

13 February 2020

Manager, Company Announcements,  
Australian Securities Exchange Limited,  
20 Bridge Street,  
Sydney NSW 2000

**Half Year Ended 31 December 2019  
Appendix 4D**

Attached is a copy of the Breville Group Limited Appendix 4D including Independent Auditor's Review Report and Auditor's Independence Declaration for the Half Year Ended 31 December 2019.

The release of this announcement was authorised by the Breville Group Limited Board.

Yours faithfully



Craig Robinson  
Company Secretary  
Breville Group Limited

Telephone: (02) 9384 8100

# Breville Group Limited

ABN 90 086 933 431

## Appendix 4D – Half year report

Note: The numbering marked with [ ] within this half year report is consistent with the numbering used in the guidelines issued by the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3.

**Current reporting period [1]:** half year ended 31 December 2019

**Previous corresponding period [1]:** half year ended 31 December 2018

## Results for announcement to the market

Percentage change				Amount
Up or down				A\$'000
				%
Total revenues [2.1]				Up 25.4% to 552,034
Earnings before interest, tax, depreciation & amortisation (EBITDA)				Up 20.8% to 85,151
Earnings before interest and tax (EBIT)				Up 17.1% to 72,988
Net profit after income tax for the half year attributable to members [2.2] [2.3]				Up 14.1% to 49,669

Dividends [2.4]	Date paid / payable [5]	Amount per security [2.4]	Franked amount per security at 30% tax [2.4]	Amount per security of foreign source dividend [5]
Interim dividend				
Current reporting period	18 MAR 2020	20.5¢	12.3¢	0.0¢
Previous corresponding period	19 MAR 2019	18.5¢	11.1¢	0.0¢

Ex-dividend date for the interim dividend: 25 February 2020

The record date for determining entitlements to the interim dividend [2.5]: 26 February 2020

Dividend reinvestment plan [6]

The dividend reinvestment plan will not be in operation for the current reporting period interim dividend.

Brief explanation [2.6]

Please refer to the commentary in the review of results and operations section of the directors' report.

For further explanation please refer to the ASX report announcement accompanying this half year report.

**Net tangible assets [3]**

	<b>Current period</b>	<b>Previous corresponding period</b>
Net tangible assets per security	<b>133.5¢</b>	149.5¢

**Control gained or lost over entities [4]**

The group has not gained or lost control of any entities during the half year ended 31 December 2019.

**Total dividend paid / payable [5]**

	<b>Current period</b> <b>A\$'000</b>	<b>Previous corresponding period</b> <b>A\$'000</b>
Final dividend paid	<b>24,121</b>	21,466
Interim dividend payable / paid	<b>26,728</b>	24,068

**Associates and joint venture entities [7]**

The group held no interests in associates or joint ventures during the half year ended 31 December 2019.

**For foreign entities, which set of accounting standards are used in compiling the report [8]**

Not applicable.

**Compliance statement**

The results for announcement to the market should be read in conjunction with the attached half year report for the half year ended 31 December 2019 and the 2019 Annual Report.

No review dispute or qualification is contained in the attached independent review report for the half year ended 31 December 2019[9].

Sign here:



Craig Robinson  
Company Secretary

Date:

13 February 2020

# **Breville Group Limited**

**ABN 90 086 933 431**

## **Half year report**

**FOR THE HALF YEAR ENDED**

**31 December 2019**

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## Corporate information

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

A description of the group's operations and of its principal activities is included in the review of results and operations and principal activities in the directors' report on page 5. The directors' report is unaudited and does not form part of the financial report.

