

# APPENDIX 4E

## PRELIMINARY FINAL REPORT IN RESPECT TO TREASURY WINE ESTATES LIMITED FOR THE YEAR ENDED 30 JUNE 2018 ABN 24 004 373 862

### 1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

KEY INFORMATION	YEAR ENDED 30 JUNE 2018 \$M	YEAR ENDED 30 JUNE 2017 \$M	% CHANGE INCREASE/ (DECREASE)	AMOUNT INCREASE/ (DECREASE) \$M
Revenue from ordinary activities	2,496.4	2,534.2	(1.5%)	(37.8)
Profit attributable to members of Treasury Wine Estates Limited	360.3	269.1	33.9%	91.2
Net profit after tax before material items, SGARA	376.0	293.4	28.2%	82.6
Earnings before interest, tax, SGARA and material items	530.2	455.1	16.5%	75.1
<b>EARNINGS PER SHARE</b>			<b>YEAR ENDED 30 JUNE 2018 CENTS PER SHARE</b>	<b>YEAR ENDED 30 JUNE 2017 CENTS PER SHARE</b>
Basic earnings per share			49.7	36.5
Basic earnings per share, adjusted to exclude SGARA, material items			51.8	39.8
<b>DIVIDENDS (DISTRIBUTIONS)<sup>1</sup></b>			<b>CENTS PER SHARE</b>	<b>FRANKING %</b>
Final dividend – year ended 30 June 2018 (determined subsequent to balance date) <sup>2</sup>			17.0 cents	100
Interim dividend – half year ended 31 December 2017			15.0 cents	75
Final dividend – year ended 30 June 2017			13.0 cents	50

1. The Dividend Reinvestment Plan of the Company, suspended on 20 August 2014, remains suspended.

2. The record date for determining an entitlement to receipt of the final dividend is Thursday 6 September 2018 and the Company expects to pay the dividend on Friday 5 October 2018.

### 2. PRELIMINARY FINAL FINANCIAL STATEMENTS

Please refer to pages 1 through 48 of this report wherein the following are provided:

- Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018;
- Consolidated statement of financial position as at 30 June 2018;
- Consolidated statement of changes in equity for the year ended 30 June 2018;
- Consolidated statement of cash flows for the year ended 30 June 2018; and
- Notes to the consolidated financial statements.

This report is based on accounts which are in the process of being audited. The audit report will be made available with the Company's Annual Report.

### 3. NET TANGIBLE ASSET BACKING

NET TANGIBLE ASSET BACKING PER ORDINARY SHARE	YEAR ENDED 30 JUNE 2018 \$	YEAR ENDED 30 JUNE 2017 \$
Net tangible asset backing per ordinary share	3.29	3.40

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### 4. ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Thursday 18 October 2018.

### 5. FURTHER INFORMATION

Additional Appendix 4E disclosure requirements can be found in the notes to the year-end financial report and the ASX announcement lodged with this document.

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 \$M	2017 \$M
Revenue	3	2,496.4	2,534.2
Cost of sales		(1,435.6)	(1,568.3)
<b>Gross profit</b>		<b>1,060.8</b>	<b>965.9</b>
Selling expenses		(286.6)	(273.6)
Marketing expenses		(110.8)	(113.9)
Administration expenses		(113.0)	(128.8)
Other expenses		(41.5)	(35.3)
<b>Profit before tax and finance costs</b>		<b>508.9</b>	<b>414.3</b>
Finance income		28.2	19.9
Finance costs		(61.6)	(47.0)
Net finance costs		(33.4)	(27.1)
<b>Profit before tax</b>		<b>475.5</b>	<b>387.2</b>
Income tax expense	22	(115.1)	(117.3)
<b>Net profit</b>		<b>360.4</b>	<b>269.9</b>
Net profit attributable to non-controlling interests		(0.1)	(0.8)
<b>Net profit attributable to members of Treasury Wine Estates Limited</b>		<b>360.3</b>	<b>269.1</b>
<b>Other comprehensive income</b>			
<b>Items that may subsequently be reclassified to profit or loss</b>			
Cash flow hedges		–	7.6
Tax on cash flow hedges		–	(3.1)
Exchange gain/(loss) on translation of foreign operations		59.4	(50.8)
<b>Other comprehensive income for the year, net of tax</b>		<b>59.4</b>	<b>(46.3)</b>
<b>Total comprehensive income for the year attributable to members of Treasury Wine Estates Limited</b>		<b>419.7</b>	<b>222.8</b>
Non-controlling interests		0.1	0.8
<b>Total comprehensive income for the year</b>		<b>419.8</b>	<b>223.6</b>
		CENTS PER SHARE	CENTS PER SHARE
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company</b>			
Basic	7	49.7	36.5
Diluted	7	49.3	36.1

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	NOTE	2018 \$M	2017 \$M
<b>Current assets</b>			
Cash and cash equivalents	9	89.4	240.8
Receivables	9	593.0	606.5
Inventories	9	1,012.3	947.9
Assets held for sale	13	45.2	36.0
Other current assets		1.9	4.0
<b>Total current assets</b>		<b>1,741.8</b>	<b>1,835.2</b>
<b>Non-current assets</b>			
Inventories	9	952.1	763.9
Property, plant and equipment	10	1,416.5	1,328.5
Agricultural assets	11	41.3	37.7
Intangible assets	12	1,128.9	1,095.8
Deferred tax assets	22	154.5	208.0
Other non-current assets		10.6	10.2
<b>Total non-current assets</b>		<b>3,703.9</b>	<b>3,444.1</b>
<b>Total assets</b>		<b>5,445.7</b>	<b>5,279.3</b>
<b>Current liabilities</b>			
Trade and other payables	9	702.9	662.5
Current tax liabilities		54.5	51.1
Provisions	15	45.4	61.3
Other current liabilities		6.6	4.4
<b>Total current liabilities</b>		<b>809.4</b>	<b>779.3</b>
<b>Non-current liabilities</b>			
Trade and other payables	9	56.4	57.4
Borrowings	17	875.3	596.4
Deferred tax liabilities	22	190.8	233.9
Other non-current liabilities		17.5	3.8
<b>Total non-current liabilities</b>		<b>1,140.0</b>	<b>891.5</b>
<b>Total liabilities</b>		<b>1,949.4</b>	<b>1,670.8</b>
<b>Net assets</b>		<b>3,496.3</b>	<b>3,608.5</b>
<b>Equity</b>			
Contributed equity	18	3,235.4	3,528.6
Reserves	20	0.4	(23.9)
Retained earnings		256.2	99.6
<b>Total parent entity interest</b>		<b>3,492.0</b>	<b>3,604.3</b>
Non-controlling interests		4.3	4.2
<b>Total equity</b>		<b>3,496.3</b>	<b>3,608.5</b>

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	CONTRIBUTED EQUITY \$M	RETAINED EARNINGS \$M	FOREIGN CURRENCY TRANSLATION RESERVE \$M	OTHER RESERVES \$M	TOTAL \$M	NON- CONTROLLING INTERESTS \$M	TOTAL EQUITY \$M
<b>Balance at 30 June 2016</b>	<b>3,533.6</b>	<b>15.1</b>	<b>(1.0)</b>	<b>18.1</b>	<b>3,565.8</b>	<b>3.4</b>	<b>3,569.2</b>
Profit for the year	—	269.1	—	—	269.1	0.8	269.9
Total other comprehensive income	—	—	(50.8)	4.5	(46.3)	—	(46.3)
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>269.1</b>	<b>(50.8)</b>	<b>4.5</b>	<b>222.8</b>	<b>0.8</b>	<b>223.6</b>
<b>Transactions with owners in their capacity as owners directly in equity</b>							
Share based payment expense	—	—	—	18.6	18.6	—	18.6
Purchase of own shares	(18.3)	—	—	—	(18.3)	—	(18.3)
Vested deferred shares and share rights	13.3	—	—	(13.3)	—	—	—
Dividends to owners of the Company	—	(184.6)	—	—	(184.6)	—	(184.6)
<b>Balance at 30 June 2017</b>	<b>3,528.6</b>	<b>99.6</b>	<b>(51.8)</b>	<b>27.9</b>	<b>3,604.3</b>	<b>4.2</b>	<b>3,608.5</b>
Profit for the year	—	360.3	—	—	360.3	0.1	360.4
Total other comprehensive income	—	—	59.4	—	59.4	—	59.4
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>360.3</b>	<b>59.4</b>	<b>—</b>	<b>419.7</b>	<b>0.1</b>	<b>419.8</b>
<b>Transactions with owners in their capacity as owners directly in equity</b>							
Share based payment expense	—	—	—	18.0	18.0	—	18.0
Shares bought back and cancelled	(300.0)	—	—	—	(300.0)	—	(300.0)
Vested deferred shares and share rights	6.8	—	—	(53.1)	(46.3)	—	(46.3)
Dividends to owners of the Company	—	(203.7)	—	—	(203.7)	—	(203.7)
<b>Balance at 30 June 2018</b>	<b>3,235.4</b>	<b>256.2</b>	<b>7.6</b>	<b>(7.2)</b>	<b>3,492.0</b>	<b>4.3</b>	<b>3,496.3</b>

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

		2018 \$M	2017 \$M
	NOTE	INFLOWS/ (OUTFLOWS)	INFLOWS/ (OUTFLOWS)
<b>Cash flows from operating activities</b>			
Receipts from customers		3,263.3	3,237.3
Payments to suppliers, governments and employees		(2,845.3)	(2,798.3)
Borrowing costs paid		(2.6)	(2.8)
Income taxes paid		(93.7)	(32.0)
Interest paid		(26.7)	(21.7)
<b>Net cash flows from operating activities</b>	8	<b>295.0</b>	<b>382.5</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant, and equipment		(193.6)	(187.8)
Payments for intangible assets		(21.8)	(22.6)
Payments for subsidiaries, investments and other assets		–	(26.4)
Proceeds from sale of property, plant and equipment		50.6	106.9
<b>Net cash flows used in investing activities</b>		<b>(164.8)</b>	<b>(129.9)</b>
<b>Cash flows from financing activities</b>			
Shares bought back and cancelled		(300.0)	–
Dividend payments		(203.7)	(184.6)
Proceeds from borrowings		482.0	384.5
Repayment of borrowings		(215.3)	(387.3)
Net proceeds from settlement of derivatives		–	0.6
Purchase of shares – employee equity plans		(42.9)	(65.9)
<b>Net cash flows used in financing activities</b>		<b>(279.9)</b>	<b>(252.7)</b>
<b>Total cash flows from activities</b>		<b>(149.7)</b>	<b>(0.1)</b>
Cash and cash equivalents at the beginning of the year		240.8	252.1
Effects of exchange rate changes on foreign currency cash flows and cash balances		(1.7)	(11.2)
<b>Cash and cash equivalents at end of the year</b>	9	<b>89.4</b>	<b>240.8</b>

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: ABOUT THIS REPORT

## FOR THE YEAR ENDED 30 JUNE 2018

### NOTE 1 – ABOUT THIS REPORT

Treasury Wine Estates Limited ('the Company') is a for profit company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange (ASX). The consolidated financial statements comprise the Company and its controlled entities (collectively, 'the Group').

The accounting policies that are critical to understanding the financial statements as a whole are set out in this section. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. Further policies, including the impact of upcoming changes to accounting standards, are set out in note 32.

#### 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* (Cth), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Has been prepared on a historical cost basis, except for derivative financial instruments, agricultural produce and assets and liabilities acquired in a business combination which have been measured at fair value; and
- Is presented in Australian dollars with all values rounded to the nearest tenth of one million dollars unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

#### Statement of compliance

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

#### Notes to the financial statements

The notes include additional information required to understand the financial statements that is material and relevant to the operations, financial position and performance of the Group.

Information is considered material and relevant if the amount in question is significant because of its size, nature or incidence or it helps to explain the impact of significant changes in the business, for example, acquisitions and asset write-downs.

Line items labelled 'other' on the face of the consolidated statements comprise miscellaneous income, expenses, assets, liabilities or cash flows which individually or in aggregate are not considered material to warrant additional disclosures.

The notes are organised into the following sections:

*Earnings:* focuses on the financial results and performance of the Group. It provides disclosures relating to income, expenses, segment information, material items and earnings per share.

*Working capital:* shows the assets and liabilities generated through trading activity. It provides information regarding working capital management and analysis of the elements of working capital.

*Operating assets and liabilities:* provides information regarding the physical assets and non-physical assets used by the Group to generate revenues and profits (including associated liabilities). This section also explains the accounting policies applied and specific judgements and estimates made by management in arriving at the value of these assets and operating liabilities.

*Capital structure:* provides information about the capital management practices adopted by the Group – particularly how much capital is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the activities of the Group both now and in the future.

*Taxation:* sets out the Group's tax accounting policies, the current and deferred tax charges, a reconciliation of profit or loss before tax to the tax charge or credit and the movements in deferred tax assets and liabilities.

*Risk:* discusses the Group's exposure to various financial risks, explains how these affect the financial position of the Group and what is done to manage these risks.

*Group composition:* explains aspects of the Group's structure and business acquisitions.

*Other:* other required disclosures under Australian Accounting Standards and IFRS.

#### Key estimates and judgements

In preparing this financial report, the Group is required to make estimates, judgements and assumptions that affect the reported amounts in the financial statements.

These estimates, judgements and assumptions are continually evaluated, and are often based on historical experience and assessed to be reasonable under the circumstances at the relevant time. Actual results may differ from these estimates under different assumptions and conditions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements:

- Note 3: Revenue
- Note 9: Working capital
- Note 11: Agricultural assets
- Note 12: Intangible assets
- Note 14: Impairment of non-financial assets
- Note 22: Income tax

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
ABOUT THIS REPORT  
FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 1 – ABOUT THIS REPORT (CONTINUED)**

**Principles of consolidation**

The consolidated financial statements include the assets and liabilities of Treasury Wine Estates Limited and its controlled entities as a whole at year-end and the consolidated results and cash flows for the year. A list of controlled entities (subsidiaries) is provided in note 27.

An entity is regarded as a controlled entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity.

