TREASURY WINE ESTATES

ANNUAL REPORT 2018

ABOUT TWE

A GLOBAL LEADER IN WINE

Treasury Wine Estates (TWE) is one of the world's largest wine companies, listed on the Australian Securities Exchange. With a rich heritage and diverse portfolio of outstanding wine brands and viticultural assets, the Company's commitment to delivering shareholder value is underpinned by its passion for crafting, marketing and selling quality wine for consumers, as well as building sustainable partnerships with customers, globally. TWE employs approximately 3,500 winemakers and viticulturists, along with marketing, sales, distribution and support staff across four key regions, with wine sold in more than 100 countries around the world.

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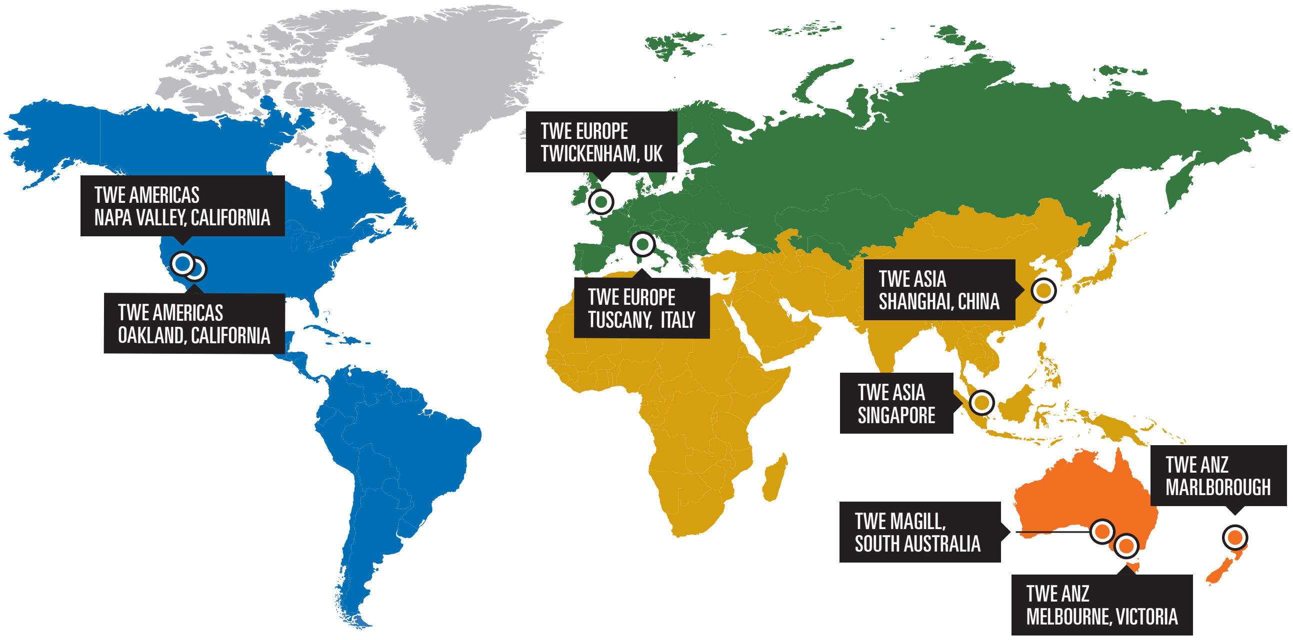
FORWARD LOOKING STATEMENT DISCLAIMER

This report contains certain forward looking statements. Words such as 'expects', 'targets', 'likely', 'should', 'could', 'intend' and other similar expressions are intended to identify forward looking statements. Indicators of and guidance on future earnings and financial position are also forward looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of TWE, which may cause actual results to differ materially from those expressed or implied in such statements. Further information on important factors that could cause actual results to differ materially from those projected in such statements is included in the 'Material Business Risks' section of the Operating and Financial Review.

References to 'TWE', 'Company', 'Group', 'we', 'us' and 'our' are to Treasury Wine Estates Limited and/or, except where the context otherwise requires, its subsidiaries. References to 'F18' and 'F19' are to the periods 1 July 2017 to 30 June 2018, and 1 July 2018 to 30 June 2019 respectively. All currency referred to in this Annual Report is in Australian dollars, unless otherwise stated.

OUR LOCATIONS[1]



AUSTRALIA & NEW ZEALAND[2]

AUSTRALIA | Corporate head office: Melbourne, Victoria

72	8,607	7
vineyards	planted hectares	wineries

NEW ZEALAND | Country head office: Marlborough

9	492	1
vineyards	planted hectares	wineries

ASIA

SOUTH EAST ASIA | Regional head office: Singapore
NORTH ASIA | Regional head office: Shanghai, China

AMERICAS[2]

US | Regional head office: Napa Valley, California
US | Regional head office: Oakland, California

46	3,894	7
vineyards	planted hectares	wineries

EUROPE[2]

UK | Regional head office: Twickenham, Middlesex
ITALY | Country head office: Gabbiano, Tuscany

2	148	1
vineyards	planted hectares	wineries

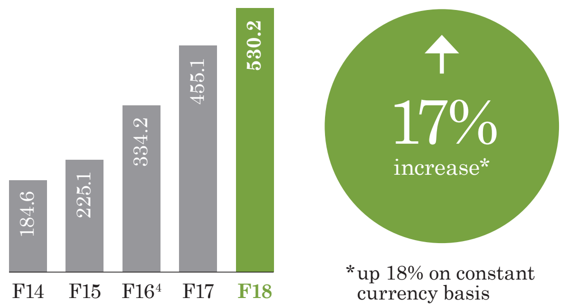
1. Locations marked on the global map represent corporate and regional head offices. TWE also maintains other major operations across all regions of its business.
2. Information is current as at 30 June 2018.

