(49,796)	(47,661)	33	45
Premises, lease & utilities expenses		(14,492)	(12,068)	-	-
Advertising expenses		(15,248)	(14,918)	-	-
Other expenses		(10,736)	(11,416)	-	-
<b>Underlying earnings before interest, tax, depreciation &amp; amortisation (EBITDA)</b>		<b>33,605</b>	35,337	<b>7,804</b>	10,759
Non-trading net foreign exchange (losses)/gains		(2,041)	1,832	-	-
Redundancy costs	2(f)	(1,593)	-	-	-
<b>Earnings before interest, tax, depreciation &amp; amortisation (EBITDA)</b>		<b>29,971</b>	37,169	<b>7,804</b>	10,759
Depreciation & amortisation expense	2(d)	(6,544)	(5,275)	-	-
<b>Earnings before interest and tax (EBIT)</b>		<b>23,427</b>	31,894	<b>7,804</b>	10,759
Finance costs, net	2(g)	(5,607)	(5,962)	52	76
Interest rate swap (loss)/gain		(2,188)	587	-	-
<b>Profit before income tax</b>		<b>15,632</b>	26,519	<b>7,856</b>	10,835
Income tax expense	3	(3,877)	(5,625)	(15)	(23)
<b>Net profit for the year attributable to members of Breville Group Limited</b>	(a)	<b>11,755</b>	20,894	<b>7,841</b>	10,812
<b>(a) Redundancy costs and non-trading, non cash, unrealised mark-to-market losses/(gains) included within net profit attributable to members of Breville Group Limited:</b>					
- Redundancy costs		1,038	-	-	-
- Non-trading net foreign exchange losses/(gains)		1,525	(1,357)	-	-
- Interest rate swap loss/(gain)		1,532	(411)	-	-
<b>Underlying net profit after income tax</b>		<b>15,850</b>	19,126	<b>7,841</b>	10,812
		<b>Cents</b>	Cents		
<b>Earnings per share for profit attributable to the ordinary equity holders of the parent entity:</b>					
- basic earnings per share	4	9.08	16.50		
- diluted earnings per share	4	8.97	16.20		
<b>Earnings per share for underlying profit attributable to the ordinary equity holders of the parent entity:</b>					
- basic earning per share	4	12.24	15.11		
- diluted earnings per share	4	12.09	14.83		

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

# Balance Sheet

as at 30 June 2009

	Note	Consolidated		Parent	
		30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
<b>Current assets</b>					
Cash and cash equivalents	6	6,290	10,262	7	61
Trade and other receivables	7	68,608	62,660	65,036	59,921
Inventories	8	68,243	80,784	-	-
Other financial assets	9	77	1,022	-	-
Current tax assets	3	303	2,805	-	-
Other assets	10	1,488	1,858	-	-
<b>Total current assets</b>		<b>145,009</b>	159,391	<b>65,043</b>	59,982
<b>Non-current assets</b>					
Investments in jointly controlled entities	11	-	-	-	-
Investment in controlled entities	12	-	-	69,429	69,429
Plant and equipment	13	8,222	9,103	-	-
Deferred tax assets	3	15,837	17,156	3,434	8,441
Intangible assets – other	14	43,152	41,284	-	-
Intangible assets – goodwill	15	24,558	24,558	-	-
<b>Total non-current assets</b>		<b>91,769</b>	92,101	<b>72,863</b>	77,870
<b>Total assets</b>		<b>236,778</b>	251,492	<b>137,906</b>	137,852
<b>Current liabilities</b>					
Trade and other payables	17	42,247	52,066	-	-
Borrowings	18	9,944	23,268	-	-
Current tax liabilities	3	2,944	3,245	-	-
Provisions	19	6,316	3,722	-	-
Other financial liabilities	20	6,736	424	-	-
<b>Total current liabilities</b>		<b>68,187</b>	82,725	-	-
<b>Non-current liabilities</b>					
Borrowings	18	29,354	30,334	-	-
Deferred tax liabilities	3	5,027	3,929	-	-
Provisions	19	2,897	2,818	-	-
<b>Total non-current liabilities</b>		<b>37,278</b>	37,081	-	-
<b>Total liabilities</b>		<b>105,465</b>	119,806	-	-
<b>Net assets</b>		<b>131,313</b>	131,686	<b>137,906</b>	137,852
<b>Equity</b>					
<i>Equity attributable to equity holders of the parent</i>					
Issued capital	21	137,581	137,564	137,581	137,564
Reserves	22	(13,274)	(8,900)	451	484
Retained earnings / (accumulated losses)	23	7,006	3,022	(126)	(196)
<b>Total equity</b>		<b>131,313</b>	131,686	<b>137,906</b>	137,852

The accompanying notes form an integral part of this balance sheet.

# Statement of Changes in Equity

## for the year ended 30 June 2009

	Note	Issued capital \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
<b>Consolidated</b>					
<b>At 1 July 2007</b>		130,713	(6,440)	(7,158)	117,115
Exchange differences on translation of foreign operations	22(a)	-	(5,907)	-	(5,907)
Cash flow hedges	22(c)	-	2,972	-	2,972
Income tax on items taken directly to equity	3	-	520	-	520
<b>Net expense recognised directly in equity</b>		-	(2,415)	-	(2,415)
Profit for the year		-	-	20,894	20,894
<b>Total recognised expense for the year</b>		-	(2,415)	20,894	18,479
Dividends paid	5(a)	-	-	(10,714)	(10,714)
Issue of ordinary shares - dividend reinvestment plan	5(a)	5,698	-	-	5,698
Issue of ordinary shares - exercise of options	21(a)	1,859	-	-	1,859
Non-recourse senior executive option plan loan changes	21(b)	(706)	-	-	(706)
Share-based payments	22(b)	-	(45)	-	(45)
<b>At 30 June 2008</b>		137,564	(8,900)	3,022	131,686
Exchange differences on translation of foreign operations	22(a)	-	<b>2,250</b>	-	<b>2,250</b>
Cash flow hedges	22(c)	-	<b>(4,648)</b>	-	<b>(4,648)</b>
Income tax on items taken directly to equity	3	-	<b>(1,943)</b>	-	<b>(1,943)</b>
<b>Net expense recognised directly in equity</b>		-	<b>(4,341)</b>	-	<b>(4,341)</b>
Profit for the year		-	-	<b>11,755</b>	<b>11,755</b>
<b>Total recognised income/(expense) for the year</b>		-	<b>(4,341)</b>	<b>11,755</b>	<b>7,414</b>
Dividends paid	5(a)	-	-	<b>(7,771)</b>	<b>(7,771)</b>
Non-recourse senior executive option plan loan changes	21(b)	<b>17</b>	-	-	<b>17</b>
Share-based payments	22(b)	-	<b>(33)</b>	-	<b>(33)</b>
<b>At 30 June 2009</b>		<b>137,581</b>	<b>(13,274)</b>	<b>7,006</b>	<b>131,313</b>
<b>Parent</b>					
<b>At 1 July 2007</b>		130,713	529	(294)	130,948
Profit for the year		-	-	10,812	10,812
<b>Total recognised income for the year</b>		-	-	10,812	10,812
Dividends paid	5(a)	-	-	(10,714)	(10,714)
Issue of ordinary shares - dividend reinvestment plan	5(a)	5,698	-	-	5,698
Issue of ordinary shares - exercise of options	21(a)	1,859	-	-	1,859
Non-recourse senior executive option plan loan changes	21(b)	(706)	-	-	(706)
Share-based payments	22(b)	-	(45)	-	(45)
<b>At 30 June 2008</b>		137,564	484	(196)	137,852
Profit for the year		-	-	<b>7,841</b>	<b>7,841</b>
<b>Total recognised income for the year</b>		-	-	<b>7,841</b>	<b>7,841</b>
Dividends paid	5(a)	-	-	<b>(7,771)</b>	<b>(7,771)</b>
Non-recourse senior executive option plan loan changes	21(b)	<b>17</b>	-	-	<b>17</b>
Share-based payments	22(b)	-	<b>(33)</b>	-	<b>(33)</b>
<b>At 30 June 2009</b>		<b>137,581</b>	<b>451</b>	<b>(126)</b>	<b>137,906</b>

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

# Cash Flow Statement

## for the year ended 30 June 2009

	Note	Consolidated		Parent	
		30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		456,469	447,478	-	-
Payments to suppliers and employees		(423,423)	(411,587)	-	-
Dividends received		-	-	7,771	10,714
Finance costs paid		(5,131)	(6,895)	(1)	-
Income tax (paid)/refund		(905)	1,763	-	-
Finance income received		329	575	52	3
<b>Net cash flows from operating activities</b>	6(b)	<b>27,339</b>	31,334	<b>7,822</b>	10,717
<b>Cash flows from investing activities</b>					
Purchase of plant and equipment	13(i)	(1,830)	(2,717)	-	-
Deferred proceeds from sale of business		1,000	7,237	-	-
Proceeds from sale of plant and equipment		26	164	-	-
Purchase of intangible assets		(5,396)	(5,482)	-	-
Deferred consideration for purchase of business		-	(392)	-	-
<b>Net cash flows used in investing activities</b>		<b>(6,200)</b>	(1,190)	-	-
<b>Cash flows from financing activities</b>					
Net repayment of borrowings		(10,283)	(37,940)	-	-
Repayment of borrowings from controlled entities		-	-	(154)	(5,714)
Proceeds from issues of shares	21(a)	-	797	-	-
Proceeds from repayment of senior executive option plan loans	21(b)	17	356	-	-
Equity dividends paid	5(a)	(7,722)	(4,943)	(7,722)	(4,943)
<b>Net cash flows used in financing activities</b>		<b>(17,988)</b>	(41,730)	<b>(7,876)</b>	(10,657)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,151</b>	(11,586)	<b>(54)</b>	60
Cash and cash equivalents at beginning of the year		3,206	14,509	61	1
Net foreign exchange difference		(68)	283	-	-
<b>Cash and cash equivalents at end of the year</b>	6(a)	<b>6,289</b>	3,206	<b>7</b>	61

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

# Notes to the Financial Statements

## for the year ended 30 June 2009

### Note 1. Summary of significant accounting policies

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

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

A description of the group's operations and of its principal activities is included in the review of results and operations and principal activities in the directors' report on page 11. The directors' report is unaudited (except for the remuneration report) and does not form part of the financial report.

#### (a) Basis of preparation

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

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

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC class order 98/0100. The company is an entity to which the class order applies.

#### (b) Statement of compliance

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the group for the annual reporting period ended 30 June 2009.

The amendments to standards and interpretations not yet adopted that have been identified as those which may impact the group in the period of initial application are:

- AASB 8 Operating Segments. Replaces the presentation requirements of segment reporting in AASB 114. AASB 8 is applicable from 1 July 2009 and may impact disclosures.

- AASB 101 Presentation of Financial Statements. Introduces changes to the titles of various statements and new presentation requirements. The revised AASB 101 is applicable from 1 July 2009, and will not impact any of the amounts recognised in the financial statements, but is expected to impact disclosures.
- AASB 2008-7 Amendments to Australian Accounting Standards. Introduces changes to AASB 127 and requires consideration of potential impairment of an investment in a subsidiary after the subsidiary has paid a dividend. Amendment AASB 2008-7 is applicable from 1 July 2009, and is not expected to impact any of the amounts recognised in the financial statements or disclosures.
- AASB 2009-2 Amendments to Australian Accounting Standards. Introduces changes to AASB 7 and disclosures required for fair value measurements. Amendment AASB 2009-2 is applicable from 1 July 2009, and is not expected to impact any of the amounts recognised in the financial statements but may impact disclosures.

#### (c) Basis of consolidation

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

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

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

In preparing the consolidated financial statements, all inter-company 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.

Investments in subsidiaries in the parent accounts are carried at cost.

## Note 1. Summary of significant accounting policies continued

### (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 16.

#### 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 either internally or by an external valuer using either the Black-Scholes or binomial option pricing model, using the assumptions detailed in note 28.

#### Onerous lease provision

The onerous lease provision represents the present value of the future lease payments that the consolidated entity is presently obligated to make in respect of onerous lease contracts under non-cancellable operating lease agreements, less revenue expected to be earned on the lease including estimated future sub-lease revenue, where applicable. The calculation of this provision requires various assumptions associated with the sub-letting of the premises. The related carrying amounts are disclosed in note 19.