The rights of other investors to the results and equity of the subsidiaries (called non-controlling interests) are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

The financial information of the subsidiaries is prepared for the same reporting period as the parent, using consistent accounting policies. Intra-group balances and transactions arising from intra-group transactions are eliminated.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

**Functional and presentation currency**

The consolidated financial statements are presented in Australian dollars. 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. The major functional currencies used throughout the Group include Australian Dollar (AUD), United States Dollar (USD) and Great British Pound (GBP). Other currencies used include the Canadian Dollar, Euro, New Zealand Dollar, Singapore Dollar, Swedish Krona, Norwegian Krone and South African Rand.

**Foreign group companies**

As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into Australian dollars at the rate of exchange ruling at the balance sheet date and the income statement are translated at the average exchange rates for the period. The exchange differences arising on the translation are recognised in the foreign currency translation reserve within equity.

When a foreign operation is sold, the cumulative exchange difference in equity for this operation is recognised in the consolidated statement of profit or loss and other comprehensive income as part of the gain and loss on sale.

**Transactions and balances**

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

Exchange differences arising are recognised in the consolidated statement of profit and loss and other

comprehensive income, except for gains or losses arising on assets or liabilities that qualify for hedge accounting, discussed further in note 23. Tax charges and credits attributable to these exchange differences are also recognised in equity.

Average exchange rates used in translating profit and loss items in F18 are:

A\$1 = US\$ 0.775 (F17: US\$ 0.754)

A\$1 = GB£ 0.576 (F17: GB£ 0.595)

Year-end exchange rates used in translating financial position items in F18 are:

A\$1 = US\$ 0.735 (F17: US\$ 0.768)

A\$1 = GB£ 0.562 (F17: GB£ 0.590)

**Fair value measurement**

The Group measures certain financial instruments, including derivatives, and certain non-financial assets such as agricultural assets, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in its principal or most advantageous market at the measurement date. It is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial item assumes it is put to its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Accounting standards prescribe a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly (i.e. as prices) or indirectly (i.e. derived by prices) observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

**Subsequent events**

Since the end of the financial year, the Directors declared a final 100% franked dividend of 17.0 cents per share. This dividend has not been recognised as a liability in the consolidated financial statements at 30 June 2018.

The Directors are not aware of any other matters or circumstances that have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: EARNINGS

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 2 – SEGMENT INFORMATION

### The Group's segments

The Group reports segment information on the same basis as its internal management reporting structure and consistent with the information used to organise and manage the Group.

The reportable segments are based on the aggregation of operating segments determined by the similarity of the nature of products, the production process, the types of customers and the methods used to distribute the products.

During F18 the business structure was re-organised to better reflect the way the Group was being managed. Effective from 1 July 2017, the results of Latin America are reported with Americas (previously combined with Europe). To facilitate comparability over reporting periods, comparatives have been re-stated to incorporate these changes.

The identified reportable segments in the Group are below:

(i) **Australia and New Zealand (ANZ)**

This segment is responsible for the manufacture, sale and marketing of wine within Australia and New Zealand. The segment also distributed beer and cider under licence in New Zealand until August 2017.

(ii) **Americas**

This segment is responsible for the manufacture, sale and marketing of wine within North America and Latin America.

(iii) **Asia**

This segment is responsible for the sale and marketing of wine within Asia (including the Middle East and Africa).

(iv) **Europe**

This segment is responsible for the manufacture, sale and marketing of wine within Europe.

### Presentation of segment results

#### Management EBITs

The principal profit metric for internal management reporting is Management earnings before interest, tax, SGARA and material items (EBITS). Corporate charges are allocated to each segment on a proportionate basis linked to segment revenue, head count or other appropriate driver depending on the nature of the charge.

### Segment accounting policies

#### Segment assets and liabilities

Segment assets and liabilities represent those working capital and non-current assets and liabilities which are located in the respective segments. Cash is not considered to be a segment asset as it is managed by the Group's centralised treasury function. Consistent with the use of EBITs for measuring profit, tax assets and liabilities, which do not contribute towards EBITs, are not allocated to operating segments.

#### Intersegment transactions

The price of an intersegment transaction is set at an arm's length basis. Whilst these transactions are eliminated on consolidation, they are shown within the segment revenue and EBITs to properly reflect the segment of origin performance, including production.

#### Corporate charges

Unallocated corporate charges are reported in the Corporate/unallocated segment. Net finance costs are not allocated to segments as the Group's financing function is centralised through its treasury function.

#### Segment loans payable and loans receivable

Segment loans are initially recognised at the amount transferred. Intersegment loans receivable and payable that earn or incur non-market interest are adjusted to fair value based on market interest rates.

#### Other

If items of revenue and expense are not allocated to operating segments, then any associated assets and liabilities are not allocated to segments either.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**EARNINGS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 2 – SEGMENT INFORMATION (CONTINUED)**

2018	ANZ \$M	AMERICAS \$M	ASIA \$M	EUROPE \$M	INTERSEGMENT ELIMINATION \$M	TOTAL SEGMENT \$M	UNALLOCATED/ CORPORATE \$M	CONSOLIDATED \$M
<b>Total revenue comprises:</b>								
Net sales revenue	598.7	961.8	547.6	320.9	–	2,429.0	–	2,429.0
Other revenue	57.0	7.2	–	0.9	–	65.1	2.3	67.4
Intersegment revenue	299.3	50.2	0.3	51.2	(401.0)	–	–	–
<b>Total segment revenue (excl other income/interest)</b>	<b>955.0</b>	<b>1,019.2</b>	<b>547.9</b>	<b>373.0</b>	<b>(401.0)</b>	<b>2,494.1</b>	<b>2.3</b>	<b>2,496.4</b>
<b>Management EBITs</b>	<b>136.1</b>	<b>193.0</b>	<b>205.2</b>	<b>49.5</b>	<b>–</b>	<b>583.8</b>	<b>(53.6)</b>	<b>530.2</b>
SGARA gain/(loss)	7.5	(21.6)	–	(1.0)	–	(15.1)	–	(15.1)
Material items	–	(3.1)	–	(3.1)	–	(6.2)	–	(6.2)
<b>Management EBIT</b>	<b>143.6</b>	<b>168.3</b>	<b>205.2</b>	<b>45.4</b>	<b>–</b>	<b>562.5</b>	<b>(53.6)</b>	<b>508.9</b>
Net finance costs								(33.4)
<b>Consolidated profit before tax</b>								<b>475.5</b>
<b>Depreciation of property, plant and equipment</b>	<b>38.6</b>	<b>41.1</b>	<b>0.5</b>	<b>2.0</b>	<b>–</b>	<b>82.2</b>	<b>3.5</b>	<b>85.7</b>
<b>Amortisation of intangible assets</b>	<b>1.0</b>	<b>0.8</b>	<b>–</b>	<b>0.1</b>	<b>–</b>	<b>1.9</b>	<b>9.9</b>	<b>11.8</b>
<b>Assets held for sale</b>	<b>29.1</b>	<b>16.1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>45.2</b>	<b>–</b>	<b>45.2</b>
<b>Capital expenditure</b>	<b>107.6</b>	<b>97.2</b>	<b>1.7</b>	<b>1.9</b>	<b>–</b>	<b>208.4</b>	<b>12.4</b>	<b>220.8</b>
<b>Segment assets (excl intersegment assets)</b>	<b>2,212.6</b>	<b>2,362.9</b>	<b>192.6</b>	<b>329.6</b>	<b>–</b>	<b>5,097.7</b>	<b>348.0</b>	<b>5,445.7</b>
<b>Segment liabilities (excl intersegment liabilities)</b>	<b>269.3</b>	<b>401.1</b>	<b>57.9</b>	<b>87.5</b>	<b>–</b>	<b>815.8</b>	<b>1,133.6</b>	<b>1,949.4</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**EARNINGS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 2 – SEGMENT INFORMATION (CONTINUED)**

2017	ANZ \$M	AMERICAS \$M	ASIA \$M	EUROPE \$M	INTERSEGMENT ELIMINATION \$M	TOTAL SEGMENT \$M	UNALLOCATED/ CORPORATE \$M	CONSOLIDATED \$M
<b>Total revenue comprises:</b>								
Net sales revenue	591.3	1,083.8	394.3	332.3	–	2,401.7	–	2,401.7
Other revenue	87.9	38.4	–	1.4	–	127.7	4.8	132.5
Intersegment revenue	271.3	51.6	0.1	37.4	(360.4)	–	–	–
<b>Total segment revenue (excl other income/interest)</b>	<b>950.5</b>	<b>1,173.8</b>	<b>394.4</b>	<b>371.1</b>	<b>(360.4)</b>	<b>2,529.4</b>	<b>4.8</b>	<b>2,534.2</b>
<b>Management EBITs</b>	<b>111.1</b>	<b>196.0</b>	<b>150.1</b>	<b>41.0</b>	<b>–</b>	<b>498.2</b>	<b>(43.1)</b>	<b>455.1</b>
SGARA gain/(loss)	16.8	(22.5)	–	–	–	(5.7)	–	(5.7)
Material items	4.3	(36.6)	–	(2.8)	–	(35.1)	–	(35.1)
<b>Management EBIT</b>	<b>132.2</b>	<b>136.9</b>	<b>150.1</b>	<b>38.2</b>	<b>–</b>	<b>457.4</b>	<b>(43.1)</b>	<b>414.3</b>
Net finance costs								(27.1)
<b>Consolidated profit before tax</b>								<b>387.2</b>
<b>Depreciation of property, plant and equipment</b>	<b>43.6</b>	<b>51.4</b>	<b>0.4</b>	<b>1.6</b>	<b>–</b>	<b>97.0</b>	<b>2.4</b>	<b>99.4</b>
<b>Amortisation of intangible assets</b>	<b>1.4</b>	<b>0.4</b>	<b>–</b>	<b>0.1</b>	<b>–</b>	<b>1.9</b>	<b>7.0</b>	<b>8.9</b>
<b>Assets held for sale</b>	<b>23.0</b>	<b>13.0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>36.0</b>	<b>–</b>	<b>36.0</b>
<b>Capital expenditure</b>	<b>85.1</b>	<b>104.2</b>	<b>0.3</b>	<b>1.4</b>	<b>–</b>	<b>191.0</b>	<b>19.4</b>	<b>210.4</b>
<b>Segment assets (excl intersegment assets)</b>	<b>2,173.1</b>	<b>2,133.0</b>	<b>77.9</b>	<b>345.5</b>	<b>–</b>	<b>4,729.5</b>	<b>549.8</b>	<b>5,279.3</b>
<b>Segment liabilities (excl intersegment liabilities)</b>	<b>271.1</b>	<b>418.0</b>	<b>28.4</b>	<b>81.0</b>	<b>–</b>	<b>798.5</b>	<b>872.3</b>	<b>1,670.8</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**EARNINGS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 2 – SEGMENT INFORMATION (CONTINUED)**

**Geographical segments**

The presentation of geographical revenue is based on the location of the selling entity.

	<b>NET SALES REVENUE</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$M</b>	<b>\$M</b>
Australia	1,053.4	887.7
United States of America	990.1	1,104.0
United Kingdom	279.5	293.5
Other geographical locations <sup>1</sup>	106.0	116.5
<b>Total</b>	<b>2,429.0</b>	<b>2,401.7</b>

1. Other than Australia, United States of America and the United Kingdom, sales in other countries are individually less than 10% of the Group's net sales revenue.

The presentation of non-current assets is based on the geographical location of the assets.

	<b>NON-CURRENT ASSETS</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$M</b>	<b>\$M</b>
Australia	1,567.0	1,428.5
United States of America	1,716.6	1,506.4
United Kingdom	137.9	144.0
Other geographical locations	121.7	152.5
<b>Total geographical non-current assets</b>	<b>3,543.2</b>	<b>3,231.4</b>
Other non-current assets <sup>2</sup>	160.7	212.7
<b>Consolidated non-current assets</b>	<b>3,703.9</b>	<b>3,444.1</b>

2. Other non-current assets include financial derivative assets and deferred tax assets.

**NOTE 3 – REVENUE**

	<b>2018</b>	<b>2017</b>
	<b>\$M</b>	<b>\$M</b>
<b>Revenue</b>		
Net sales revenue <sup>1</sup>	2,429.0	2,401.7
Other revenue	67.4	132.5
<b>Total revenue</b>	<b>2,496.4</b>	<b>2,534.2</b>

1. Net sales revenue is net of trade discounts and volume rebates.

**Types of products and services**

The Group generates revenue through the sale of branded wines, principally as a finished, bottled product. The Group's wine portfolio includes some of the world's leading Luxury, Masstige and Commercial wine brands such as Penfolds, Beringer, Lindeman's, Wolf Blass, 19 Crimes, Chateau St Jean, Beaulieu Vineyard and Sterling Vineyards.

The Group also provides contract bottling services to third parties. Until August 2017, the Group also distributed beer and cider under licence in New Zealand.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**EARNINGS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 3 – REVENUE (CONTINUED)**

**Sales approach**

The Group distributes wine to a range of customers across the world, with routes to market tailored by country. Depending on the geography, wine is sold to distributors (who tend to be exclusive and stock a whole portfolio), wholesalers (who choose which brands they would like to order from the portfolio), direct to national retail chains, independent retailers and on premise outlets. The Group also has some sales direct to the consumer.

For F18, the Group has two major customers in the Americas whose revenues represent 10.4% (F17: 22.8%) and 8.4% (F17: 3.1%) of reported net sales revenue, and one major customer in Australia whose revenue represents 8.7% (F17: 9.0%) of reported net sales revenue.

**Accounting policies**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recorded net of sales discounts and rebates, duties and taxes. Revenue is recorded only if it is probable that the economic benefits will flow to the Group, such as when product is sold to a credit approved purchaser. The following specific criteria are also applied:

**Wine**

Revenue is recognised when the risk and rewards of ownership have passed to the buyer. Sales to national retail chains, domestic distributors, independent retailers and on premise outlets are usually recognised when goods are delivered. Sales to international customers are recognised based on the international commercial terms the goods are shipped under, but typically when goods are despatched. This is also the case for some national retail chains that manage their own distribution networks.

**Bottling services**

Revenue is recognised when the relevant service has been completed.

**Key estimate and judgement:**

**Trade discounts and volume rebates**

Products are often sold with volume discounts and other rebates. Sales are recorded based on the price specified in the sales contracts, net of the estimated discount or rebate at the time of sale. Accumulated experience is used to estimate and provide for the discounts based on anticipated annual purchases.