### Directors

Steven Fisher  
Non-executive chairman

Timothy Antonie  
Non-executive director

Peter Cowan  
Non-executive director

Sally Herman  
Non-executive director

Dean Howell  
Non-executive director

Lawrence Myers  
Non-executive director  
Lead independent director

Kate Wright  
Non-executive director

### Company secretaries

Sasha Kitto  
Craig Robinson

### Registered office and principal place of business

Ground Floor, Suite 2  
170 -180 Bourke Road  
Alexandria NSW 2015  
Telephone: (+61 2) 9384 8100

### Company websites

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

### ABN

Breville Group Limited ABN 90 086 933 431

### Share register

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

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

### Auditors

PricewaterhouseCoopers  
One International Towers Sydney  
Watermans Quay  
Barangaroo NSW 2000  
Australia

### Bankers

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

# Directors' report

The board of directors of Breville Group Limited has pleasure in submitting its report in respect of the financial half year ended 31 December 2019.

## Directors

The names of the company's directors in office during the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Steven Fisher	Non-executive chairman
Timothy Antonie	Non-executive director
Peter Cowan	Non-executive director
Sally Herman	Non-executive director
Dean Howell	Non-executive director
Lawrence Myers	Non-executive director
Kate Wright	Non-executive director

## Review of results and operations

Revenues of the consolidated entity for the half year to 31 December 2019 were \$552,034,000, an increase of 25.4% from the revenues for the previous corresponding half year (2018: \$440,371,000).

The increase in revenue compared to the previous corresponding half year was driven by good growth in both the Global Product segment, with revenue for the half year increasing by 24.3% to \$442,610,000 (2018: \$356,105,000), and the Distribution segment with revenues of \$109,424,000 (2018: \$84,266,000) growing by 29.9%. Double digit growth was delivered in all geographies with particularly strong growth in Europe.

Group EBIT increased by 17.1% to \$72,988,000 (2018: \$62,338,000) for the half year ended 31 December 2019. On a pre AASB 16 basis EBIT was \$71,999,000 and increased 15.6% (see note 9).

The Global Product segment EBIT for the half year increased by 14.5% to \$59,680,000 (2018: \$52,138,000) with increased investment in both marketing and R&D costs funded by EBIT growth in the Distribution segment. On a pre AASB 16 basis Global Product segment EBIT was \$58,887,000 and increased 12.9% over 1H19.

Distribution segment EBIT of \$13,308,000 (2018: \$10,200,000) successfully fulfilled its strategic role by delivering a \$3,108,000 increase, with strong Nespresso growth in North America and good growth in ANZ supported by the launch of the Breville Air range. On a pre AASB 16 basis Distribution Segment EBIT was \$13,112,000 and increased \$2,912,000 over 1H19.

The basic earnings per share for the consolidated entity was 38.1 cents per share (2018: 33.5 cents per share).

## Principal activities

During the half year, the principal activities of the consolidated entity were the innovation, development, marketing and distribution of small electrical appliances through two distinct business models as follows:

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

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

## Directors' report (continued)

### Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191. The company is an entity to which the Instrument applies.

### Auditor's independence declaration

Attached on page 22 is a copy of the auditor's independence declaration provided under section 307C of the *Corporations Act 2001* in relation to the review for the half year ended 31 December 2019. This auditor's independence declaration forms part of this directors' report.

Signed in accordance with a resolution of the directors.