### (e) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination.

All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values

at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the group's share of the identifiable net assets acquired is recognised as goodwill.

### (f) Segment reporting

A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments. A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

### (g) Foreign currency translation

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

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

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

The functional currency of the foreign subsidiaries is either:

- USD - United States dollars (Thebe International, Inc. Metro/Thebe, Inc. and HWI China Holdings Limited);
- HKD - Hong Kong dollars (HWI International Ltd, Gannet Holdings Limited, and Breville Export Limited);
- CAD - Canadian dollars (HWI Canada, Inc., Holdings HWI Canada, Inc., and Anglo-Canadian Housewares, L.P.); and
- NZD - New Zealand dollars (Breville NZ Ltd).

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

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

#### (g) Foreign currency translation continued

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

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

#### (h) Cash and cash equivalents

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

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

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

#### (i) Trade and other receivables

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

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

#### (j) Inventories

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

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

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

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

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

The group uses derivative financial instruments such as forward exchange contracts, foreign exchange option contracts, and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Certain derivative instruments are also held for trading for the purpose of making short term gains. These derivatives do not qualify for hedge accounting and changes in fair value are recognised immediately in the income statement in other revenue and expenses. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

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

The fair value of forward exchange contracts and foreign exchange option contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles, and where applicable exercise prices. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

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

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

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

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

## Note 1. Summary of significant accounting policies continued

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

#### Cash flow hedges

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

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

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

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

#### (l) Plant and equipment

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

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

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

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

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

### (m) Intangible assets - goodwill

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

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

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the group's primary or secondary segment reporting format, determined in accordance with AASB 114 Segment Reporting.

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

Impairment losses recognised for goodwill are not subsequently reversed.

### (n) Intangible assets - other

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

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

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

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

#### (n) Intangible assets - other continued

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

#### Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

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

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

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

## Note 1. Summary of significant accounting policies continued

### (o) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment; or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

### (p) Interest in jointly controlled entities

The group's investment in its jointly controlled entities is accounted for under the equity method of accounting in the consolidated financial report.

Under the equity method, the investment in the jointly controlled entities is carried in the consolidated balance sheet at cost plus post-acquisition changes in the group's share of net assets of the jointly controlled entities. Goodwill relating to jointly controlled entities is included in the carrying amount of the investment and is not amortised. After application of the equity method, the group determines whether it is necessary to recognise any additional impairment loss with respect to the group's net investment in its jointly controlled entities. The consolidated income statement reflects the group's share of the results of operations of the jointly controlled entities.

Where there has been a change recognised directly in the jointly controlled entities' equity, the group recognised its share of any changes and discloses this in the consolidated statement of changes in equity.

The reporting dates of the jointly controlled entities and the group are identical and the jointly controlled entities' accounting policies conform to those used by the group for like transactions and events in similar circumstances.

### (q) 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 profit or loss, directly attributable transactions costs. The group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each year-end.

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

#### (i) Financial assets at fair value through profit or loss

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

#### (ii) Held-to-maturity investments

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

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

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

#### (q) Investments and other financial assets

continued

##### (iii) Loans and receivables

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

##### (iv) Available-for-sale investments

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

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

##### (r) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the group prior to the end of the year that are unpaid and arise when the group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

#### Wages, salaries, annual leave and sick leave

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

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

#### (s) Share-based payment transactions

##### (i) Equity settled transactions

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

There are currently two senior executive option plans (SEOP), which provide benefits to senior executives and a performance rights plan. Refer to note 28 for details.

The cost of these equity-settled transactions with employees (for awards granted after 7 November 2002 that were unvested at 1 January 2005) 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 or internal valuation model using a Black Scholes or binomial model, further details of which are given in note 28.

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

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

## Note 1. Summary of significant accounting policies continued

### (s) Share-based payment transactions

continued

#### (i) Equity settled transactions continued

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

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

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

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

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

#### (t) Provisions

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

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

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the

liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### Onerous contracts

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

#### Restructuring

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

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

#### Warranties and faulty goods

Provision for warranty and faulty goods are recognised at the date of sale of the relevant products, at the group's best estimate of the expenditure required to settle the group's liability.

#### Employee leave benefits - Long service leave

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

#### (u) Borrowings

All borrowings, including commercial bills, are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, borrowings, including commercial bills, are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised.

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

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

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

#### (v) Derecognition of financial assets and financial liabilities

##### (i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the group could be required to repay.

##### (ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### (w) Contributed equity

##### (i) Ordinary shares

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

##### (ii) Reserved shares

The group's own equity instruments, which are reacquired for later use in employee share-based payment arrangements (reserved shares), are

deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments.

#### (x) Revenue recognition

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

##### Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the earlier of delivery of the goods or the transfer of legal title to the buyer. Revenue is measured at the fair value of the consideration received or receivable, net of returns, allowances, trade discounts and volume rebates.

##### Finance revenue

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

##### Dividends

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

#### (y) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

#### (z) Leases

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

##### (i) Group as a lessee

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

## Note 1. Summary of significant accounting policies continued

### (z) Leases continued

#### (ii) Group as a lessor

In some instances the group sub leases surplus operating lease space. Rentals received under sub leases are recognised as a reduction in operating lease expense. Future rentals to be received under non-cancellable sub leases are disclosed in note 26.

### (aa) Income tax and other taxes

#### (i) Current tax

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

#### (ii) Deferred tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts 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 or interests in jointly controlled entities, 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 associated with investments in subsidiaries or interests in jointly controlled entities, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

#### (iii) Tax consolidation legislation

Breville Group Limited and its wholly-owned Australian resident controlled entities have implemented the tax consolidated legislation as of 1 July 2003.

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

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

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

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

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

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

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

#### (iv) Other taxes

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

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

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

#### (ab) Earnings per share

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

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

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

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

#### (ac) Comparatives

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

Note	Consolidated		Parent		
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000	
<b>Note 2. Revenue and expenses</b>					
<b>(a) Revenue</b>					
	Sale of goods	431,941	410,243	-	-
	Dividends – Subsidiaries	-	-	7,771	10,714
	<b>Total revenue</b>	<b>431,941</b>	<b>410,243</b>	<b>7,771</b>	<b>10,714</b>
<b>(b) Cost of sales</b>					
	Costs of inventories recognised as an expense [includes write-down of inventory to net realisable value (note 8)]	280,636	265,212	-	-
	Costs of delivering goods to customers	18,746	17,029	-	-
	Warranty provision	9,527	7,393	-	-
	<b>Total cost of sales</b>	<b>308,909</b>	<b>289,634</b>	<b>-</b>	<b>-</b>
<b>(c) Other income</b>					
	Other income	845	791	-	-
	<b>Total other income</b>	<b>845</b>	<b>791</b>	<b>-</b>	<b>-</b>
<b>(d) Depreciation and amortisation expense</b>					
	Depreciation – plant & equipment	2,875	2,730	-	-
	Amortisation – capitalised software	933	705	-	-
	Amortisation – development costs	2,736	1,840	-	-
		2(h)			
	<b>Total depreciation and amortisation</b>	<b>6,544</b>	<b>5,275</b>	<b>-</b>	<b>-</b>
<b>(e) Lease payments and other expenses included in income statement</b>					
<b>Included in premises, lease &amp; utilities expense:</b>					
	• Minimum lease payments – operating lease	12,123	9,647	-	-
<b>Included in other expenses:</b>					
	• Net profit on disposal of plant and equipment	(3)	(93)	-	-
	• Bad and doubtful debts	566	514	-	-
	• Other product related costs	1,244	1,279	-	-
<b>(f) Employee benefits expense</b>					
	Wages & salaries, leave and other employee related benefits	47,924	45,862	-	-
	Defined contribution plan expense	1,905	1,844	-	-
	Share-based payments (benefit)/expense	(33)	(45)	(33)	(45)
	Employee benefits expense/(benefit) excluding redundancy costs	49,796	47,661	(33)	(45)
	Redundancy costs	1,593	-	-	-
	<b>Total employee benefits expense</b>	<b>51,389</b>	<b>47,661</b>	<b>(33)</b>	<b>(45)</b>

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Note				
<b>Note 2. Revenue and expenses continued</b>				
<b>(g) Finance costs, net</b>				
Finance costs paid or payable on borrowings and bank overdrafts:				
- interest	4,116	5,740	-	-
- other borrowing costs	1,820	870	-	-
Finance revenue	(329)	(648)	(52)	(76)
<b>Total finance costs, net</b>	<b>5,607</b>	<b>5,962</b>	<b>(52)</b>	<b>(76)</b>
<b>(h) Research and development costs</b>				
Amortisation of previously capitalised development costs included in amortisation expense	2(d) 2,736	1,840	-	-
Research and development costs charged directly to the income statement	4,568	4,926	-	-
<b>Total research and development costs</b>	<b>7,304</b>	<b>6,766</b>	<b>-</b>	<b>-</b>
<b>Note 3. Income tax</b>				
The major components of income tax expense are:				
<b>Income statement</b>				
<b>Current income tax</b>				
Current income tax charge	6,330	3,328	15	23
Adjustments in respect of current income tax of previous years	505	(989)	-	-
<b>Deferred income tax</b>				
Relating to the origination and reversal of temporary differences	(2,958)	3,286	-	-
<b>Total income tax expense reported in the income statement</b>	<b>3,877</b>	<b>5,625</b>	<b>15</b>	<b>23</b>
<b>Statement of changes in equity</b>				
<b>Deferred income tax related to items charged or credited directly to equity</b>				
Exchange differences on translation of foreign operations	3,433	(1,400)	-	-
Net (loss)/gain on revaluation of cash flow hedges	(1,490)	880	-	-
<b>Income tax expense/(income) reported in equity</b>	<b>1,943</b>	<b>(520)</b>	<b>-</b>	<b>-</b>

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Profit before income tax	15,632	26,519	7,856	10,835
At the parent entity's statutory income tax rate of 30% (2008: 30%)	4,690	7,956	2,357	3,251
• adjustments in respect of current income tax of previous years	505	(989)	-	-
• effect of different rates of tax on overseas income	(1,490)	(1,652)	-	-
• intergroup dividends received	-	-	(2,331)	(3,214)
• expenditure not allowable for income tax purposes	227	238	-	-
• other	(55)	72	(11)	(14)
<b>Income tax expense reported in the income statement</b>	<b>3,877</b>	<b>5,625</b>	<b>15</b>	<b>23</b>

### Note 3. Income tax continued

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the parent entity's applicable income tax rate is as follows:

Profit before income tax

At the parent entity's statutory income tax rate of 30% (2008: 30%)

- adjustments in respect of current income tax of previous years
- effect of different rates of tax on overseas income
- intergroup dividends received
- expenditure not allowable for income tax purposes
- other

**Income tax expense reported in the income statement**

	Balance sheet		Income statement	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
<b>Deferred tax liabilities</b>				
Brand names	1,875	1,875	-	-
Provisions and accruals	-	-	-	401
Development costs	3,152	2,500	(652)	(889)
Unrealised foreign exchange gains and losses	-	510	510	(231)
Foreign currency translation reserve	-	(956)	-	-
<b>Gross deferred income tax liabilities</b>	<b>5,027</b>	<b>3,929</b>		
<b>Deferred tax assets</b>				
Losses/other credits available for offset against future taxable income	3,717	8,548	(1,399)	994
Provisions and accruals	9,146	4,779	4,367	(2,477)
Foreign currency translation reserve	-	2,477	-	-
Unrealised foreign exchange gains and losses	(104)	(617)	513	(580)
Employee benefits	1,563	1,260	303	(109)
Revaluation of inventories	629	-	629	-
Cash flow hedge reserve	1,586	96	-	-
Other	(700)	613	(1,313)	(395)
<b>Gross deferred income tax assets</b>	<b>15,837</b>	<b>17,156</b>		
<b>Deferred tax expense</b>			<b>2,958</b>	<b>(3,286)</b>

### Deferred income tax

Deferred income tax at 30 June relates to the following:

#### Consolidated

#### Deferred tax liabilities

Brand names

Provisions and accruals

Development costs

Unrealised foreign exchange gains and losses

Foreign currency translation reserve

**Gross deferred income tax liabilities**

#### Deferred tax assets

Losses/other credits available for offset against future taxable income

Provisions and accruals

Foreign currency translation reserve

Unrealised foreign exchange gains and losses

Employee benefits

Revaluation of inventories

Cash flow hedge reserve

Other

**Gross deferred income tax assets**

**Deferred tax expense**

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

### Note 3. Income tax continued

#### Deferred income tax continued

##### Parent

#### Deferred tax liabilities

#### Deferred tax assets

Losses/other credits available for offset against future taxable income

Balance sheet		Intercompany	
30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
-	-	-	-
3,434	8,441	(5,007)	1,174

#### Current income tax

#### Current tax asset

#### Current tax liabilities

Consolidated		Parent	
30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
303	2,805	-	-
2,944	3,245	-	-

The group has tax losses arising in Australia of \$3,434,000 (2008: \$7,321,000), in Canada of \$283,000 (2008: \$83,000) and in Hong Kong of nil, (2008: \$24,000) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose or in the case of Australia within the tax consolidated group provided that the loss recoupment tests are satisfied. Other tax credits available for offset against future taxable profits in the Australian tax consolidated group amount to nil, (2008: \$1,120,000).