**NOTE 4 – OTHER EARNINGS DISCLOSURES**

	<b>2018</b> <b>\$M</b>	<b>2017</b> <b>\$M</b>
Rental expense relating to operating leases	<b>(87.0)</b>	(84.7)
Net foreign exchange gains/(losses)	<b>2.6</b>	5.6
Salaries and wages expense	<b>(385.1)</b>	(372.4)
Share based payments expense	<b>(18.0)</b>	(18.6)
Restructuring and redundancy expense <sup>1</sup>	<b>(6.4)</b>	(25.6)
Net gain relating to property, plant and equipment and intangible assets		
Reversal of write-down/(write-down) of assets <sup>1</sup>	<b>1.8</b>	(30.1)
Insurance and other income	<b>5.3</b>	12.5
Net profit on disposal of assets	<b>1.8</b>	19.0
	<b>8.9</b>	1.4

1. Includes items classified as material items (refer note 5).

During the year, the Group implemented a series of improvements to its route-to-market in the US to enhance its competitive positioning and drive portfolio growth. Changes included implementing direct and hybrid sales and distribution models. The impact to the Group's Management EBITs and profit before tax and finance costs during the year was \$25.0 million.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**EARNINGS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 4 – OTHER EARNINGS DISCLOSURES (CONTINUED)**

**Accounting policies**

**Agricultural valuation movement**

The change in fair value of picked grapes and olives is recognised in the statement of profit or loss and other comprehensive income in the year of harvest.

**Finance income**

Finance income is recognised as the interest accrues (using the effective interest method, which applies a rate that discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

**Finance costs**

Finance costs are recognised as an expense when they are incurred, except for interest charges attributable to major projects with substantial development and construction phases, which are capitalised as part of the cost of the asset.

**Operating leases**

Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. The Group's policy on how to determine the nature of a lease is set out in note 19.

**Employee benefits**

Employee benefits include wages, salaries, annual leave, bonuses, non-monetary benefits and share based payment expenses. Further details of Group policy on measuring employee benefits are set out in note 15.

**Superannuation**

Employees are members of defined contribution superannuation schemes. Superannuation contributions are recognised as an expense when they are due and payable.

**Property, plant and equipment income**

Revenue from the sale of property, plant and equipment is recognised when an executed contract becomes unconditional.

**Other income**

Revenue is recognised on an accruals basis in accordance with the substance of the relevant agreements.

**Insurance income**

Revenue is recognised when recovery is virtually certain.

**NOTE 5 – MATERIAL ITEMS**

The following individually material items are included within the consolidated statement of profit or loss and other comprehensive income.

	2018 \$M	2017 \$M
<b>Individually material items included in profit before income tax:</b>		
Restructuring and redundancy costs <sup>1</sup>	(5.2)	(16.3)
(Write-down)/reversal of write-down of assets <sup>2</sup>	(1.0)	(18.8)
<b>Total material items (before tax)</b>	<b>(6.2)</b>	<b>(35.1)</b>
Tax effect of material items	1.6	13.1
<b>Total material items (after tax)</b>	<b>(4.6)</b>	<b>(22.0)</b>

1. In the current year, comprises costs associated with integrating businesses acquired. In the prior year, comprises costs in relation to executing supply chain optimisation programs, implementing overhead reductions arising from changes to the Group's supply chain network and costs associated with integrating businesses acquired.
2. Includes write-down/disposal of various assets associated with business integration activities.

**Material items**

Material items are defined as those items of income or expense which have been determined as being sufficiently significant by their size, nature or incidence and are disclosed separately to assist in understanding the Group's financial performance.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**EARNINGS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 6 – DIVIDENDS**

	2018 \$M	2017 \$M
<b>Dividends declared and paid on ordinary shares</b>		
Final dividend for F17 of 13.0 cents per share 50% franked (F16: 12.0 cents per share)	96.0	88.6
Interim dividend for F18 of 15.0 cents per share 75% franked (F17: 13.0 cents per share)	107.7	96.0
	<b>203.7</b>	184.6

**Dividends declared after balance date**

Since the end of the financial year, the Directors declared a final dividend of 17.0 cents per share (F17: 13.0 cents) 100% franked (F17: 50% franked). This dividend has not been recognised as a liability in the consolidated financial statements at year end.

122.2      96.0

Details in relation to franking credits are included in note 22.

**NOTE 7 – EARNINGS PER SHARE**

	2018 CENTS PER SHARE	2017 CENTS PER SHARE
<b>Basic EPS</b>		
Basic EPS (cents) based on net profit attributable to members of Treasury Wine Estates Limited	49.7	36.5
<b>Diluted EPS</b>		
Diluted EPS (cents) based on net profit attributable to members of Treasury Wine Estates Limited	49.3	36.1

	NUMBER	NUMBER
<b>Weighted average number of shares</b>		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS (in thousands)	725,652	736,766
<b>Effect of potentially dilutive securities</b>		
Deferred shares (in thousands)	4,864	7,732
Weighted average number of ordinary shares on issue used in the calculation of diluted EPS (in thousands)	730,516	744,498

	\$M	\$M
<b>Earnings reconciliation</b>		
<b>Basic and diluted EPS</b>		
Net profit	360.4	269.9
Net profit attributable to non-controlling interests	(0.1)	(0.8)
Net profit attributable to members of Treasury Wine Estates Limited used in calculating basic and diluted EPS	360.3	269.1

**Impact of US tax reform**

On 22 December 2017, the US Government passed the Tax Cuts and Jobs Act ('the Act'). The Act reduced the US Federal corporate tax rate from 35% to 21% effective from 1 January 2018. During the year, the Group recognised a one-off benefit of \$20.9 million arising due to the restatement of its net deferred tax liability in respect of its US operations. Excluding the one off tax benefit, basic earnings per share would have been 46.8 cents per share, and diluted earnings per share would have been 46.5 cents per share. Basic earnings per share (adjusted to exclude SGARA and material items) would have been 48.9 cents per share.

**Calculation of earnings per share**

Earnings per share (EPS) is the amount of post-tax profit attributable to each share.

Basic EPS is calculated by dividing the net profit after income tax attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by dividing the profit attributable to ordinary shareholders after tax by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of dilutive potential ordinary shares in the employee Long-term Incentive Plan and Restricted Equity Plan (see note 21).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**EARNINGS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 8 – NET CASH FLOWS FROM OPERATING ACTIVITIES**

	<b>2018</b> <b>\$M</b>	<b>2017</b> <b>\$M</b>
<b>Reconciliation of net cash flows from operating activities to profit after income tax</b>		
Profit for the year	<b>360.4</b>	269.9
Depreciation and amortisation	<b>97.5</b>	108.3
SGARA (gain)/loss	<b>15.1</b>	5.7
(Reversal of asset write-downs)/asset write-downs	<b>(1.8)</b>	30.1
Net profit on disposal of non-current assets	<b>(1.8)</b>	(19.0)
Share based payments expense	<b>18.0</b>	18.6
Other	<b>0.9</b>	0.7
Net cash provided by operating activities before change in assets and liabilities	<b>488.3</b>	414.3
Change in working capital and tax balances, net of effects from acquisition/disposal of controlled entities		
Receivables	<b>17.0</b>	42.9
Inventories	<b>(221.7)</b>	(169.6)
Derivative financial assets/liabilities	<b>(2.2)</b>	0.5
Payables	<b>7.6</b>	25.8
Net tax balances	<b>21.4</b>	85.3
Provisions	<b>(15.4)</b>	(16.7)
<b>Net cash flows from operating activities</b>	<b>295.0</b>	382.5



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: WORKING CAPITAL

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 9 – WORKING CAPITAL

	2018 \$M	2017 \$M
<b>Current</b>		
Cash and cash equivalents	89.4	240.8
Receivables (a)	593.0	606.5
Inventories (b)	1,012.3	947.9
Trade and other payables	(702.9)	(662.5)
<b>Total current</b>	<b>991.8</b>	<b>1,132.7</b>
<b>Non-current</b>		
Inventories (b)	952.1	763.9
Trade and other payables	(56.4)	(57.4)
<b>Total non-current</b>	<b>895.7</b>	<b>706.5</b>

### (a) Receivables

	2018 \$M	2017 \$M
<b>Current</b>		
Trade receivables	469.2	476.0
Allowance for doubtful debts	(1.7)	(1.5)
Other receivables	94.1	103.8
Prepayments	31.4	28.2
<b>Total current receivables</b>	<b>593.0</b>	<b>606.5</b>

### (b) Inventories

	2018 \$M	2017 \$M
<b>Current</b>		
Raw materials and stores	42.4	35.3
Work in progress	402.0	442.6
Finished goods	567.9	470.0
<b>Total current inventories</b>	<b>1,012.3</b>	<b>947.9</b>
<b>Non-current</b>		
Work in progress	793.6	637.1
Finished goods	158.5	126.8
<b>Total non-current inventories</b>	<b>952.1</b>	<b>763.9</b>
<b>Total inventories</b>	<b>1,964.4</b>	<b>1,711.8</b>

Inventories of wine stocks are classified between current and non-current based on sales projections for the ensuing year. Inventories recognised as an expense during the year and included in cost of sales amounted to \$1,392.0 million (F17: \$1,506.4 million). In F18, the write-down of inventories to net realisable value amounted to \$10.7 million (F17: \$22.4 million). The reversal of write-downs amounted to \$11.9 million (F17: \$1.5 million). These amounts are included in cost of sales.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**WORKING CAPITAL**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 9 – WORKING CAPITAL (CONTINUED)**

**Accounting policies**

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, deposits held at call with banks, cash in transit, short-term deposits and investments with maturities of three months or less.

Cash assets and cash liabilities are offset and presented as a net amount in the consolidated statement of financial position when the Group has a legally enforceable right to offset or intent to settle on a net basis.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents are disclosed net of outstanding bank overdrafts.

**Receivables**

Trade receivables are initially recognised at invoice value (fair value) and subsequently measured at amortised cost, less allowance for doubtful debts.

Credit terms are generally between 30–120 days depending on the nature of the transaction. An allowance for doubtful debts is raised to reduce the carrying amount of trade receivables based on a review of outstanding amounts at reporting date where there is potential credit risk.

**Inventories**

Inventories are valued at the lower of their cost (using average or FIFO basis) or estimated net realisable value.

The cost of raw materials is their purchase price or, in the case of grapes sourced from Group owned vineyards, fair value (see note 11 for further details). The cost of manufactured goods is determined on a consistent basis and is made up of the raw materials and direct labour used in manufacture. It also includes other direct costs and related production overheads based on normal operating capacity.

Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs to be incurred in marketing, selling and distribution.

**Trade and other payables**

Trade and other payables including accruals are recorded when the Group is required to make future payments as a result of purchases of goods or services. Trade and other payables are carried at amortised cost.

**Key estimates and judgements:**

**Trade discounts and volume rebates**

Key estimates relate to the amount accrued for discounts and rebates. Products are often sold with trade discounts and volume rebates. Sales are recorded based on the price specified in the sales contracts, net of the estimated discount or rebate at the time of sale. Accumulated experience is used to estimate and provide for the discounts and rebates based on anticipated annual purchases and depletions.

**Net realisable value of inventory**

The period over which some wine inventories are converted from raw materials to finished goods can be a significant length of time. Failure to forecast demand effectively may result in excess inventories or missed revenue opportunities.

Forecast demand and market prices can vary significantly over the holding period up to the likely date of sale.

Estimating the most likely conditions at the expected point of sale is therefore more challenging over the longer term.

Non-current inventory is \$952.1 million (F17: \$763.9 million) and its estimated selling price is therefore a key estimate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OPERATING ASSETS AND LIABILITIES

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

	LAND		FREEHOLD BUILDINGS		LEASEHOLD BUILDINGS		PLANT AND EQUIPMENT		TOTAL	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M	2018 \$M	2017 \$M	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Cost	392.8	372.2	470.7	432.3	72.0	81.1	1,712.0	1,710.5	2,647.5	2,596.1
Projects in Progress	–	–	–	–	–	–	141.2	137.7	141.2	137.7
Accumulated depreciation and impairment	(37.5)	(42.4)	(228.3)	(218.0)	(24.6)	(35.7)	(1,081.8)	(1,109.2)	(1,372.2)	(1,405.3)
<b>Carrying amount at end of year</b>	<b>355.3</b>	<b>329.8</b>	<b>242.4</b>	<b>214.3</b>	<b>47.4</b>	<b>45.4</b>	<b>771.4</b>	<b>739.0</b>	<b>1,416.5</b>	<b>1,328.5</b>

### Reconciliations

Carrying amount at start of year	329.8	336.7	214.3	213.8	45.4	48.4	739.0	748.9	1,328.5	1,347.8
Additions	21.2	16.2	28.1	22.9	5.0	2.8	144.7	145.9	199.0	187.8
(Transfer to)/from Assets held for sale	(3.2)	(5.5)	2.6	(3.3)	0.5	–	(40.2)	(25.4)	(40.3)	(34.2)
Disposals	–	(10.0)	–	(1.7)	(0.2)	–	(17.9)	(9.1)	(18.1)	(20.8)
(Write-downs)/write-downs reversal	–	(0.3)	–	(4.1)	(0.1)	(0.2)	1.9	(23.3)	1.8	(27.9)
Depreciation expense	–	–	(8.0)	(7.9)	(5.0)	(4.4)	(72.7)	(87.1)	(85.7)	(99.4)
Transfer	–	(1.1)	–	–	–	–	–	–	–	(1.1)
Foreign currency translation	7.5	(6.2)	5.4	(5.4)	1.8	(1.2)	16.6	(10.9)	31.3	(23.7)
<b>Carrying amount at end of year</b>	<b>355.3</b>	<b>329.8</b>	<b>242.4</b>	<b>214.3</b>	<b>47.4</b>	<b>45.4</b>	<b>771.4</b>	<b>739.0</b>	<b>1,416.5</b>	<b>1,328.5</b>

Included within plant and equipment are 'Projects in progress' of \$141.2 million (F17: \$137.7 million), which are assets under construction and therefore not yet depreciated. The cost of construction includes the cost of materials used in construction, direct labour on the project, and an allocation of overheads.

The Group recognised \$0.7 million (F17: \$27.9 million) of write-downs for property, plant and equipment primarily in relation to non-core assets that were disposed of during the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
OPERATING ASSETS AND LIABILITIES  
FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 10 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

**Accounting policies**

Property, plant and equipment is initially recorded at cost and then reduced by accumulated depreciation and any impairment losses.