Steven Fisher  
Non-executive chairman

Sydney  
13 February 2020

# Consolidated statement of comprehensive income

for the half year ended 31 December 2019

	Note	Half year ended 31 Dec 2019 \$'000	Half year ended 31 Dec 2018 \$'000
Revenue		552,034	440,371
Cost of sales		(365,111)	(282,100)
<b>Gross profit</b>		<b>186,923</b>	<b>158,271</b>
Other income		160	193
Employee benefits expenses		(53,387)	(43,249)
Premises, lease & utilities expenses	9	(5,996)	(7,726)
Advertising & marketing expenses		(22,751)	(19,214)
Other expenses		(19,798)	(17,777)
<b>Earnings before interest, tax, depreciation &amp; amortisation (EBITDA)</b>		<b>85,151</b>	<b>70,498</b>
Depreciation & amortisation expenses	9	(12,163)	(8,160)
<b>Earnings before interest and tax (EBIT)</b>		<b>72,988</b>	<b>62,338</b>
Finance costs	10(i)	(4,297)	(1,745)
Finance income	10(i)	97	249
<b>Profit before income tax</b>		<b>68,788</b>	<b>60,842</b>
Income tax expense		(19,119)	(17,324)
<b>Net profit after income tax for the half year attributable to members of Breville Group Limited</b>		<b>49,669</b>	<b>43,518</b>
<b>Other comprehensive (loss)/income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation differences		812	5,041
Net change in fair value of cash flow hedges	5	(2,444)	774
Income tax on other comprehensive income and other items taken directly to equity		1,518	61
<b>Other comprehensive (loss)/income for the half year, net of income tax</b>		<b>(114)</b>	<b>5,876</b>
<b>Total comprehensive income for the half year attributable to members of Breville Group Limited</b>		<b>49,555</b>	<b>49,394</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of Breville Group Limited:</b>			
- basic earnings per share		38.1	33.5
- diluted earnings per share		38.1	33.5

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

# Consolidated statement of financial position

as at 31 December 2019

	Note	31 Dec 2019 \$'000	30 June 2019 \$'000	31 Dec 2018 \$'000
<b>Current assets</b>				
Cash and cash equivalents	4	116,147	57,129	66,158
Trade and other receivables		257,398	154,595	217,279
Inventories		175,170	152,325	112,006
Other financial assets	5	683	2,016	4,335
Current tax assets		2,871	1,923	206
<b>Total current assets</b>		<b>552,269</b>	<b>367,988</b>	<b>399,984</b>
<b>Non-current assets</b>				
Plant and equipment	6	13,470	12,043	11,401
Deferred tax assets		6,894	6,322	6,664
Right-of-use assets (adoption of AASB 16)	9	19,308	-	-
Intangible assets	7	160,151	123,414	115,178
<b>Total non-current assets</b>		<b>199,823</b>	<b>141,779</b>	<b>133,243</b>
<b>Total assets</b>		<b>752,092</b>	<b>509,767</b>	<b>533,227</b>
<b>Current liabilities</b>				
Trade and other payables		174,442	122,700	123,209
Borrowings	4	169,020	-	65,728
Lease liabilities (adoption of AASB 16)	9	7,376	-	-
Current tax liabilities		4,957	6,276	7,565
Provisions		20,952	13,960	18,857
Other financial liabilities	5	1,575	464	131
<b>Total current liabilities</b>		<b>378,322</b>	<b>143,400</b>	<b>215,490</b>
<b>Non-current liabilities</b>				
Other payables		14,120	3,395	2,794
Borrowings	4	-	47,283	-
Lease liabilities (adoption of AASB 16)	9	19,572	-	-
Deferred tax liabilities		4,800	4,346	4,361
Provisions		1,097	1,008	967
<b>Total non-current liabilities</b>		<b>39,589</b>	<b>56,032</b>	<b>8,122</b>
<b>Total liabilities</b>		<b>417,911</b>	<b>199,432</b>	<b>223,612</b>
<b>Net assets</b>		<b>334,181</b>	<b>310,335</b>	<b>309,615</b>
<b>Equity</b>				
<b>Equity attributable to equity holders of the parent</b>				
Issued capital	8	144,814	140,050	140,050
Reserves		1,275	4,553	3,633
Retained earnings		188,092	165,732	165,932
<b>Total equity</b>		<b>334,181</b>	<b>310,335</b>	<b>309,615</b>