At 30 June 2009, there is no recognised or unrecognised deferred income tax liability (2008: \$nil) for taxes that would be payable on the unremitted earnings of certain of the group's subsidiaries or jointly controlled entities, 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.

#### Tax consolidation

Breville Group Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2003.

The head entity, Breville Group Limited, and each subsidiary in the tax consolidated group are required to account for their own current and deferred tax amounts. These tax amounts are measured as if each

entity in the tax consolidated group continues to be a stand alone tax payer in its own right.

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

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

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

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

### Note 3. Income tax continued

#### Tax consolidation continued

In preparing the accounts for Breville Group Limited for the current year, the following amounts have been recognised as tax-consolidation adjustments:

	Parent	
	30 June 2009 \$'000	30 June 2008 \$'000
<b>Total increase / (reduction) to:</b>		
• current tax asset of Breville Group Limited	-	23
• deferred tax asset of Breville Group Limited	(5,007)	1,174
• current tax liability of Breville Group Limited	(38)	-
• inter-company assets of Breville Group Limited	5,045	(1,197)

### Note 4. Earnings per share

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

	Consolidated	
	30 June 2009 \$'000	30 June 2008 \$'000
<b>Earnings used in calculating basic and diluted earnings per share:</b>		
<b>Net profit attributable to ordinary equity holders of the parent</b>	11,755	20,894
	<b>Thousands</b>	Thousands
<b>Weighted average number of shares:</b>		
Weighted average number of ordinary shares for basic earnings per share	129,515	126,596
Effect of dilution:		
• share options and performance rights	1,565	2,398
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	131,080	128,994
Weighted average number of exercised, forfeited or expired potential ordinary shares included in diluted earnings per share	494	890

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.

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

Note	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
<b>Note 5. Dividends</b>				
<b>(a) Dividends on ordinary shares declared and paid during the year:</b>				
<b>Final unfranked dividend for 2008 of 2.0 cents per share (2008: Final franked dividend for 2007 of nil cents per share)</b>				
• Paid in cash	(i) 2,574	-	2,574	-
• Retained as interest income	(ii) 16	-	16	-
<b>Final dividend</b>	<b>2,590</b>	<b>-</b>	<b>2,590</b>	<b>-</b>
<b>Interim unfranked dividend for 2009 of 4.0 cents per share (2008: franked 8.5 cents per share)</b>				
• Paid in cash	(i) 5,148	4,943	5,148	4,943
• Retained as interest income	(ii) 33	73	33	73
• Reinvested through dividend reinvestment plan	(iii) -	5,698	-	5,698
<b>Interim dividend</b>	<b>5,181</b>	<b>10,714</b>	<b>5,181</b>	<b>10,714</b>
<b>Total unfranked dividends declared and paid during the year of 6.0 cents per share (2008: franked 8.5 cents per share)</b>				
(i) Total dividends paid in cash	7,722	4,943	7,722	4,943
(ii) Total dividends retained as interest income	49	73	49	73
(iii) Total dividends reinvested	-	5,698	-	5,698
<b>Total dividends</b>	<b>7,771</b>	<b>10,714</b>	<b>7,771</b>	<b>10,714</b>
<b>(b) Dividends on ordinary shares proposed and not recognised as a liability:</b>				
<b>Final unfranked dividend for 2009 is 1.5 cents per share (2008: 2.0 cents per share)</b>				
	1,943	2,590	1,943	2,590

	Parent	
	30 June 2009 \$'000	30 June 2008 \$'000
<b>(c) Franking credit balance</b>		
The amount of franking credits available for the subsequent year are:		
• franking account balance as at the end of the year at 30% (2008: 30%)	49	49
• franking credits / (debits) that will arise from the payment / (refund) of income tax payable as at the end of the year	-	-
	<b>49</b>	<b>49</b>
The amount of franking credits 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	-	-
<b>Total franking credit balance</b>	<b>49</b>	<b>49</b>

The tax rate at which paid dividends have been franked is 30% (2008: 30%).

Note	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
<b>Note 6. Cash and cash equivalents</b>				
<b>Cash at bank and on hand</b>	(a) <b>6,290</b>	10,262	<b>7</b>	61
<b>Notes:</b>				
(a) Cash at bank earns interest at floating rates based on daily bank deposit rates.				
(b) At 30 June 2009, the Group had available \$44,149,000 (2008: \$38,817,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.				
(c) The fair value of cash and cash equivalents is \$6,290,000 (2008: \$10,262,000).				
<b>(a) Reconciliation of cash flow statement:</b>				
For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 30 June:				
Cash and cash equivalents	<b>6,290</b>	10,262	<b>7</b>	61
Bank overdraft	18 <b>(1)</b>	(7,056)	-	-
<b>Total cash and cash equivalents, net</b>	<b>6,289</b>	3,206	<b>7</b>	61
<b>(b) Reconciliation of net profit after tax for the year to net cash flows from operations</b>				
Net profit for the year	<b>11,755</b>	20,894	<b>7,841</b>	10,812
<b>Adjustments for:</b>				
Depreciation and amortisation	<b>6,544</b>	5,275	-	-
Share-based payments	<b>(33)</b>	(45)	<b>(33)</b>	(45)
Net gain on disposal of plant and equipment	<b>(3)</b>	(93)	-	-
Net fair value change on derivatives	<b>2,559</b>	(420)	-	-
Impairment of investment in jointly controlled entity	11(c) -	89	-	-
<b>Changes in assets and liabilities:</b>				
(Increase)/decrease in:				
Trade and other receivables	<b>(3,847)</b>	(1,130)	-	-
Inventories	<b>17,685</b>	(4,770)	-	-
Prepayments	<b>371</b>	(297)	-	-
Other current assets	<b>3,027</b>	2,393	-	(50)
Non-current assets	<b>1,528</b>	1,955	-	-
Increase/(decrease) in:				
Current liabilities	<b>(12,894)</b>	6,555	<b>14</b>	-
Non-current liabilities	<b>647</b>	928	-	-
<b>Net cash from operating activities</b>	<b>27,339</b>	31,334	<b>7,822</b>	10,717
<b>(c) Disclosure of financing facilities</b>				
Refer to note 18.				



## Note 7. Trade and other receivables continued

At 30 June 2009 an ageing analysis of those trade receivables which are past due but not impaired are as follows:

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
1 – 30 days overdue	4,218	5,618	-	-
31 – 60 days overdue	366	768	-	-
61+ days overdue	378	495	-	-
<b>Total past due but not impaired</b>	<b>4,962</b>	<b>6,881</b>	<b>-</b>	<b>-</b>

Trade receivables past due but not impaired amount to \$4,962,000 (2008: \$6,881,000). Of this balance, \$2,625,000 (2008: \$3,642,000) is covered by insurance to be used in the event of default of payment. In all instances each operating unit has been in contact with the relevant debtor and is satisfied that payment will be received in full.

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.

- (b) Non-trade other receivables are non-interest bearing and have repayment terms between 30 and 60 days.
- (c) Inter-company receivable balance between Breville Group Limited (Parent) and its controlled entities are unsecured and non-interest bearing, and are repayable on demand.

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 25.

Note	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000

## Note 8. Inventories

Finished goods (at lower of cost and net realisable value)	(a)	55,928	65,329	-	-
Stock in transit (at cost)		12,315	15,455	-	-
<b>Total inventories</b>		<b>68,243</b>	<b>80,784</b>	<b>-</b>	<b>-</b>

### Notes:

- (a) Total net finished goods provision movements recognised in the income statement totalled a \$657,000 expense (2008: \$93,000 credit) for the group. This net expense is included in the cost of sales line in the cost of inventories.

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Note				
<b>Note 9. Other financial assets</b>				
<b>Derivative assets:</b>				
Forward exchange contracts – cash flow hedges	77	84	-	-
Foreign exchange option contracts – cash flow hedges	-	61	-	-
Interest rate swap contracts – held for trading	-	877	-	-
<b>Total other financial assets</b>	(i) <b>77</b>	1,022	-	-

### Notes:

- (i) Derivative assets represent the fair value receivable arising from foreign currency forward contracts, foreign exchange option contracts, and interest rate swap contracts disclosed in note 20.

### Note 10. Other assets

Prepayments	1,488	1,858	-	-
<b>Total other assets</b>	<b>1,488</b>	1,858	-	-

### Note 11. Investment in jointly controlled entities

<b>Investment in jointly controlled entities</b>	(c)	-	-	-	-
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	Balance date	Ownership interest % held by consolidated group	
		30 June 2009 %	30 June 2008 %
HWI China Limited	(i) 30 June	50.0	50.0

### Notes:

- (i) HWI China Holdings Limited has a 50% interest in HWI China Limited, which is a limited company incorporated in Hong Kong. HWI China Limited was previously principally involved in the shipping administration, quality control, and factory sourcing and liaison services. This service was discontinued in the year ended 30 June 2008 following the disposal of the Australian Homewares business. The companies HWI China Limited and HWI China Holdings Ltd are in the process of being deregistered.

**Consolidated**

<b>30 June 2009 \$'000</b>	30 June 2008 \$'000
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**Note 11: Investment in jointly controlled entities continued**

The following table illustrates summarised financial information relating to the group's investment in its jointly controlled entities:

**(a) Share of jointly controlled entities' balance sheet:**

Total assets	-	-
Total liabilities	-	-
<b>Net assets</b>	<b>-</b>	<b>-</b>

**(b) Share of jointly controlled entities' income statement:**

Income	-	-
Expenses	-	-
Profit before income tax	-	-
Income tax benefit	-	-
<b>Profit after income tax</b>	<b>-</b>	<b>-</b>

**(c) Carrying amount of investment in jointly controlled entities:**

<b>Balance at beginning of year</b>	-	89
Impairment recognised	-	(89)
<b>Balance at end of the year</b>	<b>-</b>	<b>-</b>

**(d) Retained profits of the consolidated entity attributable to the jointly controlled entities**

<b>Balance at the beginning of the year</b>	-	90
Expenses related to winding up joint venture	-	(90)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

**(e) Share of jointly controlled entities commitments**

The jointly controlled entity has no commitments (2008: nil).

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

	Note	Consolidated		Parent	
		30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
<b>Note 12: Investments in controlled entities</b>					
<b>Investments in controlled entities at cost comprise:</b>					
<b>Investments in controlled entities</b>	27	-	-	<b>69,429</b>	69,429
<b>Note 13: Plant and equipment</b>					
<b>At the beginning of the year</b>					
At Cost (gross carrying amount)		<b>30,211</b>	28,603	-	-
Accumulated depreciation and impairment		<b>(21,108)</b>	(19,096)	-	-
<b>Net carrying amount</b>	(i)	<b>9,103</b>	9,507	-	-
<b>At the end of the year</b>					
At Cost (gross carrying amount)		<b>30,649</b>	30,211	-	-
Accumulated depreciation and impairment		<b>(22,427)</b>	(21,108)	-	-
<b>Net carrying amount</b>	(i)	<b>8,222</b>	9,103	-	-
<b>(i) Reconciliation of the carrying amount</b>					
<b>Carrying amount at the beginning of year</b>		<b>9,103</b>	9,507	-	-
Additions		<b>1,830</b>	2,717	-	-
Disposals		<b>(23)</b>	(71)	-	-
Depreciation	2(d)	<b>(2,875)</b>	(2,730)	-	-
Net exchange difference		<b>187</b>	(320)	-	-
<b>Carrying amount at the end of year</b>		<b>8,222</b>	9,103	-	-
<b>Note 14: Intangible assets - other</b>					
Development costs	(a)	<b>10,507</b>	8,334	-	-
Capitalised software	(b)	<b>842</b>	1,147	-	-
Brand names	(c)	<b>31,803</b>	31,803	-	-
<b>Total Intangible assets - other</b>		<b>43,152</b>	41,284	-	-

### Notes:

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

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

Brand names include intangible assets acquired through previous business combinations. These intangible assets have been determined to have indefinite useful lives as the economic benefits which are obtained from them are expected to be ongoing. The cost model is utilised for their measurement. These assets were tested for impairment as at 30 June 2009 (see note 16).