Plant and equipment is depreciated so that the assets are written down to their residual value over their useful lives, using a reducing balance or straight-line method depending on the nature of the asset. Assets that relate to leases are written-off over the period of the lease or useful life, whichever is the shorter. Residual values, useful lives and amortisation methods are reviewed annually and adjusted when required.

Depreciation expense is included in 'costs of sales', 'selling expenses' and 'administration expenses' in the consolidated statement of profit or loss and other comprehensive income.

The depreciation rates used for each class of asset are as follows:

Freehold buildings	1.5% – 10.0%
Leasehold buildings	10.0% – 20.0%
Plant and equipment	3.3% – 40.0%

Costs incurred in maintaining agricultural assets are recognised as an expense as incurred.

**Derecognition and disposal**

When an asset is sold, scrapped or is no longer of use to the business it is derecognised. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net proceeds and the carrying amount of the asset) is recorded in the period the asset is derecognised in the statement of profit or loss and other comprehensive income.

**Vineyard resources**

	<b>2018 HECTARES</b>	<b>2017 HECTARES</b>
Australia	<b>8,607</b>	8,828
New Zealand	<b>492</b>	528
United States	<b>3,894</b>	3,758
Italy	<b>148</b>	152
	<b>13,141</b>	13,266

The area under vine shown above:

- Includes 3,146 hectares (F17: 3,630 hectares) under lease arrangements and seven hectares (F17: seven hectares) of olive groves in Tuscany, a region of Italy.
- Yielded 91,128 tonnes of grapes (F17: 112,982 tonnes).

Harvests generally occur in September–October in the Northern Hemisphere and February–May in the Southern Hemisphere.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**OPERATING ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 11 – AGRICULTURAL ASSETS**

	2018 \$M	2017 \$M
Agricultural assets	41.3	37.7
<b>Total agricultural assets</b>	<b>41.3</b>	<b>37.7</b>
<b>Reconciliations</b>		
Carrying amount at start of year	37.7	35.8
Fair value increase	41.3	37.7
Transfers to inventory	(38.9)	(35.7)
Foreign currency translation	1.2	(0.1)
<b>Carrying amount at end of year</b>	<b>41.3</b>	<b>37.7</b>

**Grape growing and sourcing**

The Group has a variety of sources of fruit including owned and leased vineyards, contracted growers and the bulk wine market.

This approach provides flexibility through the economic cycle and assists with managing the risks arising from agricultural factors beyond the Group's control such as pests, disease and extreme weather conditions.

The Group's owned vineyards ensure access to super premium fruit from key viticultural regions including the Barossa Valley and Coonawarra in Australia, Marlborough in New Zealand and the Napa and Sonoma Valleys in California. These vineyards contribute to some of the Group's most prestigious wines.

**Accounting policies**

The agricultural assets of the Group (i.e. grapes) are measured at their fair value, less estimated point of sale costs.

The fair value adjustment during the year is recognised within 'Other expenses' in the consolidated statement of profit or loss and other comprehensive income.

Harvested grapes are transferred to inventory initially at fair value and are then subsequently accounted for in the cost of inventory (see note 9).

**Fair value determination**

The valuations of agricultural assets are Level 2 fair value measurements under the Group's accounting policy (see note 1), with the principal inputs being:

**Grapes prior to harvest**

Estimated based on the expected yields per hectare, estimated harvest costs and the anticipated market price of grapes.

**Harvested grapes**

Determined by reference to the weighted district average of grape prices for each region for the current vintage. Prices vary with the grade quality of grapes produced in each particular region.

**Key estimate and judgement:**

**Fair value of grapes**

Key to estimating the value of grapes is the following:

- Yield estimates were higher/(lower);
- The estimated harvest costs were lower/(higher);
- Market prices for grapes were higher/(lower); or
- The quality of grapes was higher/(lower).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**OPERATING ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 12 – INTANGIBLE ASSETS**

	BRAND NAMES AND LICENCES		DEVELOPMENT COSTS		GOODWILL		TOTAL	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M	2018 \$M	2017 \$M	2018 \$M	2017 \$M
Cost	1,418.0	1,383.2	85.1	70.3	749.7	747.0	2,252.8	2,200.5
Projects in progress at cost	–	–	20.6	13.0	–	–	20.6	13.0
Accumulated amortisation and impairment	(480.2)	(465.0)	(43.7)	(32.1)	(620.6)	(620.6)	(1,144.5)	(1,117.7)
<b>Carrying amount at end of year</b>	<b>937.8</b>	<b>918.2</b>	<b>62.0</b>	<b>51.2</b>	<b>129.1</b>	<b>126.4</b>	<b>1,128.9</b>	<b>1,095.8</b>

**Reconciliations**

Carrying amount at start of year	918.2	934.0	51.2	37.6	126.4	129.9	1,095.8	1,101.5
Additions	0.4	–	21.4	22.6	–	–	21.8	22.6
Impairment	–	(2.2)	–	–	–	–	–	(2.2)
Amortisation expense	–	–	(11.8)	(8.9)	–	–	(11.8)	(8.9)
Foreign currency translation	19.2	(13.6)	1.2	(0.1)	2.7	(3.5)	23.1	(17.2)
<b>Carrying amount at end of year</b>	<b>937.8</b>	<b>918.2</b>	<b>62.0</b>	<b>51.2</b>	<b>129.1</b>	<b>126.4</b>	<b>1,128.9</b>	<b>1,095.8</b>

Goodwill is allocated to the Cash Generating Units (CGUs) or group of CGUs (see note 14 for further details) that are expected to benefit from the synergies of the combination. The allocation of intangible assets (other than IT development costs) is as follows:

	ANZ		AMERICAS		EUROPE		TOTAL	
	2018 \$M	2017 \$M	2018 \$M	2017 \$M	2018 \$M	2017 \$M	2018 \$M	2017 \$M
<b>Goodwill</b>								
Carrying amount at start of year	37.0	37.2	70.7	72.7	18.7	20.0	126.4	129.9
Foreign currency translation	(1.2)	(0.2)	3.0	(2.0)	0.9	(1.3)	2.7	(3.5)
<b>Carrying amount at end of year</b>	<b>35.8</b>	<b>37.0</b>	<b>73.7</b>	<b>70.7</b>	<b>19.6</b>	<b>18.7</b>	<b>129.1</b>	<b>126.4</b>
<b>Brand names and licences</b>								
Carrying amount at start of year	481.2	481.2	434.0	449.8	3.0	3.0	918.2	934.0
Additions	0.4	–	–	–	–	–	0.4	–
Impairment	–	–	–	(2.2)	–	–	–	(2.2)
Foreign currency translation	(0.2)	–	19.2	(13.6)	0.2	–	19.2	(13.6)
<b>Carrying amount at end of year</b>	<b>481.4</b>	<b>481.2</b>	<b>453.2</b>	<b>434.0</b>	<b>3.2</b>	<b>3.0</b>	<b>937.8</b>	<b>918.2</b>

**Indefinite life brands**

Brand names with a carrying value of \$937.8 million (F17: \$918.2 million) are assessed as having an indefinite useful life. The indefinite useful life reflects the Group's intention to continue to manufacture or distribute these brands to generate net cash inflows into the foreseeable future.

**Key estimate and judgement:**

**Useful life of brand names**

In assessing whether a brand has a finite or indefinite useful life, the Group makes use of information on the long-term strategy for the brand, the level of growth or decline of the markets that the brand operates in, the history of the market and the brand's position within that market.

If a brand is assessed to have a finite life, the Group will use judgement in determining the useful life of the brand and will consider the period over which expected cash flows will continue to be derived in making that decision.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
OPERATING ASSETS AND LIABILITIES  
FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 12 – INTANGIBLE ASSETS (CONTINUED)**

**Accounting policies**

**Brand names and licences**

Brand names are recognised as assets when purchased individually and (primarily) as part of the allocation of the purchase price when the Group acquires other businesses. Internally generated brand names are not capitalised and expenditure incurred in developing, maintaining or enhancing brand names is charged to profit or loss in the year incurred.

Brand names are initially recognised at cost when purchased individually and at fair value when acquired with a business. This fair value is determined by reference to independent valuations.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of brand names have been assessed to be indefinite and therefore are not amortised.

**Goodwill**

Goodwill arises on the acquisition of businesses and represents the difference between the purchase price and share of the net assets of the acquired business, recorded at fair value.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is tested for impairment at least annually (see note 14).

**IT development and software**

Costs incurred in developing information technology (IT) products or systems and costs incurred in acquiring software and multi-year licenses are capitalised as intangible IT assets. They include the cost of purchased software and internal labour and contractors used in the development of software.

IT assets are carried at cost less any accumulated amortisation and are amortised over their expected useful life (2–10 years) on a straight line basis. Amortisation is included in 'Other expenses' in the consolidated statement of profit or loss and other comprehensive income.

**NOTE 13 – ASSETS HELD FOR SALE**

	2018 \$M	2017 \$M
Assets held for sale	45.2	36.0
<b>Total assets classified as held for sale</b>	<b>45.2</b>	<b>36.0</b>

Assets held for sale comprise property, plant and equipment identified by the Group to be recovered through sale within Australia and America that are surplus to requirements and Australian Oak Barrels (2018 Vintage) and other assets.

**Accounting policies**

Non-current assets are classified as held for sale if their value will be recovered principally through their sale, rather than through ongoing use within the business.

Assets are not depreciated or amortised while they are classified as held for sale. They are valued at the lower of their carrying amount and fair value less costs to sell with an impairment loss recognised for any difference. A gain is recognised for any subsequent increase in value, but not in excess of any cumulative impairment loss previously recognised. Any gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at that point. The fair values of the assets based on independent market appraisals exceed the assets' carrying values.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
OPERATING ASSETS AND LIABILITIES  
FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 14 – IMPAIRMENT OF NON-FINANCIAL ASSETS**

In F18 the recoverable amounts of cash generating units (CGUs) exceed their carrying values and as a result no impairment has been recognised (F17: Nil). Other than the amount disclosed in note 4, there were no indications that previously recognised impairment losses should be reversed (F17: Nil). The recoverable amount was determined through a value in use calculation.

The Group's CGUs are consistent with the prior period and are:

- Americas;
- Europe; and
- Australia and New Zealand (ANZ).

**Accounting policies**

**Timing of Impairment Testing**

The Group tests property, plant and equipment and intangible assets for impairment:

- At least annually for goodwill and indefinite life brands; and
- Where there are indications that an asset may be impaired; or
- Where there is an indication that previously recognised impairments may have changed.

Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income.

**Approach to Impairment Testing**

If the asset does not generate independent cash inflows and its value in use cannot be estimated to be close to its fair value, the asset is tested for impairment as part of the CGU to which it belongs.

When an asset's (or CGU's) carrying value exceeds its recoverable amount, it is impaired. Recoverable amount is the higher of the asset's (or CGU's) fair value less costs of disposal or value in use.

Fair value is determined in accordance with the accounting policy set out in note 1.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

**Reversals of Impairment**

If there is an indicator that a previously recognised impairment loss no longer exists or has decreased, recoverable amount is estimated. If there has been a change in the estimates used to determine an asset's recoverable amount since an impairment loss was recognised, the carrying value of the asset is increased to its recoverable amount (limited to the amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years).

Any reversal is recognised in the consolidated statement of profit or loss and other comprehensive income with an adjustment to depreciation in future periods to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life. The Group does not reverse impairments recognised for goodwill.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
OPERATING ASSETS AND LIABILITIES  
FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 14 – IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)**

**Key estimate and judgement:**

**Impairment testing key assumptions**

The Group has estimated recoverable amount based on value in use at 30 June 2018. Key estimates and judgements include:

**Cash flow forecasts**

Cash flow forecasts are based on the Group's most recent five-year financial plans approved by the Board. Key assumptions in the cash flow forecasts include sales volume growth, cost of sales and cost of doing business.

The Group's assumptions regarding sales volume growth and costs of doing business are based on expectations of the market demand and past experience. The assumption on cost of sales is based on expectation about future vintage costs.

**Long-term growth rates**

Cash flow forecasts beyond a five-year period are extrapolated using a growth rate range of 2.0% to 3.0% (F17: 2.0% to 3.0%). Growth rates are specific to individual CGUs and reflect expected future market and economic conditions.

**Discount rate**

The Group applies a post-tax discount rate to post-tax cash flows as the valuation calculated using this method closely approximates applying pre-tax discount rates to pre-tax cash flows. The post-tax discount rates incorporate a risk-adjustment relative to the risks associated with the net post-tax cash flows being achieved. The following pre-tax discount rates were applied:

	2018	2017
Americas	9.5%	10.9%
Europe	9.6%	10.0%
ANZ	11.0%	11.3%

**Exchange rates**

Cash flow forecasts in foreign currency are forecast in that currency and discounted using the applicable regional discount rates (predominantly USD and GBP).

**Sensitivity analysis**

Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amount to fall below carrying values.

Based on current economic conditions and CGU performances, there are no reasonably possible changes to key assumptions used in the determination of CGU recoverable amounts that would result in a material impairment to the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:  
OPERATING ASSETS AND LIABILITIES  
FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 15 – PROVISIONS**

	2018 \$M	2017 \$M
<b>Current</b>		
Employee entitlements	34.4	34.9
Other	11.0	26.4
<b>Total current provisions</b>	<b>45.4</b>	<b>61.3</b>

**Other provisions**

	ONEROUS CONTRACTS \$M	RESTRUCTURING \$M	OTHER \$M	TOTAL \$M
<b>2018</b>				
Carrying amount at start of year	3.8	18.4	4.2	26.4
Charged/(credited) to profit or loss	(0.5)	1.2	2.1	2.8
Payments	(1.4)	(13.1)	(3.9)	(18.4)
Foreign currency translation	0.1	–	0.1	0.2
<b>Carrying amount at end of year</b>	<b>2.0</b>	<b>6.5</b>	<b>2.5</b>	<b>11.0</b>
<b>2017</b>				
Carrying amount at start of year	12.6	27.4	1.3	41.3
Charged/(credited) to profit or loss	(4.2)	11.8	3.0	10.6
Payments	(4.5)	(20.4)	(0.2)	(25.1)
Foreign currency translation	(0.1)	(0.4)	0.1	(0.4)
<b>Carrying amount at end of year</b>	<b>3.8</b>	<b>18.4</b>	<b>4.2</b>	<b>26.4</b>

Onerous contract provisions are held for non-cancellable leases, IT infrastructure service contracts and wine grape supply contracts that have been identified as being surplus to the Group's needs. The restructuring provision comprises costs in relation to the Group's supply chain optimisation program and group rationalisation and restructure program.