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

# Consolidated cash flow statement

for the half year ended 31 December 2019

	Note	Half year ended 31 Dec 2019 \$'000	Half year ended 31 Dec 2018 \$'000
<b>Cash flows used in operating activities</b>			
Receipts from customers		508,062	379,382
Payments to suppliers and employees		(488,960)	(384,445)
Finance costs paid		(3,527)	(1,504)
Income tax paid		(17,588)	(15,442)
Finance income received		97	249
<b>Net cash flows used in operating activities</b>		<b>(1,916)</b>	<b>(21,760)</b>
<b>Cash flows used in investing activities</b>			
Proceeds from sale of plant and equipment	6	126	95
Purchase of plant and equipment	6	(4,171)	(2,375)
Development of intangible assets	7	(15,094)	(8,645)
Cash consideration paid on acquisition of business	7	(14,289)	-
<b>Net cash flows used in investing activities</b>		<b>(33,428)</b>	<b>(10,925)</b>
<b>Cash flows (used in)/from financing activities</b>			
Proceeds from borrowings		179,188	83,366
Repayment of borrowings		(57,404)	(64,676)
Irretrievable cash contributions paid to the Trustee of the Breville Group Performance Share Plan Trust to acquire ordinary shares	8(b)	-	(2,626)
Principal elements of lease payments (adoption of AASB 16)		(3,529)	-
Equity dividends paid	3(a)	(24,121)	(21,466)
<b>Net cash flows from/(used in) financing activities</b>		<b>94,134</b>	<b>(5,402)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>58,790</b>	<b>(38,087)</b>
Cash and cash equivalents at beginning of the half year		57,129	103,316
Net foreign exchange difference		228	929
<b>Cash and cash equivalents at end of the half year</b>	4	<b>116,147</b>	<b>66,158</b>

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

# Consolidated statement of changes in equity

for the half year ended 31 December 2019

Consolidated		Issued capital	Foreign currency translation reserve	Employee equity benefits reserve	Cash flow hedge reserve	Retained earnings	Total equity
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019</b>							
<b>At 1 July 2019 (original)</b>		<b>140,050</b>	<b>5,267</b>	<b>(1,800)</b>	<b>1,086</b>	<b>165,732</b>	<b>310,335</b>
Adjustment due to change in accounting standard (AASB 16)	9	-	-	-	-	(3,188)	(3,188)
<b>At 1 July 2019 (restated)</b>		<b>140,050</b>	<b>5,267</b>	<b>(1,800)</b>	<b>1,086</b>	<b>162,544</b>	<b>307,147</b>
Foreign currency translation reserve		-	812	-	-	-	812
Cash flow hedges		-	-	-	(2,444)	-	(2,444)
Income tax on items taken directly to equity		-	-	784	734	-	1,518
<b>Total other comprehensive (loss)/income for the half year</b>		<b>-</b>	<b>812</b>	<b>784</b>	<b>(1,710)</b>	<b>-</b>	<b>(114)</b>
Profit for the half year		-	-	-	-	49,669	49,669
<b>Total comprehensive (loss)/income for the half year</b>		<b>-</b>	<b>812</b>	<b>784</b>	<b>(1,710)</b>	<b>49,669</b>	<b>49,555</b>
Dividends paid	3(a)	-	-	-	-	(24,121)	(24,121)
Ordinary shares issued	8(a)	4,764	-	-	-	-	4,764
Ordinary shares acquired by the Trustee of the Breville Group							
Performance Share Plan Trust	8(b)	(4,764)	-	-	-	-	(4,764)
Transferred to participants of the performance rights plan	8(b)	4,764	-	(4,764)	-	-	-
Share-based payments expense		-	-	1,600	-	-	1,600
<b>At 31 December 2019</b>		<b>144,814</b>	<b>6,079</b>	<b>(4,180)</b>	<b>(624)</b>	<b>188,092</b>	<b>334,181</b>
<b>2018</b>							
<b>At 1 July 2018</b>		<b>140,050</b>	<b>(1,124)</b>	<b>(1,972)</b>	<b>2,401</b>	<b>143,880</b>	<b>283,235</b>
Foreign currency translation reserve		-	5,041	-	-	-	5,041
Cash flow hedges		-	-	-	774	-	774
Income tax on items taken directly to equity		-	-	293	(232)	-	61
<b>Total other comprehensive income for the half year</b>		<b>-</b>	<b>5,041</b>	<b>293</b>	<b>542</b>	<b>-</b>	<b>5,876</b>
Profit for the half year		-	-	-	-	43,518	43,518
<b>Total comprehensive income for the half year</b>		<b>-</b>	<b>5,041</b>	<b>293</b>	<b>542</b>	<b>43,518</b>	<b>49,394</b>
Dividends paid	3(a)	-	-	-	-	(21,466)	(21,466)
Ordinary shares acquired by the Trustee of the Breville Group							
Performance Share Plan Trust	8(b)	(2,626)	-	-	-	-	(2,626)
Transferred to participants of the performance rights plan	8(b)	2,626	-	(2,626)	-	-	-
Share-based payments expense		-	-	1,078	-	-	1,078
<b>At 31 December 2018</b>		<b>140,050</b>	<b>3,917</b>	<b>(3,227)</b>	<b>2,943</b>	<b>165,932</b>	<b>309,615</b>