Note	Consolidated		Parent		
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000	
<b>Note 14: Intangible assets – other continued</b>					
<b>(a) Development costs</b>					
<b>At the beginning of the year</b>					
	At Cost (gross carrying amount)	12,084	7,282	-	-
	Accumulated depreciation and impairment	(3,750)	(1,910)	-	-
	<b>Net carrying amount</b>	<b>8,334</b>	<b>5,372</b>	<b>-</b>	<b>-</b>
	(i)				
<b>At the end of the year</b>					
	At Cost (gross carrying amount)	16,993	12,084	-	-
	Accumulated depreciation and impairment	(6,486)	(3,750)	-	-
	<b>Net carrying amount</b>	<b>10,507</b>	<b>8,334</b>	<b>-</b>	<b>-</b>
	(i)				
<b>(i) Reconciliation of the carrying amount</b>					
	<b>Carrying amount at the beginning of year</b>	<b>8,334</b>	<b>5,372</b>	<b>-</b>	<b>-</b>
	Additions – internal development	4,909	4,802	-	-
	Amortisation	(2,736)	(1,840)	-	-
	<b>Carrying amount at the end of year</b>	<b>10,507</b>	<b>8,334</b>	<b>-</b>	<b>-</b>
	2(d)				
<b>(b) Computer software</b>					
<b>At the beginning of the year</b>					
	At Cost (gross carrying amount)	3,375	2,859	-	-
	Accumulated depreciation and impairment	(2,228)	(1,582)	-	-
	<b>Net carrying amount</b>	<b>1,147</b>	<b>1,277</b>	<b>-</b>	<b>-</b>
	(i)				
<b>At the end of the year</b>					
	At Cost (gross carrying amount)	4,059	3,375	-	-
	Accumulated depreciation and impairment	(3,217)	(2,228)	-	-
	<b>Net carrying amount</b>	<b>842</b>	<b>1,147</b>	<b>-</b>	<b>-</b>
	(i)				
<b>(i) Reconciliation of the carrying amount</b>					
	<b>Carrying amount at the beginning of year</b>	<b>1,147</b>	<b>1,277</b>	<b>-</b>	<b>-</b>
	Additions	487	680	-	-
	Amortisation	(933)	(705)	-	-
	Net exchange difference	141	(105)	-	-
	<b>Carrying amount at the end of year</b>	<b>842</b>	<b>1,147</b>	<b>-</b>	<b>-</b>
	2(d)				

# Notes to the Financial Statements continued

for the year ended 30 June 2009

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
<b>Note 14: Intangible assets – other continued</b>				
<b>(c) Brand names</b>				
<b>At the beginning of the year</b>				
At Cost (gross carrying amount)	31,803	31,803	-	-
Accumulated impairment	-	-	-	-
<b>Net carrying amount</b>	(i) 31,803	31,803	-	-
<b>At the end of the year</b>				
At Cost (gross carrying amount)	31,803	31,803	-	-
Accumulated impairment	-	-	-	-
<b>Net carrying amount</b>	(i) 31,803	31,803	-	-
<b>(i) Reconciliation of the carrying amount</b>				
Carrying amount at the beginning of year	31,803	31,803	-	-
<b>Carrying amount at the end of year</b>	31,803	31,803	-	-

## Note 15: Intangible assets – goodwill

<b>At the beginning of the year</b>				
At Cost (gross carrying amount)	24,558	24,558	-	-
Accumulated impairment	-	-	-	-
<b>Net carrying amount</b>	(i) 24,558	24,558	-	-
<b>At the end of the year</b>				
At Cost (gross carrying amount)	24,558	24,558	-	-
Accumulated impairment	-	-	-	-
<b>Net carrying amount</b>	(i) 24,558	24,558	-	-
<b>(i) Reconciliation of the carrying amount</b>				
Carrying amount at the beginning of year	24,558	24,558	-	-
<b>Carrying amount at the end of year</b>	24,558	24,558	-	-

## Note 16: Impairment testing of goodwill and intangibles with indefinite lives

Goodwill and brand names acquired through business combinations have been allocated to 5 individual cash generating units for impairment testing as follows:

- Breville Pty Ltd (Australia)
- Metro Thebe Inc (United States of America)
- Anglo-Canadian Housewares, L.P. (Canada)
- Breville NZ Ltd (New Zealand)
- HWI International Limited (Hong Kong)

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

The discount rate applied to cash flow projections ranges from 11.0% to 12.8% (2008: 14.1%). Cash flows beyond the approved 30 June 2010 budgets are extrapolated using a 2.0% growth rate (2008: 2.0%), which is the same as the long-term average growth rate for the wholesale consumer products industry generally.

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

Note	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
<b>Carrying amount of goodwill and brand names allocated to each of the cash generating units</b>				
<b>Breville Pty Ltd</b>				
	- goodwill	8,209	-	-
	- brand names with indefinite useful lives	31,803	-	-
		<b>40,012</b>	-	-
<b>Metro Thebe, Inc</b>				
	- goodwill	5,843	-	-
<b>Anglo-Canadian Housewares, L.P.</b>				
	- goodwill	7,689	-	-
<b>Breville NZ Ltd</b>				
	- goodwill	981	-	-
<b>HWI International Ltd</b>				
	- goodwill	1,836	-	-
		<b>56,361</b>	-	-
<b>All cash generating units</b>				
	- goodwill	15 24,558	-	-
	- brand names with indefinite useful lives	14(c) 31,803	-	-
	<b>Total carrying amount of goodwill and brand names</b>	<b>56,361</b>	-	-

### Key assumptions used in value in use calculations for the cash generating units for 30 June 2009 and 30 June 2008

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

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

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Note				
<b>Note 17: Trade and other payables</b>				
<b>Current</b>				
Trade payables – unsecured (a)	38,990	48,878	-	-
Employee benefits 29(a)	3,257	3,188	-	-
<b>Total current trade and other payables</b>	<b>42,247</b>	<b>52,066</b>	<b>-</b>	<b>-</b>

### Note 17: Trade and other payables

#### Current

Trade payables – unsecured (a)	38,990	48,878	-	-
Employee benefits 29(a)	3,257	3,188	-	-
<b>Total current trade and other payables</b>	<b>42,247</b>	<b>52,066</b>	<b>-</b>	<b>-</b>

#### Terms and conditions relating to the above financial instruments:

(a) Trade payables are non-interest bearing and are normally settled on 30 day terms.

The carrying value and estimated net fair values of the trade and other payables are 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 25.

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Note				
<b>Note 18: Borrowings</b>				
<b>Current</b>				
Bank overdrafts – on demand 6(a)	1	7,056	-	-
<b>Other loans:</b>				
- Commercial bills/cash advance facilities	9,901	16,179	-	-
- Term loan	42	33	-	-
<b>Total current borrowings</b>	<b>9,944</b>	<b>23,268</b>	<b>-</b>	<b>-</b>
<b>Non-current</b>				
<b>Other loans:</b>				
- Commercial bills	29,000	30,000	-	-
- Term loan	354	334	-	-
<b>Total non-current borrowings</b>	<b>29,354</b>	<b>30,334</b>	<b>-</b>	<b>-</b>

### Note 18: Borrowings

#### Current

Bank overdrafts – on demand 6(a)	1	7,056	-	-
<b>Other loans:</b>				
- Commercial bills/cash advance facilities	9,901	16,179	-	-
- Term loan	42	33	-	-
<b>Total current borrowings</b>	<b>9,944</b>	<b>23,268</b>	<b>-</b>	<b>-</b>

#### Non-current

#### Other loans:

- Commercial bills	29,000	30,000	-	-
- Term loan	354	334	-	-
<b>Total non-current borrowings</b>	<b>29,354</b>	<b>30,334</b>	<b>-</b>	<b>-</b>

#### Terms and conditions

At 30 June 2009 the group operated under one primary global facility with Australia and New Zealand Banking Group Limited (ANZ) enabling all jurisdictions to borrow under one global facility. This facility agreement was entered into during the second half of the financial year ended 30 June 2008. The facility agreement has a number of financial covenants all of which have been fully complied with during the year ended 30 June 2009.

The Australia and New Zealand financing facilities are secured by a first ranking fixed and floating registered charge (or general security for Breville New Zealand Ltd), over all the assets and undertakings of Thebe International Pty Ltd, Breville Pty Ltd, Breville Holdings Pty Ltd, Breville R&D Pty Ltd and Breville New Zealand Ltd and are guaranteed by Breville Group Limited.

## **Note 18: Borrowings** continued

### **Terms and conditions** continued

The Hong Kong facility is secured via a security agreement over the assets and undertakings of HWI International Limited.

The USA facilities (with City National Bank) and the Canadian facilities with HSBC, are secured by standby letter of credit from ANZ (NY). A security agreement in favour of ANZ is in existence over the assets and undertakings of Metro/Thebe Inc. only.

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

Notes 20(iii) and 25 specify interest rate details relating to the group's borrowings.

### **Bank covenants**

#### **ANZ**

The facility agreement entered into during the second half of financial year ended 30 June 2008 has a number of financial covenant undertakings none of which have been breached at 30 June 2009.

#### **City National Bank**

In the prior corresponding period, prior to the ANZ global facility, Metro/Thebe Inc failed to comply with certain requirements of their banking arrangement which resulted in an event of default. In all cases, the bank subsequently agreed to waive the event of default.

### **Commercial bills/cash advance facilities**

Commercial bills/cash advance facilities outstanding at balance date have maturities ranging from 1 to 2 months (2008: 1 to 3 months) with effective interest rates of 1.6% to 3.3% (2008: 3.1% to 7.9%).

### **Fair value**

The carrying value and estimated net fair values of the borrowings is assumed to approximate their fair value, being the amount at which the liability could be settled in a current transaction between willing parties. Details regarding interest rate, foreign exchange and liquidity risk are disclosed in note 25.