**Accounting policies**

Provisions are recognised for present obligations (legal, equitable or constructive) to make future payments (or other transfer of value) to other entities due to past transactions or events. They are recognised only when it is probable the liability will arise and when a reliable estimate can be made of the amount.

If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax risk free rate plus, where appropriate, 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.

**Employee entitlements**

Liabilities for employees' entitlements to wages and salaries, annual leave and other current employee entitlements (that are expected to be paid within 12 months) are measured at amounts expected to be paid as at the reporting date.

Liabilities for other employee entitlements, which are not expected to be paid or settled within 12 months of reporting date, are accrued in respect of all employees at the present value of future amounts expected to be paid.

**Restructuring**

Restructuring provisions are recognised at the point when a detailed plan for the restructure has been developed and implementation has commenced. The cost of restructuring provided is the estimated future cash flows, discounted at the appropriate rate which reflects the risks of the cash flow.

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of a current employee according to a detailed formal plan without possibility of withdrawal or upon the provision of an offer to encourage voluntary redundancy.

**Onerous contracts**

Onerous contracts are measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract (discounted to present value if material).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

## CAPITAL STRUCTURE

FOR THE YEAR ENDED 30 JUNE 2018

### NOTE 16 – CAPITAL MANAGEMENT

The Group considers capital to be the combination of shareholders' equity, reserves and net debt. The key objectives of the Group's approach to capital management include:

- Safeguard the Company's ability to continue as a going concern;
- Maintaining a credit profile and the requisite financial metrics that secures access to funding with a spread of maturity dates and sufficient undrawn committed facility capacity;
- Optimising over the long term, and to the extent practicable, the weighted average cost of capital to reduce the Group's cost of capital while maintaining financial flexibility; and
- To provide returns to shareholders and benefits to other stakeholders.

In order to optimise the Group's capital structure and in line with the Group's strategic objectives and operating plans, the Company may:

- Alter the amount of dividends paid to shareholders;
- Return capital to shareholders;
- Issue new shares;
- Vary discretionary capital expenditure;
- Draw-down additional debt; or
- Sell assets to reduce debt.

Various financial ratios and internal targets are assessed and reported to the Board on a regular basis by management to monitor and support the key objectives set out above. These ratios and targets include:

- An earnings to net interest expense ratio;
- A total net indebtedness to earnings before interest, tax, depreciation, amortisation and self-generating and regenerating assets ratio; and
- Group debt maturity profile.

### NOTE 17 – BORROWINGS

	2018 \$M	2017 \$M
Total borrowings consist of:		
Current	4.3	4.1
Non-current	875.3	596.4
<b>Total borrowings</b>	<b>879.6</b>	<b>600.5</b>

#### Details of major arrangements

##### US Private Placement Notes and Debt Facilities

US Private Placement (USPP) notes totalling US\$400.0 million (unsecured) are outstanding, with maturities ranging from December 2020 to June 2029. The carrying value of USPP notes at 30 June 2018 is \$544.3 million (F17: \$520.8 million).

The Group has in place a number of revolving bank debt facilities with maturities staggered through to December 2022. As at 30 June 2018 drawings under the bank debt facilities totalled \$274.1 million (F17: Nil).

USPP notes bear interest at fixed and floating interest rates. In accordance with the Group's risk management strategy, the Group has entered into a combination of fixed to floating and floating to fixed interest rate swaps to obtain the desired fixed/floating interest ratio, with interest rate caps also used to manage interest rate risk. Refer to note 23 for further details.

The Group is party to a number of finance lease arrangements which have a carrying value of \$76.7 million at 30 June 2018 (F17: \$77.9 million). The Group's finance lease arrangements have durations up to 13 years.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**CAPITAL STRUCTURE**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 17 – BORROWINGS (CONTINUED)**

**Financial guarantees**

The Group has issued financial guarantees to other persons of \$23.7 million (F17: \$23.7 million) that could be called upon at any time in the event of a breach of the Group's financial obligations. No payments are expected to eventuate under these financial guarantees as the Group expects to meet its respective obligations to the beneficiaries of these guarantees.

**Receivables purchasing agreement**

The Group has entered into an uncommitted non-recourse receivable purchasing agreement to sell certain domestic and international receivables, from time to time, to an unrelated entity in exchange for cash. As at 30 June 2018, receivables totalling \$41.9 million had been sold under this arrangement (F17: nil).

**Accounting policies**

Borrowings are initially recorded at fair value of the consideration received, net of directly attributable costs.

After initial recognition, borrowings are measured at amortised cost, using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on issuance. Gains and losses are recognised in the statement of profit or loss and other comprehensive income if borrowings are derecognised.

	2017 \$M	TOTAL CASH FLOWS FROM ACTIVITIES \$M	DEBT REVALUATION AND FX MOVEMENTS \$M	2018 \$M
<b>ALL BALANCES TRANSLATED TO AUD</b>				
<b>Net debt</b>				
Cash and cash equivalents	240.8	(149.7)	(1.7)	89.4
Loan receivable	0.9	(0.3)	–	0.6
Bank loans	3.0	(270.4)	(3.3)	(270.7)
US Private Placement Notes (net of fair value hedge)	(520.8)	–	(23.5)	(544.3)
Lease liabilities	(77.9)	4.0	(2.8)	(76.7)
Other loan payable	(0.8)	0.2	–	(0.6)
<b>Net debt</b>	<b>(354.8)</b>	<b>(416.2)</b>	<b>(31.3)</b>	<b>(802.3)</b>

**NOTE 18 – CONTRIBUTED EQUITY**

	2018 \$M	2017 \$M
<b>Issued and paid-up capital</b>		
718,663,546 (F17: 738,135,033) ordinary shares, fully paid	3,240.5	3,540.5
Own shares held	(5.1)	(11.9)
	<b>3,235.4</b>	<b>3,528.6</b>
<b>Contributed equity at the beginning of the period</b>	<b>3,528.6</b>	<b>3,533.6</b>
Shares movements:		
19,471,487 Shares bought back and cancelled (F17: Nil)	(300.0)	–
Net movement in own shares held	6.8	(5.0)
<b>Contributed equity at the end of the period</b>	<b>3,235.4</b>	<b>3,528.6</b>

The shares have no par value.

**Share buy-back**

On 17 August 2017, the Company announced an on-market share buy-back of up to \$300.0 million, which commenced in September 2017. During the year ended 30 June 2018, the Company bought back and cancelled 19,471,487 shares at an average price per share of \$15.41.

**Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**CAPITAL STRUCTURE**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 18 – CONTRIBUTED EQUITY (CONTINUED)**

**Purchase of shares for LTIP plans**

The Group engages a third party to purchase shares in the Company to be used to satisfy share based payment obligations upon vesting under the Group's Employee Equity Plans. Historically, such commitments were satisfied by way of treasury share purchases (i.e. the Group acquiring shares on market directly). Treasury shares that had previously been purchased remain available to satisfy any future vesting under the Group's Employee Equity Plans.

During the year, the Group purchased nil treasury shares (F17: 1.6 million shares (\$18.3 million)). A total of 0.5 million (F17: 1.1 million) treasury shares are available at 30 June 2018. During the year, the Group purchased 2.7 million shares (\$42.9 million) under the third party arrangement (F17: 3.9 million shares (\$47.6 million)). A total of 2.7 million shares (F17: 3.8 million) purchased under the third party arrangement are available at 30 June 2018.

When the Company reacquires its equity instruments (treasury shares) their cost is deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares. Any difference between the cost of acquisition and the consideration when reissued is recognised in share based payments reserve.

**NOTE 19 – COMMITMENTS**

	2018 \$M	2017 \$M
<b>Leases</b>		
Non-cancellable leases		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
under one year	88.6	84.6
between one year and five years	282.5	269.7
over five years	478.9	555.3
<b>Total lease commitments</b>	<b>850.0</b>	<b>909.6</b>
<b>Capital expenditure and other commitments</b>		
The following expenditure has been contracted but not provided for in the financial statements:		
Capital expenditure	38.1	58.6

The Group's leases of property expire between one and 25 years. Leases generally provide the Group with a right of renewal at which time the requirement to renew the lease is considered and all terms are renegotiated.

**Accounting policies**

**Leases**

The determination of which of the Group's arrangements are leases can be complex; for example determining whether long-term contracts are for the supply of grapes or a lease of the vineyard. The assessment is made based on the substance of the arrangement, whether it is dependent on the use of a specific asset or assets and if it conveys a right of use.

When an arrangement is a lease, it is accounted for in one of two ways. Where the lessor retains substantially all the risks and benefits of ownership of an asset it is classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term in the consolidated statement of profit or loss and other comprehensive income.

Where the Group takes on substantially all the risks and benefits of ownership of the leased item it is classified as a finance lease. An asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are split between a finance expense and a reduction of the lease liability so as to record a constant rate of interest on the remaining balance of the liability. The asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Refer to note 32 outlining the expected impact on the Group from the initial adoption of AASB 16 *Leases*.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**CAPITAL STRUCTURE**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 20 – RESERVES**

	2018 \$M	2017 \$M
Cash flow hedge reserve	2.2	2.2
Share based payments reserve	(9.4)	25.7
Foreign currency translation reserve	7.6	(51.8)
<b>Total reserves</b>	<b>0.4</b>	<b>(23.9)</b>

**Cash flow hedge reserve**

This reserve records the effective portion of gains or losses from open cash flow hedges.

**Share based payment reserve**

This reserve records amounts offered to employees under Long-term Incentive Plan (LTIP), Restricted Equity Plan (REP), deferred Short-term Incentive Plan (STIP) and Share Cellar plan.

**Foreign currency translation reserve**

This reserve holds exchange differences arising on translation of foreign subsidiaries, as described in note 1.

**NOTE 21 – EMPLOYEE EQUITY PLANS**

	STIP (RESTRICTED SHARES)	LTIP (PERFORMANCE RIGHTS)	REP (RESTRICTED SHARES/DEFERRED SHARE RIGHTS)	SHARE CELLAR (BROAD-BASED EMPLOYEE SHARE PLAN)
Outstanding at the beginning of the year	456,874	4,249,992	1,411,749	121,588
Granted during the year	173,211	1,620,401	162,471	62,531
Exercised during the year	(374,679)	(1,274,092)	(1,159,312)	(74,715)
Forfeited during the year	–	(147,530)	(18,999)	(8,598)
<b>Outstanding at the end of the year</b>	<b>255,406</b>	<b>4,448,771</b>	<b>395,909</b>	<b>100,806</b>
<i>Exercisable at the end of the year</i>	–	1,230,602	–	–

**The Group operates equity plans as outlined below:**

**STIP Restricted Equity**

One-third of earned STIP is delivered in the form of deferred equity (Restricted Shares). The key terms of this award are:

- Subject to a mandatory restriction period and continued employment. Half of the award is restricted for one year and the remaining half for two years from grant date;
- Holders of Restricted Shares are entitled to dividends and to exercise their voting rights during the restriction;
- Will generally be forfeited if the executive is dismissed for cause or resigns. Clawback mechanisms apply.

**LTIP**

Under the LTIP certain employees receive Performance Rights which entitle participants to receive the Company's shares at no cost subject to the achievement of performance conditions and continued employment. No dividends are payable to participants prior to vesting.

For the F16, F17 and F18 awards, Performance Rights are subject to dual performance measures with equal weighting over a performance period of three years.

- Relative Total Shareholder Return (TSR)
- Return on Capital Employed (ROCE) growth
- Will generally be forfeited if the executive is dismissed for cause or resigns. Clawback mechanisms apply.

Performance rights that are exercisable as at 30 June 2018 relate to the F16 LTIP plan where Australian based participants have the option to defer exercising vested rights for a period of up to four years.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**CAPITAL STRUCTURE**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 21 – EMPLOYEE EQUITY PLANS (CONTINUED)**

**Restricted Equity Plan (REP)**

Under the REP certain employees receive a grant of restricted equity awards in the form of Restricted Shares. If Restricted Shares cannot be awarded (e.g. due to country specific regulation) Deferred Share Rights are granted. The award is at no cost to the employee and is subject to a restriction period. Restricted equity awards require continued employment with the Group through the restriction period. Other terms are similar to the STIP terms above.

Restricted equity awards may be granted to compensate employees for foregoing equity compensation in their previous organisation as a sign-on award and/or as a retention incentive.

**Share Cellar (broad-based Employee Share Plan)**

Share Cellar is the Group's broad-based Employee Share Plan and plan participation is offered annually. The plan was first launched early in 2015. Participation is voluntary and employees in select countries are eligible to join the Plan. Share Cellar operates as a matching plan whereby employees contribute funds to the Plan from their after-tax pay and shares are acquired by the Group on their behalf. If the individual continues to hold their shares, and remains an employee of the Group at the vesting date (approximately two years), the Group will grant one matched share for every two purchased shares they hold.

Participants are entitled to dividends and to exercise voting rights attached to the shares purchased under the plan, and matched shares once they have been allocated.

**Accounting policies**

Employee equity plans are accounted for as share based payments, whereby employees render services in exchange for the awards. The fair value of the shares and performance rights that are expected to vest is progressively recognised as an employee benefits expense over the relevant vesting period with a corresponding increase in equity.

The fair value of shares granted is determined by reference to observed market values. The fair value of the TSR component of performance rights is independently determined at grant date by an external valuer using a Monte-Carlo simulation. For the non-market components (ROCE), the fair value is independently determined based on the share price less the present value of dividends.

Non-market performance conditions do not impact the value of shares and performance rights, but rather the estimate of the number of shares to vest.

At each reporting date the Company revises the estimate of the number of shares and the non-market component of performance rights that are expected to vest and the employee benefits expense recognised each period incorporates this change in estimate.