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

# Notes to the half year report

for the half year ended 31 December 2019

## Note 1. Basis of preparation of the half year financial report

### (a) Corporate information

The financial report of Breville Group Limited (the company) for the half year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 13 February 2020. Breville Group Limited is a for profit company limited by shares incorporated in Australia. Breville Group Limited shares are quoted on the Australian Securities Exchange.

The nature of the operations and principal activities of the group are described in the directors' report.

### (b) Summary of significant accounting policies

The half year consolidated financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half year report should be read in conjunction with the annual report of Breville Group Limited for the year ended 30 June 2019.

It is also recommended that the half year report be considered together with any public announcements by Breville Group Limited and its controlled entities during the half year ended 31 December 2019 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

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

### (i) Basis of accounting

The half year consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*.

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

The amounts contained in this report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which this applies.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

### (ii) Significant accounting policies

The accounting policies adopted in the preparation of the half year consolidated financial statements are consistent with those followed in the preparation of the group's annual consolidated financial statements for the year ended 30 June 2019, with the exception of AASB 16 Leases as explained further in Note 1(d).

### (iii) Basis of consolidation

The half year consolidated financial statements comprise the financial statements of Breville Group Limited and its subsidiaries as at 31 December 2019 (the group).

### (c) Seasonality of operations

The financial performance of the group is exposed to seasonality in the volume of sales; such that the company's financial performance is historically weighted in favour of the half year to 31 December. This seasonality is a reflection of the additional retail sales generated during the Christmas trading period each year.

This seasonality in the volume of sales also generally results in a higher level of receivable and inventory balances at the half year compared to year end, usually resulting in a higher working capital requirement and lower operating cash flows at the half year.

## Notes to the half year report (continued)

for the half year ended 31 December 2019

### **Note 1. Basis of preparation of the half year financial report** (continued)

#### **(d) New accounting standards and interpretations**

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

The group had to change its accounting policies as a result of adopting *AASB 16 Leases*. The group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 July 2019.

Besides *AASB 16 Leases*, the other accounting policies of the group are consistent with those of the previous financial year.

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

Besides *AASB 16 Leases*, the adoption of other Standards and Interpretations did not have a significant impact on the group's financial results or statement of financial position.

# Notes to the half year report (continued)

for the half year ended 31 December 2019

## Note 2. Operating segments

The following tables present the revenue and profit information regarding operating segments for the half year periods ended 31 December 2019 and 31 December 2018.

The company's external reporting segments are 'Global Product' and 'Distribution'. The two segments reflect the two business models in the company: (i) global, innovation driven, product business, and (ii) a distribution business. For both business units, the geographic regions execute the sales and distribution functions, supported by centralised functions (specifically, product development, marketing, IT, finance, HR and operations).