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

		<b>Consolidated</b>	
		<b>30 June 2009</b>	30 June 2008
Note		<b>\$'000</b>	\$'000
<b>Note 18: Borrowings continued</b>			
<b>Financing facilities available</b>			
At reporting date, the following financial facilities have been negotiated and were available to the group:			
	(a)	<b>37,061</b>	48,969
	(b)	<b>80,731</b>	77,965
	(c)	<b>117,792</b>	126,934
<b>Total facilities</b>			
<b>(a) Facilities used at the reporting date:</b>			
		<b>29,000</b>	30,000
		<b>9,901</b>	16,179
		<b>2,033</b>	2,681
		<b>1</b>	7,056
		<b>440</b>	440
		<b>864</b>	-
		<b>1,112</b>	2,875
		<b>43,351</b>	59,231
		<b>(6,290)</b>	(10,262)
		<b>37,061</b>	48,969
<b>(b) Facilities unused at the reporting date:</b>			
		<b>6,000</b>	5,000
		<b>37,064</b>	27,524
		<b>22,676</b>	21,564
		<b>1,085</b>	6,293
		<b>440</b>	439
		<b>1,461</b>	2,325
		<b>5,715</b>	4,558
		<b>74,441</b>	67,703
		<b>6,290</b>	10,262
		<b>80,731</b>	77,965
<b>(c) Total facilities:</b>			
		<b>35,000</b>	35,000
		<b>46,965</b>	43,703
		<b>24,709</b>	24,245
		<b>1,086</b>	13,349
		<b>880</b>	879
		<b>2,325</b>	2,325
		<b>6,827</b>	7,433
		<b>117,792</b>	126,934

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Note				
<b>Note 19: Provisions</b>				
<b>Current</b>				
Warranty and faulty goods	<b>2,937</b>	1,940	-	-
Employee benefits – long service	29(a) <b>1,155</b>	913	-	-
Onerous lease contracts	<b>2,224</b>	869	-	-
<b>Total current provisions</b>	(a) <b>6,316</b>	3,722	-	-
<b>Non-current</b>				
Onerous lease contracts	<b>2,032</b>	2,072	-	-
Employee benefits – long service	29(a) <b>865</b>	746	-	-
<b>Total non-current provisions</b>	(a) <b>2,897</b>	2,818	-	-

Consolidated			
Warranty and faulty goods \$'000	Employee benefits - long service \$'000	Onerous lease contracts \$'000	Total \$'000

#### (a) Movement in provisions

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

Current	1,940	913	869	3,722
Non-current	-	746	2,072	2,818
<b>Total</b>	<b>1,940</b>	<b>1,659</b>	<b>2,941</b>	<b>6,540</b>

##### Movement in provisions during the year:

Additional provisions made in the year	9,527	352	4,133	14,012
Amounts utilised during the year	(8,555)	(1)	(2,806)	(11,362)
Net exchange differences	25	10	(12)	23
Net movement	997	361	1,315	2,673

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

Current	<b>2,937</b>	<b>1,155</b>	<b>2,224</b>	<b>6,316</b>
Non-current	-	<b>865</b>	<b>2,032</b>	<b>2,897</b>
<b>Total</b>	<b>2,937</b>	<b>2,020</b>	<b>4,256</b>	<b>9,213</b>

There were no movements in provisions in the parent entity's accounts during the years ended 30 June 2009 and 30 June 2008.

#### (a) Warranty and faulty goods

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

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

### Note 19: Provisions continued

#### (b) 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.

#### (c) Onerous lease contracts

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

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Note				

### Note 20: Other financial liabilities

#### Derivative liabilities:

Forward exchange contracts – cash flow hedges	(i) & (ii)	5,425	424	-	-
Interest rate swap contracts – held for trading	(iii)	1,311	-	-	-
<b>Total other financial liabilities</b>		<b>6,736</b>	424	-	-

#### 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 and to trade in short-term movements in exchange rates. There were no derivative financial instruments used by the Parent and as such all of the following disclosure relates to the group only.

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

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

The cash flows are expected to occur between 0-12 months from 1 July 2009 (2008: 0-3 months) and the cost of sales within the income statement will be affected in the next financial year as the inventory is sold. At balance date, the details of outstanding contracts are:

	30 June 2009		30 June 2008	
	A\$'000	Average exchange rate	A\$'000	Average exchange rate
<b>Buy US\$ / Sell Australian \$</b>				
Buy US\$ - maturity 0-12 months (2008: 0-3 months)	56,181	0.7298	10,947	0.9135
<b>Buy US\$ / Sell New Zealand \$</b>				
Buy US\$ - maturity 0-12 months (2008: 0-3 months)	7,506	0.5866	2,112	0.7525
<b>Buy US\$ / Sell Canadian \$</b>				
Buy US\$ - maturity 0-3 months (2008: 0-3 months)	6,257	1.1743	6,705	0.9907

## Note 20: Other financial liabilities continued

### Instruments used by the group continued

#### (i) Foreign exchange contracts - cash flow hedges continued

The cash flow hedges of the forecast purchases are considered to be highly effective and any gain or loss on the contracts is taken directly to equity. When the inventory is received the amount recognised in equity is adjusted to the inventory account in the balance sheet. During the year \$7,980,000 (2008: \$6,475,000 credit) was charged to inventory in respect of the group. In addition during the year \$3,332,000 (2008: \$3,503,000 charge) was credited to equity in respect of the group.

#### (ii) Foreign exchange option contracts – cash flow hedges

In order to manage exchange rate movements and to manage the inventory costing process, the group also enters into foreign exchange option contracts to purchase US\$. These contracts are hedging highly probable forecasted purchases and they are timed to mature in the quarter when settlements of purchases are scheduled to be made. As at 30 June 2009 the group had nil commitments under foreign exchange option contracts. In the prior corresponding period the cash flows were expected to occur between 4 – 5 months from 1 July 2008.

	30 June 2009		30 June 2008	
	A\$'000	Average exchange rate	A\$'000	Average exchange rate
<b>Summary of foreign exchange put option contracts</b>				
<i>Amounts to be settled in Australian dollars</i>				
US dollar	-	-	10,071	0.8937
<i>Amounts to be settled in New Zealand dollars</i>				
US dollar	-	-	868	0.7325

The cash flow hedges of the forecast purchases are considered to be highly effective and any gain or loss on the intrinsic value of the contracts is taken directly to equity. Any changes in the time value of money are recognised in the income statement. During the year \$371,000 expense (2008: \$120,000 expense) was transferred to the income statement.

#### (iii) Interest rate swaps – held for trading

Borrowings of the group currently bear an average variable interest rate including margin of 3.9% (2008: 7.5%). In order to protect against rising interest rates the group has entered into interest rate swap contracts under which it has a right to receive interest at variable rates and to pay interest at fixed rates.

At 30 June 2009, the group had interest rate swap agreements in place with a notional amount of \$25,000,000 (2008: \$25,000,000) whereby it receives a variable rate equal to the BBSW on the notional amount, and pays an average fixed rate of interest of 6.59% (2008: 6.59%). Swaps in place cover approximately 76% (2008: 58%) of the net borrowings at year end. The swaps are being used to hedge the exposure to changes in the fair value of its commercial bills. In 2009, a pre tax loss of \$2,188,000 (2008: \$587,000 gain) is included in the income statement in respect of these contracts.

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

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

### Note 20: Other financial liabilities continued

#### (iii) Interest rate swaps – held for trading continued

At 30 June 2009, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
<1 year	-	-	-	-
1-2 years	-	-	-	-
2-3 years	25,000	-	-	-
3-4 years	-	25,000	-	-
4-5 years	-	-	-	-
	<b>25,000</b>	25,000	-	-

### Note 21: Issued capital

Ordinary shares – issued	(a)	139,096	139,109	139,096	139,109
Ordinary shares – reserved under SEOP	(b)	(1,515)	(1,545)	(1,515)	(1,545)
<b>Total contributed equity</b>		<b>137,581</b>	137,564	<b>137,581</b>	137,564

Ordinary shares issued and reserved under the senior executive option plan (SEOP) have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

	Note	Parent			
		30 June 2009		30 June 2008	
		Number of shares	\$'000	Number of shares	\$'000
<b>(a) Movements in ordinary issued shares for the period:</b>					
<b>Beginning of the year</b>		<b>129,515,322</b>	<b>139,109</b>	125,017,632	131,570
<b>Movements during the year</b>					
- dividend reinvestment plan	(i)	-	-	3,467,024	5,698
- exercise of options – non-recourse loans	(ii)	-	-	574,000	1,062
- exercise of options – cash	(iii)	-	-	456,666	797
- loss on release of ordinary reserved shares	(iv)	-	(13)	-	(18)
<b>End of the year</b>		<b>129,515,322</b>	<b>139,096</b>	129,515,322	139,109

- (i) The shares issued in the year ended 30 June 2008 pursuant to the Dividend Reinvestment Plan were issued at a nil% discount to the weighted average market price of the company's shares sold on the Australian Stock Exchange during the five consecutive trading days immediately proceeding, and inclusive of, the record date. Refer 5(a) for further information.
- (ii) During the year nil options were exercised resulting in the issue of ordinary shares (2008: 574,000 options). The average value placed on these issues was nil (2008: \$1.85 per share). Details are provided in note 28.
- (iii) During the year nil options were exercised resulting in the issue of ordinary shares (2008: 456,666). The average value placed on these issues was nil (2008: \$1.75 per share). Details are provided in note 28.
- (iv) During the year 15,882 ordinary reserved shares were repaid for an average of \$1.05 per share (2008: 24,118 ordinary reserved shares were repaid at an average value of \$1.11 per share). A non-recourse loan was originally granted for the exercise of these shares at \$1.85 per share (2008: \$1.85 per share). The difference between the carrying value of the loan and the amount repaid resulted in a \$13,000 reduction to contributed equity (2008: \$18,000).

Parent					
		30 June 2009		30 June 2008	
Note	Number of shares	\$'000	Number of shares	\$'000	
<b>Note 21: Issued capital continued</b>					
<b>(b) Movements in ordinary reserved shares for the period:</b>					
<b>Beginning of the year</b>					
	<b>(831,882)</b>	<b>(1,545)</b>	(460,000)	(857)	
Ordinary reserved shares issued during the year	(i)	-	-	(574,000)	(1,062)
Ordinary reserved shares repaid during the year - cash	(ii)	<b>15,882</b>	<b>17</b>	202,118	356
Loss on ordinary reserve shares repaid during the year	(iii)	-	<b>13</b>	-	18
<b>End of the year</b>	<b>(816,000)</b>	<b>(1,515)</b>	(831,882)	(1,545)	

- (i) During the year nil options were exercised resulting in the issue of ordinary reserved shares (2008: 574,000 options). The average value placed on these issues was nil (2008: \$1.85 per share). Details are provided in note 28.
- (ii) During the year 15,882 ordinary reserved shares were repaid (2008: 202,118). The average value placed on these issues was \$1.85 per share (2008: \$1.85 per share) however; the average amount repaid equalled \$1.05 (2008: \$1.76). Details are provided in note 28.
- (iii) Included within (ii) are 15,882 (2008: 24,118) ordinary reserved shares repaid during the year for an average of \$1.05 per share (2008: \$1.11 per share). A non-recourse loan was originally granted for the exercise of these shares at \$1.85 per share (2008: \$1.85 per share). The difference between the carrying value of the loan and the amount repaid resulted in a \$13,000 reduction to contributed equity (2008: \$18,000).

#### (c) Options and performance rights over ordinary shares:

The company has two share-based payment option schemes and one performance rights scheme under which options and rights to subscribe for the company's shares have been granted to certain senior executives (refer note 28). At the end of the year there were 1,902,000 (2008: 1,310,000) unissued ordinary shares in respect of which options and performance rights were outstanding.

		Consolidated		Parent	
		30 June 2009	30 June 2008	30 June 2009	30 June 2008
Note		\$'000	\$'000	\$'000	\$'000
<b>Note 22: Reserves</b>					
Foreign currency translation reserve	(a)&(i)	<b>(10,434)</b>	(9,251)	-	-
Employee equity benefits reserve	(b)&(ii)	<b>451</b>	484	<b>451</b>	484
Cash flow hedge reserve	(c)&(iii)	<b>(3,291)</b>	(133)	-	-
<b>Total reserves</b>		<b>(13,274)</b>	(8,900)	<b>451</b>	484
<b>(a) Movement in foreign currency translation reserve</b>					
<b>Balance at beginning of year</b>		<b>(9,251)</b>	(4,744)	-	-
Currency translation differences		<b>2,250</b>	(5,907)	-	-
Tax effect of currency translation differences		<b>(3,433)</b>	1,400	-	-
<b>Balance at end of year</b>		<b>(10,434)</b>	(9,251)	-	-
<b>(b) Movement in employee equity benefits reserve</b>					
<b>Balance at beginning of year</b>		<b>484</b>	529	<b>484</b>	529
Share-based payments (benefit)/expense		<b>(33)</b>	(45)	<b>(33)</b>	(45)
<b>Balance at end of year</b>		<b>451</b>	484	<b>451</b>	484
<b>(c) Movement in cash flow hedge reserve</b>					
<b>Balance at beginning of year</b>		<b>(133)</b>	(2,225)	-	-
Net (losses)/gains on cash flow hedges		<b>(4,648)</b>	2,972	-	-
Tax effect of net losses/(gains) on cash flow hedges		<b>1,490</b>	(880)	-	-
<b>Balance at end of year</b>		<b>(3,291)</b>	(133)	-	-

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

### Note 22: Reserves continued

#### Nature and purpose of reserves

**(i) Foreign currency translation reserve**

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

**(ii) Employee equity benefits reserve**

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 28 for further details of these plans.