An expense is recognised for the TSR component of performance rights whether or not the TSR hurdle is met. No expense is recognised if these rights do not vest due to cessation of employment. No expense is recognised for shares and non-market components of performance rights that do not ultimately vest.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**CAPITAL STRUCTURE**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 21 – EMPLOYEE EQUITY PLANS (CONTINUED)**

**Active share based payment plans:**

**Long-term Incentive Plans**

The below table outlines the F17 and F18 LTIP plans which have a vesting date post 30 June 2018:

<b>GRANT DATE</b>	<b>F17 PLAN 05-DEC-16</b>	<b>F18 PLAN 13-NOV-17</b>
Grant date share price	\$10.42	\$15.82
Expected share price volatility (%)	35.0	29.0
Expected dividend yield (%)	2.3	2.2
Risk-free interest rate (%)	1.9	1.9
Fair value estimate at grant date – TSR	\$6.44	\$11.09
Fair value estimate at grant date – ROCE	\$9.82	\$14.93

**Restricted Equity Plans**

<b>GRANT DATE</b>	<b>GRANT DATE SHARE PRICE</b>
<b>F15</b>	
29-Aug-14	\$5.11
<b>F16</b>	
4-Sep-15	\$5.98
4-Dec-15	\$7.97
<b>F17</b>	
5-Dec-16	\$10.42
<b>F18</b>	
13-Nov-17	\$15.82
1-Mar-18	\$17.32



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: TAXATION

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 22 – INCOME TAX

	2018 \$M	2017 \$M
The major components of income tax expense are:		
<b>Statement of profit or loss</b>		
Current income tax expense	106.6	75.7
Deferred income tax expense	8.5	41.6
<b>Total tax expense</b>	<b>115.1</b>	<b>117.3</b>
Deferred income tax expense included in the income tax expense comprises:		
Decrease in deferred tax assets	63.4	42.9
(Decrease) in deferred tax liabilities	(54.9)	(1.3)
<b>Deferred income tax</b>	<b>8.5</b>	<b>41.6</b>
<b>Tax reconciliation</b>		
The amount of income tax expense as shown in the consolidated statement of profit or loss and other comprehensive income differs from the prima facie income tax expense attributable to earnings. The differences are reconciled as follows:		
Profit before tax excluding material items	481.7	422.3
Material items before tax	(6.2)	(35.1)
Profit before tax	475.5	387.2
Prima facie income tax expense attributable to profit from operations calculated at the rate of 30% (F17: 30%)	142.7	116.2
Tax effect of:		
Non-taxable income and profits, net of non-deductible expenditure	(11.8)	2.7
Other deductible items	(6.8)	(1.7)
Tax losses recognised	(1.4)	(6.0)
Change in tax rate	(16.3)	0.4
Foreign tax rate differential	(0.8)	4.4
Other	10.8	(0.2)
(Over)/under provisions in previous years	(1.3)	1.5
<b>Total tax expense</b>	<b>115.1</b>	<b>117.3</b>
Income tax expense on operations	116.7	130.4
Income tax benefit attributable to material items	(1.6)	(13.1)
<b>Income tax expense</b>	<b>115.1</b>	<b>117.3</b>
<b>Deferred income tax relates to the following:</b>		
<b>Deferred tax assets</b>		
The balance comprises temporary differences attributable to:		
Inventory	10.8	25.2
Property, plant and equipment (including vines)	6.6	0.5
Accruals	6.2	34.5
Provisions	21.5	27.9
Foreign exchange	2.9	–
Tax losses	84.3	89.4
Other	22.2	30.5
<b>Total deferred tax assets</b>	<b>154.5</b>	<b>208.0</b>
<b>Deferred tax liabilities</b>		
The balance comprises temporary differences attributable to:		
Inventory	18.3	11.4
Property, plant and equipment (including vines)	67.9	71.6
Intangibles	99.8	143.6
Foreign exchange	–	2.6
Other	4.8	4.7
<b>Total deferred tax liabilities</b>	<b>190.8</b>	<b>233.9</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**TAXATION**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 22 – INCOME TAX (CONTINUED)**

	2018 \$M	2017 \$M
<b>Movements in deferred income tax relate to the following:</b>		
Movement in deferred tax assets:		
Opening balance	208.0	270.0
(Charged) to the profit or loss	(63.4)	(42.9)
Foreign currency translation	9.3	(6.3)
Balance sheet reclassification	–	(12.4)
Other	0.6	(0.4)
Closing balance	154.5	208.0
Movement in deferred tax liabilities:		
Opening balance	233.9	245.1
(Charged) to the profit or loss	(54.9)	(1.3)
Foreign currency translation	11.3	(6.9)
Balance sheet reclassification	–	(3.6)
Other	0.5	0.6
Closing balance	190.8	233.9
<b>Amounts recognised directly in equity</b>		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited to equity	–	3.1

**Unrecognised tax assets**

There are potential future income tax benefits relating to accumulated losses in non-Australian group companies, which have not been brought to account. These possible benefits amount to \$43.5 million (F17: \$43.8 million).

The Group has carry forward capital tax losses in Australia and the UK respectively. These losses may be used to offset any future capital gains derived by activities in these countries. The Group will assess the conditions for deductibility imposed by the tax laws of Australia and the UK prior to any utilisation of the capital losses.

**Ongoing tax audits**

The Group is subject to ongoing tax audits by taxation authorities in several jurisdictions covering a variety of taxes. The Group fully cooperates with these enquiries as and when they arise.

**Franking credits**

The Australian Tax Consolidation Group has \$69.8 million (F17: \$36.7million) franking credits available for subsequent reporting periods.

**US tax reform**

On 22 December 2017, the US Government passed the Tax Cuts and Jobs Act ('the Act'). The Act reduced the US Federal corporate tax rate from 35% to 21% effective from 1 January 2018. During the year, the Group recognised a one-off benefit of \$20.9 million arising due to the restatement of its net deferred tax liability in respect of its US operations.

**Key estimate and judgement:**

**Taxation**

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**TAXATION**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 22 – INCOME TAX (CONTINUED)**

**Accounting policies**

**Current taxes**

Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, taxation authorities at the tax rates and tax laws enacted or substantively enacted by the reporting date.

**Deferred taxes**

Deferred income tax liabilities are recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences, carried forward unused tax assets and unused tax losses, to the extent it is probable that they will be utilised.

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

The carrying amount of deferred income tax assets is reviewed at balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise them.

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.

Deferred income tax is provided on temporary differences at balance sheet date between accounting carrying amounts and the tax bases of assets and liabilities, other than for:

- 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 profit nor taxable profit or loss or on the recognition of goodwill.
- Foreign taxes which may arise in the event of retained profits of foreign controlled entities being remitted to Australia as there is no present intention to make any such remittances.

Deferred tax assets and deferred tax liabilities associated with indefinite life intangibles such as brand names are measured based on the tax consequences that would follow from the use and sale of that asset. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

**Offsetting deferred tax balances**

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: RISK

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 23 – FINANCIAL RISK MANAGEMENT

### Financial risk management framework

The Group's financial risk management policies ('Group Treasury Policies') cover risk tolerance, internal controls (including segregation of duties), delegated authority levels, management of foreign currency, interest rate and counterparty credit exposures, and the reporting of exposures. These policies are reviewed at least annually and approved by the Board of Directors.

The centralised Group Treasury function has been delegated operational responsibility for the identification and management of financial risks.

The Group holds financial instruments from financing (principally borrowings), transactions (trade receivables and payables) and risk management (derivatives) which result in exposure to the following financial risks, covered by the Group Treasury Policies:

- Liquidity risk;
- Interest rate risk;
- Foreign exchange risk; and
- Counterparty credit risk.

The following table outlines how these risks impact Group financial assets and liabilities:

	NOTE	LIQUIDITY RISK (a)	INTEREST RATE RISK (b)	FOREIGN EXCHANGE RISK (c)	CREDIT RISK (d)
Net borrowings	17	×	×	×	×
Receivables	9		×	×	×
Other financial assets	9			×	×
Payables	9	×		×	
Derivative financial assets and liabilities	24, 32		×	×	×

### (a) Liquidity risk

#### Nature of the risk

The Group is exposed to liquidity risk primarily from its core operating activities. The Group's focus is to ensure it is able to meet financial obligations as and when they fall due.

#### Risk management

The Group ensures the maintenance, at all times, of an appropriate minimum level of liquidity, comprising committed, unutilised debt facilities and cash resources. To facilitate this, the Group monitors forecast and actual cash flows, performs sensitivity analysis as well as monitoring the availability and cost of debt and equity funding.

The Group's objective is to balance continuity of funding and flexibility by maintaining an appropriately structured debt maturity profile with a mix of bank and capital (bond) market debt, whilst also monitoring compliance with the Group's key financial covenants and undertakings.

At reporting date, the standby arrangements and unused credit facilities are as follows:

	2018 \$M	2017 \$M
<b>Committed facilities</b>		
Available facilities	1,301.5	1,178.8
Amounts utilised	(818.4)	(520.8)
<b>Amount unutilised</b>	<b>483.1</b>	<b>658.0</b>

The Group is in compliance with all undertakings under its various financing arrangements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**RISK**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 23 – FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Liquidity risk (continued)**

**Level of exposure at balance date**

The following tables analyse the maturities of the Group's contractual undiscounted cash flows arising from its material financial liabilities, net and gross settled derivative financial instruments.

	MATURING IN:					CONTRACTUAL TOTAL \$M	CARRYING AMOUNT \$M
	6 MONTHS OR LESS \$M	6 MONTHS TO 1 YEAR \$M	1 TO 2 YEARS \$M	2 TO 5 YEARS \$M	OVER 5 YEARS \$M		
<b>2018</b>							
<b>Non-derivative financial liabilities</b>							
Bank loans <sup>1</sup>	1.2	–	90.0	184.1	–	275.3	270.7
Finance leases	4.3	4.3	8.5	25.6	57.5	100.2	76.7
Other loans	–	–	0.6	–	–	0.6	0.6
US Private Placement Notes	10.4	9.7	19.4	157.3	489.6	686.4	544.3
Trade payables	315.7	–	–	–	–	315.7	315.7
Other payables (financial liabilities)	387.2	–	–	–	–	387.2	387.2
<b>Derivative financial liabilities</b>							
Foreign exchange contracts	0.3	0.6	0.6	–	–	1.5	1.5
Interest rate swaps	0.6	1.4	2.7	8.2	1.4	14.3	12.7
<b>Total financial liabilities</b>	<b>719.7</b>	<b>16.0</b>	<b>121.8</b>	<b>375.2</b>	<b>548.5</b>	<b>1,781.2</b>	<b>1,609.4</b>
<b>2017</b>							
<b>Non-derivative financial liabilities</b>							
Bank loans <sup>1</sup>	–	–	–	–	–	–	(3.0)
Finance leases	4.4	4.1	8.2	24.5	63.5	104.7	77.9
Other loans	–	–	0.8	–	–	0.8	0.8
US Private Placement Notes	10.4	9.3	18.7	152.0	486.4	676.8	520.8
Trade payables	279.5	–	–	–	–	279.5	279.5
Other payables (financial liabilities)	383.0	–	–	–	–	383.0	383.0
<b>Derivative financial liabilities</b>							
Foreign exchange contracts	0.1	0.2	0.2	–	–	0.5	0.5
Interest rate swaps	0.9	1.3	2.6	7.8	3.9	16.5	4.2
<b>Total financial liabilities</b>	<b>678.3</b>	<b>14.9</b>	<b>30.5</b>	<b>184.3</b>	<b>553.8</b>	<b>1,461.8</b>	<b>1,263.7</b>

1. Loans are stated net of capitalised facility finance costs. At reporting date, the balance of bank loans is \$274.1 million (F17: nil) against capitalised facility finance costs of \$3.4 million (F17: \$3.0 million) to be amortised over the facility period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**RISK**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 23 – FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(b) Interest rate risk**

**Nature of the risk**

The Group is exposed to interest rate risk principally from floating rate borrowings, including bank borrowings and US Private Placement Notes. Other sources of interest rate risk include receivable purchasing agreements, interest-bearing investments, creditors' accounts offering a discount and debtors' accounts on which discounts are offered.

**Risk management**

We manage interest rate risk by ensuring that the sensitivity of forecast future earnings to changes in interest rates is within acceptable limits. This involves longer term forecasting of both expected earnings and expected borrowing to determine the tolerable exposure.

A combination of interest rate swaps were exchanged to obtain the desired ratio of fixed and floating interest rates. At 30 June 2018, interest rate swap contracts were in use to exchange fixed interest rates to floating on \$340.2 million (US\$250.0 million) of US Private Placement notes and floating interest rates to fixed on \$136.1 million (US\$100.0 million). The swaps mature in December 2023, June 2027 and June 2029. Refer note 23(a) for the profile and timing of cash flows over the next five years.

**Level of exposure at balance date**

The Group's exposure to variable interest rate risk results from the following financial instruments at balance sheet date:

	2018 \$M	2017 \$M
<b>Financial assets</b>		
Cash and cash equivalents	89.4	240.8
<b>Total assets</b>	89.4	240.8
<b>Financial liabilities</b>		
US Private Placement Notes <sup>1</sup>	272.1	195.3
Bank loans	274.1	–
<b>Total liabilities</b>	546.2	195.3

1. Net of hedged amounts.

**Sensitivity analysis**

The table below shows the impact by currency denomination if the Group's weighted average floating interest rates change from the year-end rates of 1.78% (F17: 0.67%) with all other variables held constant.

	SENSITIVITY		PRE-TAX IMPACT ON PROFIT			
	2018	2017	2018	2017		
CURRENCY			+\$M	–\$M	+\$M	–\$M
USD	+ / – 25bp	+ / – 25bp	(0.7)	0.7	(0.1)	0.1
AUD <sup>1</sup>	+ / – 25bp	+ / – 25bp	(0.3)	0.3	–	–
GBP <sup>1</sup>	+ / – 25bp	+ / – 25bp	–	–	0.1	(0.1)

1. The '–' denotes a balance that is less than \$100,000.

The movements in profit on a consolidated level are primarily a result of interest costs from borrowings. There would have been no significant impact on equity.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**RISK**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 23 – FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Foreign exchange risk**

**Nature of the risk**

The Group is exposed to foreign exchange risk through:

- Transaction exposures including sales of wine into export markets and the purchase of production inputs, denominated in foreign currencies other than the respective functional currency of the specific Group entity;
- Exposures arising from borrowings denominated in foreign currencies; and
- Translation exposures including earnings of foreign subsidiaries and revaluation of monetary assets and liabilities, including borrowings.