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

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

	Note	Half year ended 31 Dec 2019			Half year ended 31 Dec 2018		
		Global Product \$'000	Distribution \$'000	Total \$'000	Global Product \$'000	Distribution \$'000	Total \$'000
<b>Segment revenue</b>	(a)	<b>442,610</b>	<b>109,424</b>	<b>552,034</b>	356,105	84,266	440,371
<b>Segment results</b>							
<b>EBITDA</b>		<b>71,344</b>	<b>13,807</b>	<b>85,151</b>	59,979	10,519	70,498
Depreciation and amortisation		(11,664)	(499)	(12,163)	(7,841)	(319)	(8,160)
<b>EBIT</b>		<b>59,680</b>	<b>13,308</b>	<b>72,988</b>	52,138	10,200	62,338
Finance income				97			249
Finance costs				(4,297)			(1,745)
<b>Profit before income tax</b>				<b>68,788</b>			<b>60,842</b>

	Half year ended 31 Dec 2019 \$'000	Half year ended 31 Dec 2018 \$'000
<b>(a) Segment revenue</b>		
<b>Global Product</b>		
North America	258,067	214,878
ANZ	82,259	74,130
Europe	83,712	51,368
Rest of World	18,572	15,729
<b>Total Global Product revenue</b>	<b>442,610</b>	<b>356,105</b>

### Distribution

All revenue is generated from ANZ and North America.

# Notes to the half year report (continued)

for the half year ended 31 December 2019

	Half year ended 31 Dec 2019 \$'000	Half year ended 31 Dec 2018 \$'000
<b>Note 3. Dividends</b>		
<b>(a) Dividends on ordinary shares paid during the half year to equity holders</b>		
<b>Final partially franked dividend for the financial year ended 30 June 2019 of 18.5 cents per share, 11.1 cents (60%) franked</b> (2018: final partially franked dividend for the financial year ended 30 June 2018 of 16.5 cents per share, 9.9 cents (60%) franked)		
Dividend paid in cash	24,121	21,466
<b>Final dividend</b>	<b>24,121</b>	<b>21,466</b>
<b>(b) Dividends proposed and not recognised as a liability to equity holders</b>		
<b>Partially franked interim dividend for the half year ending 31 Dec 2019 of 20.5 cents per share, 12.3 cents (60%) franked</b> (2018: 18.5 cents per share, 11.1 cents (60%) franked)	26,728	24,068

	31 Dec 2019 \$'000	30 June 2019 \$'000	31 Dec 2018 \$'000
<b>Note 4. Cash, Borrowings and Net Debt</b>			
<b>(i) Cash and cash equivalents</b>			
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:			
Cash and cash equivalents	116,147	57,129	66,158
<b>Total cash and cash equivalents, net</b>	<b>116,147</b>	<b>57,129</b>	<b>66,158</b>
<b>(ii) Borrowings</b>			
Current	169,020	-	65,728
Non-current	-	47,283	-
<b>Total borrowings</b>	<b>169,020</b>	<b>47,283</b>	<b>65,728</b>
<b>(iii) Net (debt) / cash</b>	<b>(52,873)</b>	<b>9,846</b>	<b>430</b>

# Notes to the half year report (continued)

for the half year ended 31 December 2019

## Note 5. Financial assets and liabilities

### Financial instruments

During the half year, the group designated forward exchange contracts in hedges of highly probable forecasted purchases of inventory, principally in USD. The forecast purchases are expected to occur between 0-12 months from 1 January 2020. The terms of the forward exchange contracts have been negotiated to match the terms of the forecast transactions. Consequently, the hedges were assessed to be highly effective. As at 31 December 2019, an unrealised loss of \$2,444,000 (2018: gain of \$774,000) is included in other comprehensive income.