**(iii) 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.

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Note				
<b>Balance at beginning of the year</b>	<b>3,022</b>	(7,158)	<b>(196)</b>	(294)
Net profit for the year attributable to members of Breville Group Limited	<b>11,755</b>	20,894	<b>7,841</b>	10,812
Dividends	5(a) <b>(7,771)</b>	(10,714)	<b>(7,771)</b>	(10,714)
<b>Balance at end of the year</b>	<b>7,006</b>	3,022	<b>(126)</b>	(196)

### Note 23: Retained earnings

The group's operating companies are organised and managed separately according to their geographic location. As the risks and rates of return are predominately affected by differences in geographic locations, the group's primary segment reporting format is geographic segments. As the group's operating companies provides similar product offerings to each geographic location and serves the one wholesale market, there is no secondary business segment disclosed.

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

#### Geographic segments

The following table represents the revenue and profit information and certain asset and liability information regarding geographic segments for the year ended 30 June 2009 and 30 June 2008.

## Note 24: Segment information continued

Year ended 30 June 2009	Australia \$'000	New Zealand \$'000	Asia \$'000	Nth America \$'000	Total \$'000
<b>Revenue</b>					
Sales to external customers	211,945	30,921	35,713	153,362	431,941
Other income	253	-	355	65	673
Inter segment revenue	5,566	-	4,801	-	10,367
Total segment revenue	217,764	30,921	40,869	153,427	442,981
Inter segment elimination					(10,367)
Unallocated other income					172
<b>Total consolidated revenues</b>					<b>432,786</b>
<b>Results</b>					
<b>Underlying segment EBITDA</b>	<b>22,086</b>	<b>1,167</b>	<b>11,158</b>	<b>1,367</b>	<b>35,778</b>
Unallocated					(2,173)
<b>Total underlying EBITDA</b>					<b>33,605</b>
Underlying segment EBITDA	22,086	1,167	11,158	1,367	35,778
Depreciation & amortisation	(5,126)	(39)	(38)	(1,216)	(6,419)
<b>Underlying segment EBIT</b>	<b>16,960</b>	<b>1,128</b>	<b>11,120</b>	<b>151</b>	<b>29,359</b>
Unallocated					(2,298)
<b>Total underlying EBIT</b>					<b>27,061</b>
Segment EBIT	14,812	1,108	11,078	(1,033)	25,965
Unallocated					(2,538)
<b>Total EBIT</b>					<b>23,427</b>
Finance costs, net					(5,607)
Interest rate swap loss					(2,188)
Profit before income tax					15,632
Income tax expense					(3,877)
<b>Net profit for the year</b>					<b>11,755</b>
<b>Assets and liabilities</b>					
Segment assets	125,895	11,034	4,113	65,463	206,505
Unallocated assets					30,273
<b>Total assets</b>					<b>236,778</b>
Segment liabilities	33,409	2,860	1,989	13,980	52,238
Unallocated liabilities					53,227
<b>Total liabilities</b>					<b>105,465</b>
<b>Other segment information</b>					
Capital expenditure	1,558	-	6	266	1,830

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

### Note 24: Segment information continued

Year ended 30 June 2008	Australia \$'000	New Zealand \$'000	Asia \$'000	Nth America \$'000	Total \$'000
<b>Revenue</b>					
Sales to external customers	190,849	32,259	55,084	131,482	409,674
Other income	297	1	238	56	592
Inter segment revenue	6,272	-	4,209	-	10,481
<b>Total segment revenue</b>	<b>197,418</b>	<b>32,260</b>	<b>59,531</b>	<b>131,538</b>	<b>420,747</b>
Inter segment elimination					(10,481)
Revenue from discontinued operations					569
Unallocated other income					199
<b>Total consolidated revenues</b>					<b>411,034</b>
<b>Results</b>					
<b>Underlying segment EBITDA</b>	<b>16,935</b>	<b>2,306</b>	<b>13,416</b>	<b>3,889</b>	<b>36,546</b>
Unallocated					(1,209)
<b>Total underlying EBITDA</b>					<b>35,337</b>
Underlying segment EBITDA	16,935	2,306	13,416	3,889	36,546
Depreciation & amortisation	(4,301)	(61)	(25)	(888)	(5,275)
<b>Underlying segment EBIT</b>	<b>12,634</b>	<b>2,245</b>	<b>13,391</b>	<b>3,001</b>	<b>31,271</b>
Unallocated					(1,209)
<b>Total underlying EBIT</b>					<b>30,062</b>
Segment EBIT	14,333	2,245	13,381	3,001	32,960
Unallocated					(1,066)
<b>Total EBIT</b>					<b>31,894</b>
Finance costs, net					(5,962)
Interest rate swap gain					587
Profit before income tax					26,519
Income tax expense					(5,625)
<b>Net profit for the year</b>					<b>20,894</b>
<b>Assets and liabilities</b>					
Segment assets	120,422	11,304	2,143	73,919	207,788
Unallocated assets					43,704
<b>Total assets</b>					<b>251,492</b>
Segment liabilities	30,592	2,839	10,208	11,694	55,333
Unallocated liabilities					64,473
<b>Total liabilities</b>					<b>119,806</b>
<b>Other segment information</b>					
Capital expenditure	2,401	12	43	261	2,717

## Note 25: Financial risk management objectives and policies

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

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

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which

income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

### Interest rate risk

The group is exposed to interest rate risk on its borrowings and derivative financial instruments. The group's policy is to manage its interest rate risk using a mix of fixed and variable rate debt. Fixed rate debt is achieved through the use of interest rate swaps in which the group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. Group policy is to have interest rate swap coverage at between 25% and 80% of the total value of its net borrowings. Cash advance facilities have short term fixed interest rates with maturities ranging between 1 and 3 months, therefore within the financial year they are exposed to interest rate risk.

At 30 June 2009, the group has the following exposed to interest rate risk:

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Cash at bank	6,263	10,238	7	61
Bank overdraft – on demand	(1)	(7,056)	-	-
Commercial bills / Cash advance facilities	(38,901)	(46,179)	-	-
Term loan	(396)	(367)	-	-
Interest rate swap	25,000	25,000	-	-
<b>Net exposure</b>	<b>(8,035)</b>	<b>(18,364)</b>	<b>7</b>	<b>61</b>

At 30 June 2009, after taking into account the effect of interest rate swaps, approximately 76% (2008: 58%) of the group's net borrowings are at a fixed rate of interest. The remaining 24% (2008: 42%) is exposed to floating rates on a principal payable of \$8,035,000 (2008: \$18,364,000), at an average rate of 5.1% (2008: 7.5%), including margin. An increment of 0.5% in the market rate would result in an increase in net interest expense of \$40,000 (2008: \$92,000). A decrement of 0.5% in the market rate would result in a decrease in net interest expense of \$40,000 (2008: \$92,000).

The group's net exposure to interest rate risk calculated as at 30 June 2009 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. After taking into account the effect of interest rate swaps, approximately 41% (2008: 39%) of the group's average net borrowings are at a fixed rate of interest. The remaining 59% (2008: 61%) is exposed to floating rates on an average principal payable of \$36,223,000 (2008: \$39,664,000), at an average rate of 5.1% (2008: 7.5%), including margin. An increment of 0.5% in the market rate would result in an increase in net interest expense of \$181,000 (2008: \$198,000). A decrement of 0.5% in the market rate would result in a decrease in net interest expense of \$181,000 (2008: \$198,000).

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

### Note 25: Financial risk management objectives and policies continued

#### Interest rate risk continued

Interest rate swap contracts outlined in notes 9 and 20, with a group fair value liability of \$1,311,000 (2008: asset of \$877,000), parent nil, are exposed to fair value movements if interest rates change. The group classifies interest rate swaps as held for trading. An increment of 0.5% in the market rate would result in a decrease in net interest expense of \$262,000 (2008: \$331,000). A decrement of 0.5% in the market rate would result in an increase in net interest expense of \$264,000 (2008: \$335,000).

#### Foreign currency risk

The group has transactional currency exposures. Such exposure arises primarily from purchases of inventory by an operating unit in currencies other than the unit's functional currency (purchases are predominately US dollar denominated). Other foreign exchange risk only arises when future commercial transactions and

recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

To hedge exposure arising from the purchase of inventories in currencies other than the business unit's functional currency, a combination of foreign exchange option contracts and forward exchange contracts are 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 2009, the group has the following financial assets and liabilities exposed to foreign currency risk:

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Cash at bank	539	214	-	-
Trade and other receivables	92	1,476	-	-
Trade and other payables	(2,392)	(5,079)	-	-
Highly probable forecast purchases	(61,447)	(17,193)	-	-
Forward exchange contracts	63,197	19,311	-	-
<b>Net exposure</b>	<b>(11)</b>	<b>(1,271)</b>	<b>-</b>	<b>-</b>

At 30 June 2009, the group had hedged 65% (2008: 76%) of its foreign currency purchases that are highly probable extending to June 2010 (2008: September 2008). The remaining 35% (2008: 24%) is exposed to foreign exchange risk.

Of the total net exposure above, an increment of 10% in the foreign exchange rates would result in a decrease in other expenses of \$160,000 (2008: \$308,000). A decrement of 10% in the foreign exchange rates would result in an increase in other expenses of \$196,000 (2008: \$377,000).

#### 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 its gearing ratio and compliance with debt covenants on a regular basis. The group's gearing ratio at 30 June 2009 is 20.1% (2008: 24.8%). The gearing ratio is defined as group net borrowings divided by capital employed (net borrowings plus shareholders' equity).

## Note 25: Financial risk management objectives and policies continued

### Credit risk

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

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

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

With respect to credit risk arising from the other financial assets of the group, which comprise cash and cash equivalents and certain derivative instruments,

the group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. These counter parties are large multi-national banks.

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

### Liquidity risk

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of commercial bills, cash advances and bank overdrafts. The group's bank facilities carry between a one and two year term in Australia, and a one year term in the USA and Canada. As at 30 June 2009 89% of the group's net borrowings will mature in two years (2008: 70%) and 11% (2008: 30%) in less than one year.

Management monitors rolling forecasts of the group's liquidity reserve on the basis of expected cash flows. See note 18 for details of available facilities.

At 30 June 2009, the remaining contractual maturities of the group's and parent entity's financial liabilities are:

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Less than 1 year	59,656	77,903	-	-
Between 1 and 5 years	32,715	35,906	-	-
	<b>92,371</b>	113,809	-	-

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

	30 June 2009			30 June 2008		
	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	42,247	-	42,247	52,066	-	52,066
Borrowings	10,673	32,715	43,388	25,413	35,906	61,319
Other financial liabilities	6,736	-	6,736	424	-	424
	<b>59,656</b>	<b>32,715</b>	<b>92,371</b>	77,903	35,906	113,809

Contractual maturities disclosed in the tables above include contracted interest payments. Total borrowings disclosed in note 18 exclude such contracted interest payments.

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

### Note 26. Commitments and contingencies

#### Operating lease commitments – group as lessee

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

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

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Within one year	10,353	9,824	-	-
After one year but not later than five years	31,709	39,720	-	-
More than five years	19,105	18,789	-	-
<b>Total future minimum rentals payable</b>	<b>61,167</b>	<b>68,333</b>	<b>-</b>	<b>-</b>

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

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

#### Operating lease commitments receivable – group as lessor

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

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

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Within one year	357	1,177	-	-
After one year but not later than five years	1,645	-	-	-
More than five years	300	-	-	-
<b>Total future minimum rentals receivable</b>	<b>2,302</b>	<b>1,177</b>	<b>-</b>	<b>-</b>

### Contingencies

#### Parent entity

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

#### Group

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

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

Cross guarantees given by Breville Group Limited, Thebe International Pty Ltd, Breville Holdings Pty Ltd, and Breville Pty Ltd are described in note 27(a).