The currencies in which these transactions are primarily denominated are the Australian Dollar (AUD), United States Dollar (USD) and Great British Pound (GBP). Other currencies used include the Canadian Dollar, Euro, New Zealand Dollar, Singapore Dollar, Swedish Krona, Norwegian Krone and South African Rand.

**Risk management**

The focus of the Group's foreign exchange risk management activities is on the transactional exposures arising from the sourcing and sale of wine.

A proportion of expenses are hedged over time up to a period of three years. The timing, nominal amount and average price of the instruments in place at 30 June 2018 are disclosed in the table on the following page.

In determining the amount of hedging required, the Group also considers the 'natural hedges' arising from the underlying net cash flows in the relevant currency, comprising operating, investing and financing cash flows.

Details of the Group's open hedges at balance sheet date are shown below.

**Open foreign currency hedges at 30 June 2018**

CURRENCY	HEDGE TYPE	HEDGE VALUE (NOTIONAL AUD)	AVERAGE HEDGE RATE
AUD/USD	Forwards	1.4	0.7492
	Options	186.3	0.7898
	<b>Total</b>	<b>187.7</b>	
AUD/GBP	Forwards	27.0	0.5561
	Options	154.5	0.5922
	<b>Total</b>	<b>181.5</b>	
USD/GBP	Forwards	13.5	1.3301
	Options	13.5	1.3400
	<b>Total</b>	<b>27.0</b>	
ZAR/GBP	Options	87.0	17.7494
	<b>Total</b>	<b>87.0</b>	
NZD/USD	Forwards	58.0	0.6829
	<b>Total</b>	<b>58.0</b>	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**RISK**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 23 – FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Foreign exchange risk (continued)**

**Level of exposure at balance date**

At the reporting date, the Group's financial assets and liabilities were denominated across the following currencies:

ALL BALANCES TRANSLATED TO AUD	AUD \$M	USD \$M	GBP \$M	OTHER \$M	TOTAL \$M
<b>2018</b>					
<b>Net debt</b>					
Cash and cash equivalents	26.2	26.2	0.6	36.4	89.4
Loan receivable	0.6	–	–	–	0.6
Bank loans <sup>1</sup>	(151.8)	(118.9)	–	–	(270.7)
US Private Placement Notes (net of fair value hedge)	–	(544.3)	–	–	(544.3)
Lease liabilities	(0.1)	(76.4)	–	(0.2)	(76.7)
Other loan payable	(0.6)	–	–	–	(0.6)
<b>Net debt</b>	<b>(125.7)</b>	<b>(713.4)</b>	<b>0.6</b>	<b>36.2</b>	<b>(802.3)</b>
<b>Other financial assets/(liabilities)</b>					
Trade receivables (net of the allowance for doubtful debts)	238.0	115.0	48.4	66.1	467.5
Other receivables	59.3	17.1	1.0	16.7	94.1
Trade and other payables	(323.4)	(322.8)	(58.5)	(54.6)	(759.3)
<b>Net other assets/(liabilities)</b>	<b>(26.1)</b>	<b>(190.7)</b>	<b>(9.1)</b>	<b>28.2</b>	<b>(197.7)</b>
<b>2017</b>					
<b>Net debt</b>					
Cash and cash equivalents	18.3	108.3	56.8	57.4	240.8
Loan receivable	0.9	–	–	–	0.9
Bank loans <sup>1</sup>	1.5	1.5	–	–	3.0
US Private Placement Notes (net of fair value hedge)	–	(520.8)	–	–	(520.8)
Lease liabilities	(0.3)	(77.6)	–	–	(77.9)
Other loan payable	(0.8)	–	–	–	(0.8)
<b>Net debt</b>	<b>19.6</b>	<b>(488.6)</b>	<b>56.8</b>	<b>57.4</b>	<b>(354.8)</b>
<b>Other financial assets/(liabilities)</b>					
Trade receivables (net of the allowance for doubtful debts)	211.0	122.9	83.2	57.4	474.5
Other receivables	55.6	31.6	1.0	15.6	103.8
Trade and other payables	(282.3)	(330.8)	(63.0)	(43.8)	(719.9)
<b>Net other assets/(liabilities)</b>	<b>(15.7)</b>	<b>(176.3)</b>	<b>21.2</b>	<b>29.2</b>	<b>(141.6)</b>

1. Includes capitalised borrowing costs of \$3.4 million (F17: \$3.0 million).

**Sensitivity analysis**

The following table illustrates the impact of potential foreign exchange movements on profit before tax and the statement of financial position at 30 June:

	SENSITIVITY ASSUMPTION <sup>1</sup>		PRE-TAX IMPACT ON PROFIT (\$M)				IMPACT ON EQUITY (\$M)			
	2018	2017	2018		2017		2018		2017	
CURRENCY			+	–	+	–	+	–	+	–
United States Dollar	9.2%	9.3%	(2.7)	3.2	(0.9)	1.0	(56.8)	71.5	(130.4)	162.2
Great British Pound	9.0%	9.8%	(1.6)	1.9	(0.3)	0.4	(9.0)	13.5	(24.1)	30.0
Euro	8.0%	9.3%	(0.7)	0.8	(0.3)	0.4	(2.7)	3.2	(3.3)	4.1
Canadian Dollar	7.2%	7.9%	(1.5)	1.8	(1.6)	1.8	1.4	(1.6)	0.8	(0.9)
New Zealand Dollar <sup>2</sup>	6.3%	7.0%	(0.6)	0.7	–	–	(6.0)	6.8	(9.1)	10.4

1. Australian dollar versus individual currencies. Implied one year currency volatility at reporting date (Source: Bloomberg).

2. The '–' denotes a balance that is less than \$100,000.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**RISK**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 23 – FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(d) Credit risk**

**Nature of the risk**

Counterparty credit risk arises primarily from the following assets:

- Cash and cash equivalents;
- Trade and other receivables; and
- Derivative instruments.

**Risk management**

The Group's counterparty credit risk management philosophy is to limit the Group's loss from default by any one counterparty by dealing only with financial institution counterparties of good credit standing, setting maximum exposure limits for each counterparty, and taking a conservative approach to the calculation of counterparty credit limit usage. Where available, credit opinions on counterparties from two credit rating agencies are used to determine credit limits.

The Group assesses the credit quality of individual customers prior to offering credit terms and continues to monitor on a regular basis. Each customer is assigned a risk profile based upon the measurable risk indicators for dishonoured payments, adverse information and average days late along with the securities and guarantees held. All prospective accounts are required to complete a credit application and generally a director's guarantee is required with minimal exceptions. Failure to provide a director's guarantee results in either no credit or a limited level of credit offered. Credit terms may be reduced or extended for individual customers on the basis of risk.

Past due accounts are subject to a number of collection activities which range from telephone contact, suspension of orders through to legal action. Past due accounts are reviewed monthly with specific focus on accounts that are greater than 90 days overdue. Where debt cannot be recovered, it is escalated from the credit representative to the credit manager to initiate recovery action.

For derivatives, the Group transacts under an International Swaps and Derivatives Association (ISDA) master netting agreement. If a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

**Level of exposure at balance date**

The maximum counterparty credit risk exposure at 30 June 2018 in respect of derivative financial instruments was \$2.5 million (F17: \$4.1 million) and in respect of cash and cash equivalents was \$55.9 million (F17: \$67.4 million). The Group's authorised counterparties are restricted to banks and financial institutions whose long term credit rating is at or above a Standard and Poor's rating of A- (or Moody's equivalent rating of A3), with any exceptions requiring approval from the Board. Commercial paper investments are restricted to counterparties whose short term credit rating is at or above a Standard and Poor's rating of A-1 (or Moody's equivalent rating of P-2). The magnitude of credit risk in relation to receivables is generally the carrying amount, net of any provisions for doubtful debts. The ageing of the consolidated Group trade receivables (net of provisions) is outlined below:

	<b>2018</b>	<b>2017</b>
	<b>\$M</b>	<b>\$M</b>
Not past due	<b>432.1</b>	455.1
Past due 1–30 days	<b>28.3</b>	13.4
Past due 31–60 days	<b>3.2</b>	2.3
Past due 61 days+	<b>3.9</b>	3.7
<b>Total</b>	<b>467.5</b>	474.5

Trade receivables have been aged according to their original due date. Terms may be extended on a temporary basis with the approval of management. The past due receivables shown above relate to customers who have a good debt history and are considered recoverable. There is no collateral held as security against the receivables above and there are no other receivables past due.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**RISK**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS**

At the reporting date, there were \$541.2 million (Australian dollar equivalent) net face value of outstanding foreign exchange contracts at contract rates (F17: \$312.2 million) and interest rate swaps of \$476.3 million (F17: \$390.6 million). These instruments are regarded as being Level 2 under AASB's Fair Value measurement hierarchy.

**NOTE 25 – FAIR VALUES**

The fair values of cash and cash equivalents, financial assets and most financial liabilities approximate their carrying value. The fair value of the US Private Placement Notes is \$581.8 million (F17: \$590.1 million). There have been no reclassifications of financial assets from fair value to cost, or from cost or amortised cost to fair value during the year.

The fair values of derivative financial instruments are based upon market prices, or models using inputs observed from the market, where markets exist or have been determined by discounting the expected future cash flows by the current interest rate for financial assets and financial liabilities with similar risk profiles (a Level 2 valuation).

The valuation of derivative financial assets and liabilities reflects the estimated amounts which the Group would be required to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at their current market rates at reporting date. This is based on internal valuations using standard valuation techniques.

As the purpose of these derivative financial instruments is to hedge the Group's underlying assets and liabilities denominated in foreign currencies and to hedge against risk of interest rate fluctuations, it is unlikely in the absence of abnormal circumstances that these contracts would be terminated prior to maturity.

For all other recognised financial assets and financial liabilities, based on the facts and circumstances existing at reporting date and the nature of the Group's financial assets and financial liabilities including hedge positions, the Group has no reason to believe that the financial assets could not be exchanged, or the financial liabilities could not be settled, in an arm's length transaction at an amount approximating its carrying amount.

**NOTE 26 – CLASS ACTION**

On 28 August 2017, the Company announced that it had reached an agreement to settle the previously announced shareholder class action commenced on 2 July 2014 by Brian Jones, represented by Maurice Blackburn, relating to historical market disclosures that occurred in 2013. The settlement of the claim was without admission of liability and was approved by the Court on 10 November 2017. The settlement amount, \$49.0 million inclusive of interest and costs, was fully insured. The agreement to settle was a commercial decision made in the best interests of the Company's shareholders to enable the Company to remain focused on executing against its strategy without the distraction and expense of the legal proceeding.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

## GROUP COMPOSITION

FOR THE YEAR ENDED 30 JUNE 2018

### NOTE 27 – SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

ENTITY NAME	COUNTRY OF INCORPORATION
<b>Equity holding of 100% (F17: 100%)</b>	
Aldershot Nominees Pty. Ltd.*	Australia
B Seppelt & Sons Limited*	Australia
Beringer Blass Distribution S.R.L.	Italy
Beringer Blass Italia S.R.L.	Italy
Beringer Blass Wine Estates Chile Limitada	Chile
Beringer Blass Wine Estates Limited	UK
Beringer Blass Wines Pty. Ltd.*	Australia
Bilyara Vineyards Pty. Ltd.*	Australia
Cellarmaster Wines (UK) Limited	UK
Cellarmaster Wines Holdings (UK) Limited	UK
Coldstream Australasia Limited*	Australia
Cuppa Cup Vineyards Pty. Ltd.	Australia
Devil's Lair Pty. Ltd.	Australia
Ewines Pty. Ltd.	Australia
FBL Holdings Limited	UK
Il Cavaliere del Castello di Gabbiano S.r.l.	Italy
Interbev Pty. Ltd.*	Australia
James Herrick Wines Limited	UK
Leo Buring Pty. Ltd.	Australia
Lindeman (Holdings) Limited*	Australia
Lindemans Wines Pty. Ltd.	Australia
Mag Wines Pty. Ltd.	Australia
Majorca Pty. Ltd.*	Australia
Mildara Holdings Pty. Ltd.*	Australia
North America Packaging (Pacific Rim) Corporation	USA
Penfolds Wines Pty Ltd	Australia
Piat Pere et Fils B.V.	Netherlands
Premium Land, Inc.	USA
Robertsons Well Pty. Ltd.	Australia
Robertsons Well Unit Trust	Australia
Rosemount Estates Pty. Ltd.	Australia
Rothbury Wines Pty. Ltd.*	Australia
SCW905 Limited*	Australia
Seaview Wynn Pty. Ltd.*	Australia
Southcorp Australia Pty. Ltd. *	Australia
Southcorp Brands Pty. Ltd.*	Australia
Southcorp International Investments Pty. Ltd.*	Australia
Southcorp Limited*	Australia
Southcorp NZ Pty. Ltd.*	Australia
Southcorp Whitegoods Pty. Ltd.	Australia
Southcorp Wines Asia Pty. Ltd.	Australia
Southcorp Wines Europe Limited	UK
Southcorp Wines Pty. Ltd.*	Australia
Southcorp XUK Limited	UK
T'Gallant Winemakers Pty. Ltd.	Australia
The New Zealand Wine Club Limited	UK
The Rothbury Estate Pty. Ltd.*	Australia
Tolley Scott & Tolley Limited*	Australia
Treasury Americas Inc	USA

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**GROUP COMPOSITION**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 27 – SUBSIDIARIES (CONTINUED)**