Forward exchange contracts are initially recognised in the statement of financial position at fair value and subsequently remeasured to their fair value. Accordingly, there is no difference between the carrying value and the fair value of derivative financial instruments at reporting date. The carrying value and estimated net fair values of the borrowings held with banks is assumed to approximate their fair value, being the amount at which the liability could be settled in a current transaction between willing parties.

### Fair value hierarchy

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

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

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

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

All forward exchange contracts were measured at fair value using the Level 2 method.

### Valuation techniques

The forward exchange contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies, as well as the currency basis spreads between the respective currencies.

## Note 6. Plant and equipment

During the half year ended 31 December 2019, the group capitalised items into plant and equipment with a cost of \$4,332,000 (2018: \$2,324,000). Depreciation of \$2,692,000 was expensed during the half year (2018: \$2,206,000). Plant and equipment with a net book value of \$222,000 was disposed of by the group during the half year ended 31 December 2019 (2018: \$142,000), resulting in \$96,000 loss on disposal (2018: loss of \$47,000).

## Note 7. Intangibles

### Intangible assets

During the half year ended 31 December 2019, the group capitalised items into intangible assets - development costs of \$11,194,000 and computer software of \$3,883,000 (2018: development costs of \$8,144,000 and computer software of \$274,000). The capitalised development costs represent the Group's increasing strategic investment in new product development with costs only capitalised when a project has a high likelihood of commercialisation, normally on investment in tooling. The capitalised computer software primarily relates to enhancements and upgrades to the IT 2.0 Global Platform.

### Acquisition of ChefSteps

Goodwill of \$27,407,000 and \$703,000 of capitalised development costs were recognised arising from the acquisition of the assets of ChefSteps Inc., a US-based business on 16 July 2019. Cash consideration was paid on acquisition with a further deferred consideration payable as an earn out based on future performance of the acquired assets. The assets have been included within the Global Product segment cash generating unit (CGU).

# Notes to the half year report (continued)

for the half year ended 31 December 2019

	Note	31 Dec 2019 \$'000	30 June 2019 \$'000	31 Dec 2018 \$'000
<b>Note 8. Issued capital</b>				
Ordinary shares – issued	(a)	144,814	140,050	140,050
Ordinary shares – held by the Breville Group Performance Share Plan Trust	(b)	-	-	-
<b>Total contributed equity</b>		<b>144,814</b>	<b>140,050</b>	<b>140,050</b>

		Half year ended 31 Dec 2019		Half year ended 31 Dec 2018	
		Number of shares	\$'000	Number of shares	\$'000
<b>(a) Movements in ordinary issued shares during the half year:</b>					
<b>Beginning of the half year</b>		130,095,322	140,050	130,095,322	140,050
Movements during the half year					
Ordinary shares issued during the half year	(i)	286,805	4,764	-	-
<b>End of the half year</b>		<b>130,382,127</b>	<b>144,814</b>	<b>130,095,322</b>	<b>140,050</b>
<b>(b) Movements in ordinary shares held by the Breville Group Performance Share Plan Trust:</b>					
<b>Beginning of the half year</b>		-	-	-	-
Movements during the half year					
Ordinary shares subscribed to/acquired by the Breville Group Performance Share Plan Trust during the half year - cash	(ii)	(286,805)	(4,764)	(194,270)	(2,626)
Ordinary shares transferred to participants of the Breville Group Performance Share Plan	(iii)	286,805	4,764	194,270	2,626
<b>End of the half year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

- (i) During the half year the group issued 286,805 fully paid ordinary shares (2018: nil) of Breville Group Limited as a result of the vesting of Performance Rights issued under the Breville Group Performance Share Plan. The average value attributable to these issued shares was \$16.61 (2018: nil), as of the date of issue.
- (ii) During the half year the Trustee of the Breville Group Performance Share Plan Trust subscribed for 286,805 ordinary shares of Breville Group Limited (2018: acquired 194,270 shares) in order to fulfil its obligations under the Breville Group Performance Share Plan. The average value placed on these subscriptions was \$16.61 per share (2018: average value placed on these acquisitions was \$13.52 per share).
- (iii) During the half year the Trustee of the Breville Group Performance Share Plan Trust transferred 286,805 ordinary shares (2018: 194,270) to participants in order to fulfil its obligations under the Breville Group Performance Share Plan.