## Note 27: Related party disclosure

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

Legal entity	Country of incorporation	Note	Equity interest		Investment	
			30 June 2009 %	30 June 2008 %	30 June 2009 \$'000	30 June 2008 \$'000
Thebe International Pty Ltd	Australia	(a)	100	100	69,429	69,429
<i>Investments not held directly by Breville Group Limited:</i>						
Breville Holdings Pty Ltd	Australia	(a)	100	100	-	-
Breville Pty Ltd	Australia	(a)	100	100	-	-
Breville R&D Pty Ltd	Australia		100	100	-	-
Breville Group Performance Share Plan Trust	Australia	(b)	-	N/A	-	-
Breville NZ Ltd	New Zealand		100	100	-	-
HWI International Ltd	Hong Kong		100	100	-	-
Gannet Holdings Ltd	Hong Kong		100	100	-	-
HWI Export Ltd	Hong Kong		100	100	-	-
Thebe International, Inc.	USA		100	100	-	-
Metro/Thebe, Inc.	USA		100	100	-	-
Holding HWI Canada, Inc	Canada		100	100	-	-
HWI Canada, Inc	Canada		100	100	-	-
Anglo-Canadian Housewares, L.P.	Canada		100	100	-	-
HWI China Holdings Limited	Hong Kong		100	100	-	-
					<b>69,429</b>	69,429

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

### (a) Entities subject to class order relief

Pursuant to class order 98/1418, relief has been granted to Thebe International Pty Ltd, Breville Pty Ltd and Breville Holdings Pty Ltd from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

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

The entities comprising the class order "closed group" are Breville Group Limited, Thebe International Pty Ltd, Breville Pty Ltd, and Breville Holdings Pty Ltd. The consolidated income statement and balance sheet of the entities that are members of the "closed group" are detailed in notes 27(i) and 27(ii).

### (b) Breville Group Performance Share Plan Trust

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

No shares were subscribed for or purchased by the Trustee during the year.

# Notes to the Financial Statements continued

for the year ended 30 June 2009

	Closed group	
	30 June 2009 \$'000	30 June 2008 \$'000
Note		
<b>Note 27: Related party disclosure continued</b>		
<b>(i) Consolidated balance sheet for class order closed group</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,109	7,166
Trade and other receivables	47,474	43,819
Inventories	38,826	38,752
Other financial assets	-	900
Other assets	442	748
<b>Total current assets</b>	<b>87,851</b>	<b>91,385</b>
<b>Non-current assets</b>		
Other financial assets	34,497	26,646
Plant and equipment	5,600	6,469
Intangible assets	52,915	50,959
Deferred tax assets	12,263	13,223
<b>Total non-current assets</b>	<b>105,275</b>	<b>97,297</b>
<b>Total assets</b>	<b>193,126</b>	<b>188,682</b>
<b>Current liabilities</b>		
Trade and other payables	45,362	48,424
Borrowings	1	99
Other financial liabilities	5,970	416
Provisions	4,242	2,709
<b>Total current liabilities</b>	<b>55,575</b>	<b>51,648</b>
<b>Non-current liabilities</b>		
Borrowings	29,000	30,000
Deferred tax liabilities	5,027	4,517
Provisions	2,807	2,730
<b>Total non-current liabilities</b>	<b>36,834</b>	<b>37,247</b>
<b>Total liabilities</b>	<b>92,409</b>	<b>88,895</b>
<b>Net assets</b>	<b>100,717</b>	<b>99,787</b>
<b>Equity</b>		
Issued capital	137,581	137,564
Reserves	(7,997)	(2,118)
Accumulated losses	27(ii) (28,867)	(35,659)
<b>Total equity</b>	<b>100,717</b>	<b>99,787</b>

	Closed group	
	30 June 2009 \$'000	30 June 2008 \$'000
Note		
<b>Profit from ordinary activities before income tax expense</b>	<b>17,128</b>	14,936
Income tax expense relating to ordinary activities	(2,565)	(2,028)
<b>Net profit</b>	<b>14,563</b>	12,908
Accumulated losses at the beginning of the year	(35,659)	(37,853)
Dividends paid or reinvested	(7,771)	(10,714)
<b>Accumulated losses at the end of the year</b>	27(i) <b>(28,867)</b>	(35,659)

## Note 27: Related party disclosure continued

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

<b>Profit from ordinary activities before income tax expense</b>	<b>17,128</b>	14,936
Income tax expense relating to ordinary activities	(2,565)	(2,028)
<b>Net profit</b>	<b>14,563</b>	12,908
Accumulated losses at the beginning of the year	(35,659)	(37,853)
Dividends paid or reinvested	(7,771)	(10,714)
<b>Accumulated losses at the end of the year</b>	27(i) <b>(28,867)</b>	(35,659)

#### (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-company accounts with related parties in the wholly owned group. These transactions were undertaken on commercial terms and conditions. The amounts due and receivable are set out in the respective notes to the financial statements.

#### (c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 30.

## Note 28: Share-based payment plans

### Senior executive option plan (SEOP1)

An option plan exists where executives and certain members of staff of the group were issued with options over the ordinary shares of Breville Group Limited. The options, issued for nil consideration, were issued in accordance with performance guidelines established by the directors of Breville Group Limited. The options were issued for a term of five years and are exercisable in equal tranches on the first three anniversaries of the date of issue. The exercise price of the options is equal to the market price of the shares on the date of grant. The options cannot be transferred and are not quoted on the ASX. There are no cash settlement alternatives.

### Second senior executive option plan (SEOP2)

An option plan exists where executives and certain members of staff of the group are issued with options over the ordinary shares of Breville Group Limited. The options, issued for nil consideration, are issued in accordance with performance guidelines established by the directors of Breville Group Limited. The options are issued for a term of four years and are exercisable in equal tranches on the first three anniversaries of the date of issue. The options vest if and when the group's underlying earnings per share increase by 10% per

annum compounded annually over the term. If this increase is not met within the three years from the date of grant, the options are forfeited. The contractual life of each option granted is four years. There are no cash alternatives. The options cannot be transferred and are not quoted on the ASX.

### Performance Rights Plan

The Breville Group Performance Rights Plan commenced in April 2009. Under the plan certain executives and members of staff of the group are issued with performance rights over the ordinary shares of Breville Group Limited. The performance rights, issued for nil consideration, are issued in accordance with performance guidelines established by the directors of Breville Group Limited. The first tranche of the performance rights were issued on 20 April 2009 and are exercisable from 1 September 2011 until 3 October 2011. The performance rights vest if and when the group's underlying earnings per share increase by 8% per annum compounded annually over the term. If this increase is not met cumulatively for the three financial years ended 30 June 2011, the performance rights are forfeited unless otherwise determined by the board. There are no cash alternatives. The performance rights cannot be transferred and are not quoted on the ASX.

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

### Note 28. Share-based payment plans continued

#### Options and performance rights granted under the senior executive option plans and the performance rights plan

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

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

	30 June 2009		30 June 2008	
	Number of options / performance rights	WAEP	Number of options / performance rights	WAEP
<b>Outstanding at the beginning of the year</b>	<b>1,310,000</b>	<b>2.0309</b>	3,288,666	1.8498
Options granted during the year	<b>300,000</b>	<b>1.1200</b>	1,350,000	2.3031
Options exercised during the year	(a) -	-	(1,030,666)	1.8039
Options forfeited during the year	<b>(990,000)</b>	<b>1.9900</b>	(2,298,000)	2.0334
Performance rights granted during the year	<b>1,282,000</b>	<b>0.0000</b>	-	-
<b>Outstanding at the end of the year</b>	(b) <b>1,902,000</b>	<b>0.5396</b>	1,310,000	2.0309
<b>Exercisable at the end of the year</b>	-	-	-	-

#### Notes

- (a) The weighted average share price at the date of exercise in 2008 was \$2.63.  
 (b) The outstanding balance as at 30 June 2009 is represented by:

Number of options / performance rights	Note	Grant date	Vesting date	Expiry date	WAEP \$
66,666	(i)	2 Nov 07	2 Nov 08	2 Nov 11	2.3600
39,999	(i)	27 Mar 08	27 Mar 09	27 Mar 12	1.8200
100,000	(i)	1 Jul 08	1 Jul 09	1 Jul 12	1.1200
66,666	(i)	2 Nov 07	2 Nov 09	2 Nov 11	2.3600
39,999	(i)	27 Mar 08	27 Mar 10	27 Mar 12	1.8200
100,000	(i)	1 Jul 08	1 Jul 10	1 Jul 12	1.1200
66,668	(i)	2 Nov 07	2 Nov 10	2 Nov 11	2.3600
40,002	(i)	27 Mar 08	27 Mar 11	27 Mar 12	1.8200
100,000	(i)	1 Jul 08	1 Jul 11	1 Jul 12	1.1200
<b>1,282,000</b>	(ii)	<b>20 Apr 09</b>	<b>1 Sept 11</b>	<b>3 Oct 11</b>	<b>0.0000</b>
<b>1,902,000</b>					<b>0.5396</b>

- (i) These options may only be exercisable if the relevant underlying EPS growth rate exceeds 10%.  
 (ii) These performance rights may only be exercisable if the relevant underlying EPS growth rate exceeds 8%.

## Note 28: Share-based payment plans continued

### Options and performance rights granted under the senior executive option plans and the performance rights plan continued

The average remaining contractual life for the share options and performance rights outstanding at 30 June 2009 is between 2 and 3 years (2008: 1 and 4 years).

The range of exercise prices for options and performance rights outstanding at the end of the year were \$0.00 to \$2.36 (2008: \$1.82 to \$2.36).

The weighted average fair value of options and performance rights granted during the year was \$0.58 (2008: \$0.53).

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

The following table lists the inputs to the models used for the years ended 30 June 2009 and 30 June 2008:

	<b>30 June 2009</b>	30 June 2008
	<b>(Black-Scholes)</b>	(Black-Scholes)
Dividend yield (%)	<b>8.10</b>	5.49
Expected volatility (%)	<b>60.81</b>	39.30
Historical volatility (%)	<b>60.81</b>	39.30
Risk-free interest rate (%)	<b>3.46</b>	7.25
Expected life of performance right/option (years)	<b>2.2 years</b>	2.5 years
Performance right/option exercise price (\$)	<b>0.00 &amp; 1.12</b>	2.36 & 1.82
Weighted average share price at grant date (\$)	<b>0.60</b>	2.33

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

## Note 29: Employee benefits

	<b>Consolidated</b>		<b>Parent</b>	
	<b>30 June 2009</b>	30 June 2008	<b>30 June 2009</b>	30 June 2008
Note	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>(a) Employee benefits</b>				
The aggregate employee benefit liability is comprised of:				
Trade and other payables (current)	17	<b>3,257</b>	3,188	-
Provisions – long service (current)	19	<b>1,155</b>	913	-
Provisions – long service (non-current)	19	<b>865</b>	746	-
<b>Total</b>		<b>5,277</b>	4,847	-

# Notes to the Financial Statements continued

for the year ended 30 June 2009

## Note 30: Key management personnel

### (a) Compensation of key management personnel

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
<b>Compensation by category: key management personnel</b>				
Short-term	3,157	4,022	-	-
Post employment	(i) 219	194	-	-
Other long-term	74	18	-	-
Termination benefits	217	479	-	-
Share-based payment	153	34	-	-
<b>Total</b>	<b>3,820</b>	<b>4,747</b>	<b>-</b>	<b>-</b>

(i) This includes defined contribution plans expense of \$219,000 (2008: \$194,000).

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

30 June 2009	Balance at 1 July 2008	Granted as remuneration	Options / performance rights exercised	Net change other #	Balance at 30 June 2009	Vested at 30 June 2009		
						Total	Not exercisable <sup>^</sup>	Exercisable
<b>Executives</b>								
S. Audsley*	-	274,000	-	-	274,000	-	-	-
M. Cohen	100,000	479,000	-	-	579,000	33,333	33,333	-
J. Lord*	-	94,000	-	-	94,000	-	-	-
M. Melis	150,000	160,000	-	(150,000)	160,000	-	-	-
J. Sargeant*	100,000	147,000	-	-	247,000	-	-	-
H. Silver*	100,000	147,000	-	(100,000)	147,000	-	-	-
<b>Total</b>	<b>450,000</b>	<b>1,301,000</b>	<b>-</b>	<b>(250,000)</b>	<b>1,501,000</b>	<b>33,333</b>	<b>33,333</b>	<b>-</b>

# Includes forfeitures.

<sup>^</sup> Performance conditions have not yet been met as at 30 June 2009.

\* Not key management personnel at 1 July 2008.