ENTITY NAME	COUNTRY OF INCORPORATION
Treasury Chateau & Estates LLC	USA
Treasury Logistics Pty Ltd*	Australia
Treasury Wine Estates (China) Holding Co Pty Ltd*	Australia
Treasury Wine Estates (Matua) Limited	New Zealand
Treasury Wine Estates (NZ) Holding Co Pty Ltd*	Australia
Treasury Wine Estates (Shanghai) Trading Co. Ltd.	China
Treasury Wine Estates (UK) Holding Co Pty Ltd*	Australia
Treasury Wine Estates Americas Company	USA
Treasury Wine Estates Asia (SEA) Pte Limited	Singapore
Treasury Wine Estates Asia Pty. Ltd.	Australia
Treasury Wine Estates Australia Limited*	Australia
Treasury Wine Estates Barossa Vineyards Pty. Ltd.	Australia
Treasury Wine Estates Canada, Inc.	Canada
Treasury Wine Estates Denmark ApS	Denmark
Treasury Wine Estates EMEA Limited	UK
Treasury Wine Estates France S.A.R.L.	France
Treasury Wine Estates HK Limited	Hong Kong
Treasury Wine Estates Holdings Inc.	USA
Treasury Wine Estates Japan KK	Japan
Treasury Wine Estates Limited*	Australia
Treasury Wine Estates Netherlands B.V	Netherlands
Treasury Wine Estates Norway AS	Norway
Treasury Wine Estates Sweden AB	Sweden
Treasury Wine Estates UK Brands Limited	UK
Treasury Wine Estates Vintners Limited*	Australia
TWE Finance (Aust) Limited*	Australia
TWE Finance (UK) Limited	UK
TWE Insurance Company Pte. Ltd.	Singapore
TWE Lima Pty Ltd*	Australia
TWE Share Plans Pty Ltd	Australia
TWE US Finance Co.	USA
TWE USA Partnership	USA
Wolf Blass Wines Pty. Ltd.*	Australia
Woodley Wines Pty. Ltd.	Australia
Wynn Winegrowers Pty. Ltd.	Australia
Wynns Coonawarra Estate Pty. Ltd	Australia

\* Entity is a member of the Closed Group under the Deed of Cross Guarantee (refer to Note 29) and relieved from the requirement to prepare audited financial statements by ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

**Equity holding of less than 100%**

ENTITY NAME	COUNTRY OF INCORPORATION	2018	2017
Fiddlesticks LLC	USA	50.0	50.0
Graymoor Estate Joint Venture	Australia	48.8	48.8
Graymoor Estate Pty. Ltd.	Australia	48.8	48.8
Graymoor Estate Unit Trust	Australia	48.8	48.8
North Para Environment Control Pty. Ltd.	Australia	69.9	69.9

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**GROUP COMPOSITION**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 28 – PARENT ENTITY FINANCIAL INFORMATION**

**(a) Summary financial information**

The individual financial statements for the parent entity show the following aggregate amounts:

	2018 \$M	2017 \$M
<b>Balance sheet</b>		
Current assets	5,945.6	6,398.9
Total assets	8,296.7	8,749.9
Current liabilities	4,858.2	4,863.9
Total liabilities	4,858.2	4,863.9
<b>Net assets</b>	<b>3,438.5</b>	<b>3,886.0</b>
<b>Shareholders' equity</b>		
Issued capital	3,240.5	3,540.5
Share based payments reserve	(9.4)	25.8
Retained earnings	207.4	319.7
<b>Total equity</b>	<b>3,438.5</b>	<b>3,886.0</b>
<b>Profit for the year</b>	<b>91.4</b>	<b>9.1</b>
<b>Total comprehensive income</b>	<b>91.4</b>	<b>9.1</b>

**(b) Financial guarantees**

Refer note 17 for financial guarantees to banks, financiers and other persons.

**(c) Class action**

Refer note 26.

**(d) Tax consolidation legislation**

The Company formed a consolidated group for income tax purposes with each of its Australian resident subsidiaries on 21 May 2011. The Company and the controlled entities in the tax consolidation group continue to account for current and deferred tax amounts separately. These tax amounts are measured on a 'group allocation' approach, under which the current and deferred tax amounts for the tax-consolidated group are allocated among each reporting entity in the Group.

**(e) Capital commitments**

There are no capital commitments for the Company (F17: nil).

**NOTE 29 – DEED OF CROSS GUARANTEE**

Under the terms of ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, certain wholly owned controlled entities have been granted relief from the requirement to prepare audited financial reports. It is a condition of the class order that the Company and each of the relevant subsidiaries enter into a Deed of Cross Guarantee whereby each company guarantees the debts of the companies party to the Deed. The member companies of the Deed of Cross Guarantee are regarded as the 'Closed Group' and identified in Note 27.

A summarised consolidated statement of profit or loss and other comprehensive income, retained earnings reconciliation and a consolidated statement of financial position, comprising the Company and those controlled entities which are a party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed, at 30 June 2018 are set out below.

	2018 \$M	2017 <sup>1</sup> \$M
<b>Extract of the statement of profit or loss and other comprehensive income</b>		
Profit before tax	412.4	267.1
Income tax expense	(96.2)	(75.2)
<b>Net profit after tax</b>	<b>316.2</b>	<b>191.9</b>
Retained earnings at beginning of the year	(11.1)	(18.4)
External dividends	(203.7)	(184.6)
<b>Retained earnings at end of the year</b>	<b>101.4</b>	<b>(11.1)</b>

1. Current receivables, investments, current borrowings and retained earnings balances restated to reflect net presentation of related party balances previously reported on a gross basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**GROUP COMPOSITION**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 29 – DEED OF CROSS GUARANTEE (CONTINUED)**

	2018 \$M	2017 <sup>1</sup> \$M
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	23.7	14.2
Receivables	1,146.3	1,099.7
Inventories	441.3	391.5
Investments	1.8	1.8
Assets held for sale	29.1	20.2
Other current assets	3.2	4.0
<b>Total current assets</b>	<b>1,645.4</b>	<b>1,531.4</b>
<b>Non-current assets</b>		
Inventories	542.8	473.0
Investments	2,663.9	2,663.9
Property, plant and equipment	529.4	498.3
Intangible assets	410.5	408.1
Deferred tax assets	29.4	45.2
Other non-current assets	1.5	1.5
<b>Total non-current assets</b>	<b>4,177.5</b>	<b>4,090.0</b>
<b>Total assets</b>	<b>5,822.9</b>	<b>5,621.4</b>
<b>Current liabilities</b>		
Trade and other payables	318.3	281.4
Borrowings	1,803.7	1,671.6
Current tax liabilities	51.0	49.8
Provisions	27.5	33.7
Other current liabilities	3.8	4.1
<b>Total current liabilities</b>	<b>2,204.3</b>	<b>2,040.6</b>
<b>Non-current liabilities</b>		
Borrowings	263.0	-
Deferred tax liabilities	18.3	21.6
Other non-current liabilities	4.8	4.1
<b>Total non-current liabilities</b>	<b>286.1</b>	<b>25.7</b>
<b>Total liabilities</b>	<b>2,490.4</b>	<b>2,066.3</b>
<b>Net assets</b>	<b>3,332.5</b>	<b>3,555.1</b>
<b>Equity</b>		
Contributed equity	3,240.5	3,540.5
Reserves	(9.4)	25.7
Retained earnings	101.4	(11.1)
<b>Total equity</b>	<b>3,332.5</b>	<b>3,555.1</b>

1. Current receivables, investments, current borrowings and retained earnings balances restated to reflect net presentation of related party balances previously reported on a gross basis.

Current borrowings comprise balances with other entities within the Group. These balances will not be called within the next 12 months.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 30 – RELATED PARTY DISCLOSURES

### Ownership interests in related parties

All material ownership interests in related parties are disclosed in note 27 to the financial statements.

### Parent entity

The ultimate parent entity is Treasury Wine Estates Limited, which is domiciled and incorporated in Australia.

### Transactions with entities in the wholly-owned Group

Transactions between companies within the Group during the current and prior year included:

- Purchases and sales of goods and services; and
- Provision of accounting and administrative assistance.

Transactions with controlled entities are made on normal commercial terms and conditions.

### Transactions with other related parties

The Group entered into transactions which are insignificant in amount with executives, non-executive Directors and their related parties within normal employee, customer or supplier relationships on terms and conditions no more favourable than those available in similar arm's length dealings.

There were no other transactions with related parties during the current year.

### Key management personnel compensation

The following table shows the compensation paid or payable to the key management personnel ('executives') of the Group.

	2018 \$	2017 \$
Short-term employee benefits	9,503,303	10,067,918
Post-employment benefits	53,126	88,765
Share based payments	7,022,129	7,552,707
Termination benefits	–	400,000
<b>Total</b>	<b>16,578,558</b>	<b>18,109,390</b>

Additionally, compensation paid to non-executive directors was \$1,787,615 (F17: \$1,823,109).

## NOTE 31 – REMUNERATION OF AUDITORS

The Audit and Risk Committee has completed an evaluation of the overall effectiveness and independence of the external auditor, KPMG. As part of this process, the external auditor has provided a written statement that no professional engagement with the Group has been carried out which would impair their independence as auditor. The Chairman of the Audit and Risk Committee has advised the Board that the Committee's assessment is that the auditor is independent.

During the year, the following fees were paid or payable for services provided by the auditor of the Group, and its related practices:

	2018 \$	2017 \$
Audit and review of financial statements and other audit work under the <i>Corporations Act 2001</i>	1,502,220	1,542,780
Associate firms of Auditor	447,951	408,338
Audit and review services	1,950,171	1,951,118
Other non-audit services	160,797	156,887
<b>Total</b>	<b>2,110,968</b>	<b>2,108,005</b>

The Group engages KPMG to provide other non-audit services where their expertise and experience best qualifies them to provide the appropriate service and as long as stringent independence requirements are satisfied. In the year ended 30 June 2018, KPMG earned fees in respect to the provision of advisory and taxation services.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**OTHER**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 32 – OTHER ACCOUNTING POLICIES**

**New accounting standards and interpretations**

Since 30 June 2017, we have adopted the following new and amended accounting standards.

REFERENCE	TITLE	APPLICATION
AASB 2016-1	<i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
AASB 2016-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	1 January 2017

The adoption of these standards did not have a significant impact on the consolidated financial statements.

**Issued but not yet effective accounting standards**

The following relevant accounting standards have recently been issued or amended but are not yet effective and have not been adopted for this year-end reporting period.

REFERENCE	TITLE	APPLICATION
AASB 15	<i>Revenue from Contracts with Customers</i>	1 January 2018
AASB 9	<i>Financial Instruments (December 2014)</i>	1 January 2018
AASB 2014-5	<i>Amendments to Australian Accounting Standards arising from AASB 15</i>	1 January 2018
AASB 2014-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i>	1 January 2018
AASB 2015-8	<i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	1 January 2018
AASB 2016-3	<i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	1 January 2018
AASB 2016-5	<i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>	1 January 2019
AASB 2017-4	<i>Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments</i>	1 January 2019
AASB 16	<i>Leases</i>	1 January 2019

Other than the impact of AASB 16 *Leases* outlined below, these standards are not expected to have a material impact on the Group's financial position or its performance.

**AASB 16 Leases**

AASB 16 *Leases* was released in February 2016 by the Australian Accounting Standards Board. This standard removes the lease classification test for lessees and requires the Group to bring all material leases with lease terms greater than one year onto the balance sheet. There is also new guidance on when an arrangement would meet the definition of a lease.

The new standard is mandatory for annual reporting periods beginning after 1 January 2019, but is available to be early adopted. The Group is in the process of performing an assessment of the potential impact on its consolidated financial statements. The Group will be required to recognise new assets and liabilities for its operating leases including vineyards, buildings, equipment and motor vehicles, and the nature of the expenses related to those leases will change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for the right-of-use assets and interest expense on the lease liabilities.

The Group intends to apply the full retrospective transition option.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**OTHER**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 32 – OTHER ACCOUNTING POLICIES (CONTINUED)**

**Other accounting policies**

**Financial assets**

A financial asset is classified as at fair value through profit or loss or fair value through other comprehensive income unless it meets the definition of amortised cost. This is determined on initial recognition.

Financial assets classified as at amortised cost are measured initially at fair value and adjusted in respect of any incremental and directly attributable transaction costs. All other financial assets are measured at fair value on initial recognition.

Reclassification occurs only if there are fundamental changes to the Group's business model for managing financial assets.

**Amortised cost**

A financial asset is classified as at amortised cost only if the asset is held to collect contractual cash flows and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

A financial asset is measured at amortised cost using the effective interest rate method. Any gains and losses are recognised through the amortisation process or when the financial asset is derecognised or impaired.

**Impairment of financial assets**

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognised in the statement of profit or loss and other comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for significant financial assets, and individually or collectively for other financial assets.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. Otherwise the asset is included in a group of financial assets with similar credit risk characteristics to be assessed for impairment.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment was recognised, the loss is revised. The reversal of an impairment loss is recognised in the statement of profit or loss and other comprehensive income.

**Derecognition of financial assets**

The derecognition of a financial asset takes place when the Group no longer controls the contractual rights that comprise the financial instrument.

This is normally the case when the instrument is sold or all the cash flows attributable to the instrument are passed through to an independent third party.

**Derivatives**

The Group uses derivative financial instruments such as foreign currency contracts, interest rate swaps and options to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are carried at fair value and are financial assets when the fair value is positive and financial liabilities when the fair value is negative.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:**  
**OTHER**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**NOTE 32 – OTHER ACCOUNTING POLICIES (CONTINUED)**

**Other accounting policies (continued)**

*Hedge accounting*

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction; or hedges of a net investment in a foreign operation.

*Initial recognition*

At the beginning of a hedge relationship, the Group designates and documents the hedge relationship and the related risk management objective and strategy. The documentation identifies the hedging instrument and the hedged item as well as describing the economic relationship, the hedge ratio between them and potential sources of ineffectiveness. The documentation also includes the nature of the risk being hedged and the method of assessing the hedging instrument's effectiveness. To achieve hedge accounting, the relationship must be expected to be highly effective and are assessed on an ongoing basis to determine that they continue to meet the risk management objective.

*Re-balancing*

If the hedge ratio for risk management purposes is no longer met but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the Group will rebalance the relationship by adjusting either the volume of the hedged item or the volume of the hedging instrument.

*Discontinuation*

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the year.

Gains or losses recognised directly in equity are reclassified into profit and loss in the same period or periods the foreign currency risk affects consolidated profit and loss.

*Fair value hedges*

For fair value hedges (for example, interest rate swaps), any gain or loss from remeasuring the hedging instrument is recognised immediately in the statement of profit or loss and other comprehensive income. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the statement of profit or loss and other comprehensive income such that it is fully amortised by maturity.

*Cash flow hedges*

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the statement of profit or loss and other comprehensive income.

When the hedged item gives rise to the recognition of an asset or a liability, the associated deferred gains or losses are included in the initial measurement of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the statement of profit or loss and other comprehensive income in the same period in which the hedged firm commitment affects the profit and loss, for example when the future sale actually occurs.