# Notes to the half year report (continued)

for the half year ended 31 December 2019

## Note 9. Impact of the adoption of AASB 16 Leases

This note explains the impact of the adoption of *AASB 16 Leases* on the group's financial statements.

As indicated in Note 1(d) previously, the group has adopted *AASB 16 Leases* retrospectively from 1 July 2019, but has not restated comparatives for the 31 December 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 July 2019.

On adoption of *AASB 16 Leases*, the group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of *AASB 117 Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using appropriate incremental borrowing rates as of 1 July 2019.

At 31 December 2019, the group had recognised right-of-use assets of \$19,308,000 and total current and non-current lease liabilities of \$26,948,000. On 1 July 2019, the difference between right-of-use assets and lease liabilities on adoption was recognised as an opening balance adjustment of \$3,188,000 through retained earnings.

The following table summarises the impact of adopting *AASB 16 Leases* on the key financial metrics within the consolidated statement of comprehensive income of the group for the half year ended 31 December 2019.

	Half year ended 31 Dec 2019 Post AASB 16 as reported	Half year ended 31 Dec 2019 Pre AASB 16	Variance
<b>\$'000 unless specified</b>			
Revenue	552,034	552,034	-
Gross profit	186,923	186,923	-
Premises, leases and utilities expenses	(5,996)	(10,111)	4,115
Other operating expenditure	(95,776)	(95,776)	-
EBITDA	85,151	81,036	4,115
Depreciation and amortisation	(12,163)	(9,037)	(3,126)
EBIT	72,988	71,999	989
Net finance costs	(4,200)	(3,386)	(814)
Profit before income tax	68,788	68,613	175
Income tax expense	(19,119)	(19,066)	(53)
Net profit after tax	49,669	49,547	122
Earnings per share (EPS) <i>cents per share</i>	38.1	38.0	0.1 cps

# Notes to the half year report (continued)

for the half year ended 31 December 2019

## Note 10. Other disclosures

	<b>31 Dec 2019</b>	31 Dec 2018
	<b>\$'000</b>	<b>\$'000</b>
<b>(i) Finance costs/income</b>		
Finance costs paid or payable on borrowings and bank overdrafts:		
- interest	<b>1,314</b>	491
- other borrowing costs (line fees and bank charges)	<b>1,400</b>	1,013
Interest on other payables – non-current (deferred consideration)	<b>769</b>	241
Interest on lease liabilities (adoption of AASB 16)	<b>814</b>	-
Finance costs	<b>4,297</b>	1,745
Finance income	<b>(97)</b>	(249)
<b>Total net finance costs</b>	<b>4,200</b>	1,496

## Note 11. Contingencies

At 31 December 2019, there are no material contingent liabilities or contingent assets.

## Note 12. Events after the balance date

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

## Directors' declaration

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

In the opinion of the directors:

- (a) the financial report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *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.

On behalf of the board



Steven Fisher  
Non-executive chairman

Sydney  
13 February 2020



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

### ***Report on the half-year financial report***

We have reviewed the accompanying half-year financial report of Breville Group Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

### ***Directors' responsibility for the half-year financial report***

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

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Breville Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Independence***

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



### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Breville Group Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten signature of the PricewaterhouseCoopers firm.

PricewaterhouseCoopers

A handwritten signature of Mark Dow.

Mark Dow  
Partner

Sydney  
13 February 2020



### *Auditor's Independence Declaration*

As lead auditor for the review of Breville Group Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read "Mark Dow", written over a horizontal line.

Mark Dow  
Partner  
PricewaterhouseCoopers

Sydney  
13 February 2020