## Note 30: Key management personnel continued

### (b) Option holdings of key management personnel (consolidated) continued

30 June 2008	Balance at 1 July 2007	Granted as remuneration	Options exercised	Net change other #	Balance at 30 June 2008	Vested at 30 June 2008		
						Total	Not exercisable^	Exercisable
<b>Directors</b>								
J. Hersch	1,166,666	-	(416,666)	(750,000)	-	-	-	-
<b>Executives</b>								
V. Cheung	90,000	-	(90,000)	-	-	-	-	-
M. Cohen	-	100,000	-	-	100,000	-	-	-
A. Gelemanovic	100,000	-	-	(100,000)	-	-	-	-
P. Hill	-	1,000,000	-	(1,000,000)	-	-	-	-
R. Hoare	120,000	30,000	(60,000)	-	90,000	60,000	60,000	-
S. Khan*	90,000	-	-	-	90,000	60,000	60,000	-
B. Liu	100,000	-	-	(100,000)	-	-	-	-
M. Melis	150,000	-	-	-	150,000	130,000	130,000	-
P. Milburn	30,000	-	(30,000)	-	-	-	-	-
<b>Total</b>	<b>1,846,666</b>	<b>1,130,000</b>	<b>(596,666)</b>	<b>(1,950,000)</b>	<b>430,000</b>	<b>250,000</b>	<b>250,000</b>	<b>-</b>

# Includes forfeitures.

\* Not key management personnel at 1 July 2007.

^ Performance conditions have not yet been met as at 30 June 2008.

Refer note 28 and remuneration report (contained within the directors' report designated as audited) for details on the above options.

### (c) Shareholdings of key management personnel (consolidated)

#### Ordinary shares held in Breville Group Limited (number)

30 June 2009	Balance at 1 July 2008	Granted as remuneration	On exercise of options	Net change other #	Balance at 30 June 2009
<b>Directors</b>					
J. Schmoll	47,294	-	-	35,000	82,294
S. Fisher	288	-	-	-	288
D. Howell	-	-	-	85,000	85,000
S. Klein	117,189	-	-	-	117,189
S. Weiss	-	-	-	80,775	80,775
<b>Executives</b>					
S. Audsley*	-	-	-	102,133	102,133
V. Cheung^	90,000	-	-	-	90,000
M. Melis	-	-	-	20,000	20,000
J. Sargeant*	-	-	-	8,000	8,000
<b>Total</b>	<b>254,771</b>	<b>-</b>	<b>-</b>	<b>330,908</b>	<b>585,679</b>

^ Includes instances where Breville Group Limited has provided loans to fund the exercise of options to acquire shares in the company. Refer note 30(d).

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

\* Not key management personnel at 1 July 2008.

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

### Note 30: Key management personnel continued

#### (c) Shareholdings of key management personnel (consolidated) continued

##### Ordinary shares held in Breville Group Limited (number)

30 June 2008	Balance at 1 July 2007	Granted as remuneration	On exercise of options	Net change other #	Balance at 30 June 2008
<b>Directors</b>					
J. Schmoll	10,000	-	-	37,294	47,294
S. Fisher	273	-	-	15	288
J. Hersch	2,143,292	-	416,666	N/A	N/A
S. Klein	111,425	-	-	5,764	117,189
J. McConnell	63,661	-	-	N/A	N/A
<b>Executives</b>					
V. Cheung <sup>^</sup>	-	-	90,000	-	90,000
R. Hoare <sup>^</sup>	-	-	60,000	-	60,000
S. Khan <sup>*</sup>	30,000	-	-	-	30,000
P. Milburn <sup>^</sup>	60,000	-	30,000	N/A	N/A
<b>Total</b>	<b>2,418,651</b>	<b>-</b>	<b>596,666</b>	<b>43,073</b>	<b>344,771</b>

<sup>^</sup> Includes instances where Breville Group Limited has provided loans to fund the exercise of options to acquire shares in the company. Refer note 30(d).

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

\* Not key management personnel at 1 July 2007.

#### (d) Loans to key management personnel (consolidated)

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

	Balance at beginning of period \$'000	Balance at end of period \$'000	Interest charged \$'000	Interest not charged \$'000	Repaid \$'000	Number in group at end of period
<b>2009</b>	<b>167</b>	<b>167</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>1</b>
2008	111	278	15	-	(167)	2

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

30 June 2009	Balance at beginning of period \$'000	Balance at end of period \$'000	Interest charged \$'000	Interest not charged \$'000	Repaid \$'000	Highest owing in period \$'000
<b>Executives</b>						
V. Cheung	<b>167</b>	<b>167</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>167</b>
30 June 2008						
<b>Executives</b>						
V. Cheung	-	167	8	-	-	167
R. Hoare	-	111	5	-	-	111
P. Milburn	111	-	-	-	(167)	167

##### Terms and conditions of loans

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

## Note 30: Key management personnel continued

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

#### Services

Mr Klein is a partner of the legal firm Arnold Bloch Leibler, and his Director's fees of \$95,920 (2008: \$86,927) are paid to Arnold Bloch Leibler. These fees include GST. Fees totalling \$282,985 (2008: \$479,434), including Mr Klein's directors fees, GST and disbursements were invoiced by Arnold Bloch Leibler to the consolidated group during the year. These fees were all on arms length terms. In addition, other recharges from non-related third-parties, such as Counsel's fees and other costs, were billed during the year totalling \$10,827 (2008: \$22,326).

There have been no other transactions concerning key management personnel during the year.

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

	Consolidated		Parent	
	30 June 2009 \$'000	30 June 2008 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
Liabilities				
Current liabilities	13	-	-	-
<b>Total liabilities</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>
Revenues & expenses				
Employee expenses (directors fees)	87	79	-	-
Other expenses from ordinary activities (i)	170	357	-	-
<b>Total expenses</b>	<b>257</b>	<b>436</b>	<b>-</b>	<b>-</b>

The amounts shown above are GST exclusive.

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

# Notes to the Financial Statements continued

## for the year ended 30 June 2009

### Note 31: Auditor's remuneration

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

#### Ernst & Young Australia – primary auditors

- an audit or review of the financial report

- other services

- tax compliance

- non-audit related

#### Ernst & Young Australia's affiliates – primary auditors

- an audit or review of the financial report

- other services

- tax compliance

- non-audit related

#### RSM Richter LLP – other auditors (Canada only)

- an audit or review of the financial report

- other services

- tax compliance

	Consolidated		Parent	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	\$	\$	\$	\$
<b>Ernst &amp; Young Australia – primary auditors</b>				
- an audit or review of the financial report	267,000	245,000	136,000	114,000
- other services				
- tax compliance	94,000	39,000	-	-
- non-audit related	22,000	19,000	-	-
<b>Ernst &amp; Young Australia's affiliates – primary auditors</b>				
- an audit or review of the financial report	210,000	175,000	-	-
- other services				
- tax compliance	30,000	20,000	-	-
- non-audit related	-	59,000	-	-
<b>RSM Richter LLP – other auditors (Canada only)</b>				
- an audit or review of the financial report	122,000	100,000	-	-
- other services				
- tax compliance	24,000	-	-	-
<b>Total</b>	<b>769,000</b>	<b>657,000</b>	<b>136,000</b>	<b>114,000</b>

### Note 32: Significant events after year-end

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

The financial report of Breville Group Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 24 August 2009.

# Directors' Declaration

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

1. In the opinion of the directors:

(a) the financial report and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the year ended 30 June 2009.

3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 27(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.

On behalf of the Board



John Schmoll  
Non-executive chairman

Sydney  
24 August 2009

# Independent Audit Report



Ernst & Young Centre  
680 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001  
Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
www.ey.com/au

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

### Report on the Financial Report

We have audited the accompanying financial report of Breville Group Limited (the Company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' Responsibility for the Financial Report*

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

### *Auditor's Responsibility*

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

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

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

### *Independence*

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

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Professional Standards Legislation

**Auditor's Opinion**

In our opinion:

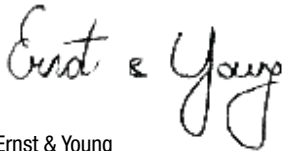
1. the financial report of Breville Group Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of Breville Group Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 19 of the directors' report for the year ended 30 June 2009. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's Opinion**

In our opinion the Remuneration Report of Breville Group Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Colleen Hosking  
Partner  
Sydney  
24 August 2009

# Auditor's Independence Declaration



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

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

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

In relation to our audit of the financial report of Breville Group Limited for the financial year ended 30 June 2009 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

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

Ernst & Young

A handwritten signature in black ink that reads 'C. M. Hosking'.

Colleen Hosking  
Partner  
24 August 2009

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# Shareholder Information

## Substantial shareholders as at 3 September 2009

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

<b>Name</b>	<b>Number of ordinary shares</b>	<b>% of issued ordinary shares</b>
S. Lew Custodians Pty Limited	39,318,823	30.34
GUD Holdings Limited	25,073,712	19.36
Perpetual Limited and subsidiaries	19,016,554	13.89
Paradice Investment Management Pty Limited	8,970,800	6.93

## Distribution of shareholdings as at 3 September 2009

<b>Size of holding</b>	<b>Ordinary shareholders</b>
1 to 1,000	349
1,001 to 5,000	876
5,001 to 10,000	425
10,001 to 100,000	375
100,001 and over	32
<b>Total shareholders</b>	<b>2,057</b>
Number of ordinary shareholders with less than a marketable parcel	146

## Voting rights

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

# Shareholder Information continued

## Twenty largest shareholders as at 3 September 2009

Name	Number of ordinary shares	% of issued ordinary shares
Premier Investments Limited	32,179,977	24.85
GUD Holdings Limited	25,073,712	19.36
RBC Dexia Investor Services Australia Nominees Pty Limited (PIPOOLED account)	13,128,733	10.14
J P Morgan Nominees Australia Limited	12,731,140	9.83
National Nominees Limited	7,141,780	5.51
Citicorp Nominees Pty Limited	3,554,090	2.74
Dancetown Pty Ltd	3,000,000	2.32
RBC Dexia Investor Services Australia Nominees Pty Limited (PIIC account)	2,820,178	2.18
HSBC Custody Nominees (Australia) Limited	2,371,118	1.83
Nofusa Pty Limited (The Hersch Family account)	1,559,958	1.20
Lew Family Investments Ltd	1,535,718	1.19
Nofusa Pty Limited (Hersch Superannuation account)	1,000,000	0.77
Cogent Nominees Pty Limited	959,867	0.74
Citicorp Nominees Pty Limited (CFSIL Cwlth Small Co 7 account)	722,730	0.56
S L Nominees Pty Ltd	711,667	0.55
Lew Family Investments Pty Ltd	631,030	0.49
Josseck Pty Limited (Seviar Family account)	626,655	0.48
ANZ Nominees Limited (Cash Income account)	454,057	0.35
Merrill Lynch (Australia) Nominees Pty Limited (Berndale account)	452,015	0.35
Jamber Investments Pty Ltd (The Amber Schwarz Fam account)	450,011	0.35
<b>Total</b>	<b>111,104,436</b>	<b>85.78</b>

# Company Information

This financial report covers both Breville Group Limited (parent) as an individual entity and the consolidated entity (group) comprising Breville Group Limited and its subsidiaries.

A description of the group's operations and of its principal activities is included in the review of results and operations and principal activities in the directors' report on page 11. The directors' report is unaudited (except for the remuneration report) and does not form part of the financial report.

## Directors

### John Schmoll

Non-executive chairman

### Steven Fisher

Non-executive director

### Dean Howell

Non-executive director

### Steven Klein

Non-executive director

### Samuel Weiss

Non-executive director

## Company secretary

### Shiraz Khan

## Registered office

Building 2  
Port Air Industrial Estate  
1A Hale Street  
Botany NSW 2019  
Telephone (+61 2) 9384 8100

## Principal place of business

Building 2  
Port Air Industrial Estate  
1A Hale Street  
Botany NSW 2019  
Telephone (+61 2) 9384 8100

## ACN

Breville Group Limited ACN 086 933 431

## Company websites

[www.breville.com](http://www.breville.com)  
[www.brevillegroup.com.au](http://www.brevillegroup.com.au)  
[www.kambrook.com.au](http://www.kambrook.com.au)

## Share register

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

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

## Auditors

Ernst & Young  
680 George Street  
Sydney NSW 2000

## Solicitors

Arnold Bloch Leibler  
333 Collins Street  
Melbourne Victoria 3000

## Bankers

Australia and New Zealand Banking Group Limited  
530 Collins Street  
Melbourne Victoria 3000





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