AT A GLANCE

- *F18 EBITS[1] up 17%[2] to $530.2 million; EBITS margin accretion of 2.8 percentage points to 21.8%*
- *EPS (before material items and SGARA) up 30% to 51.8 cents per share*
- *Return on Capital Employed accretion to 12.6%*
- *F18 EBITS growth contributes to 4 year EBITS CAGR[3] of 25%; EBITS growth of 25% in F19 reiterated*
- *Final dividend of 17 cents per share (fully franked); bringing F18 annual dividend to 32 cents per share; up 23% on the prior period*
- *TWE delivered Total Shareholder Return of 35% in F18*

EBITS

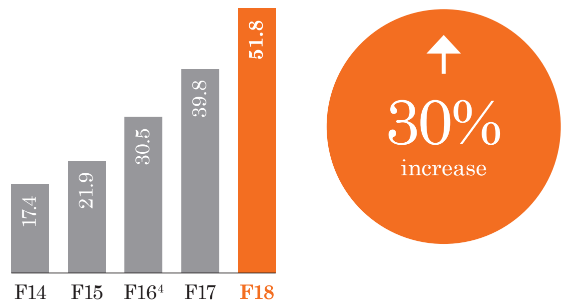
(A$ million)



*up 18% on constant currency basis

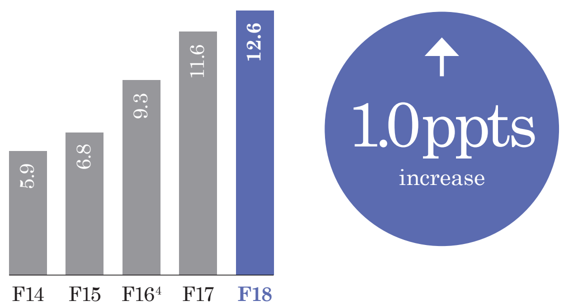
EPS (BEFORE MATERIAL ITEMS AND SGARA)

(Earnings Per Share) (cents)



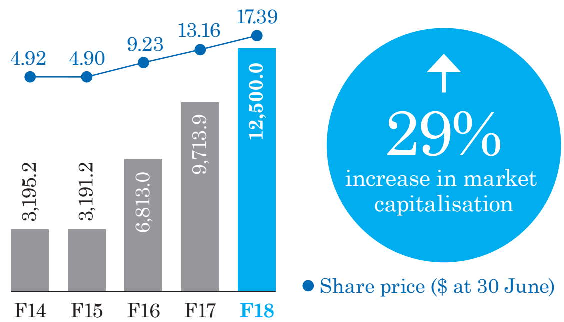
ROCE

(Return on Capital Employed) (%)



MARKET CAPITALISATION

(A$ million)



● Share price ($ at 30 June)

1. Earnings before interest, tax, SGARA and material items.
2. Percentage movements stated on a reported currency basis.
3. Compound Annual Growth Rate.
4. F16 ROCE, EPS and EBITS were restated in F17 in accordance with revised accounting standards.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

We continued positive momentum in the Company, demonstrating another stellar year of strong financial performance.

PAUL RAYNER
Chairman

MICHAEL CLARKE
Chief Executive Officer

INTRODUCTION

Welcome to the 2018 Annual Report for Treasury Wine Estates Limited.

It is our pleasure to report that in fiscal 2018, we continued positive momentum in the Company, demonstrating another stellar year of strong financial performance. We have called F18 a 'foundation year' for TWE, a year in which we have established the optimal operating business models as well as the appropriate structure for distributor, wholesaler and retailer partnerships across all regions.

The Company remained focused, disciplined and committed to delivering against our strategy, while navigating significant events across a number of our markets in the period.

We continued to invest in our people, growing organisational talent across the business and strengthening our Executive Leadership Team even further. An outstanding group of executives who bring varied skills and experience are leading the business to deliver the next phase of growth for TWE.

In addition to this report, regular engagement with our shareholders is undertaken throughout the year as part of our investor relations program. This includes meetings relating to our interim and annual results in February and August/September, as well as meetings prior to TWE's Annual General Meeting, which addresses governance and relevant items of business.

STRATEGY

Our vision of becoming the world's most celebrated wine company has remained unchanged. Throughout F18 we continued to focus on the following elements of our strategy, which has also remained consistent for the past four years:

- Transforming and investing in our global priority brands, and expanding our country-of-origin offerings, one portfolio at a time.
- Growing share and maximising the potential and profitability of our priority markets through transformational route-to-market changes.
- Building a high-performing organisation, upweighting talent and investing in capability – now and for the future.
- Building long-term relationships to deliver shared value to our customers, consumers and stakeholders.
- Driving efficiencies across our operating model, ensuring our systems and processes are fixed, optimised and simplified.

OVERVIEW OF RESULTS AND F18[1]

The F18 results reflect the consistently strong performance of the business, and the commitment of our team across every region to delivering against our strategy. In F18, TWE delivered EBITS[2] of $530.2 million, up 18% on the prior year, representing our fourth consecutive year of double digit EBITS growth. Our EBITS margin for F18 increased by 3 percentage points to 21.8%. Following is a summary of results and achievement highlights across our regions:

- The Americas delivered EBITS ahead of the prior year, up 1.7% to $193 million driving a 2.2 percentage point uplift in EBITS margin, to 20.1%. In the last quarter of the fiscal year, our team delivered transformational changes to our Company's route-to-market in the US, with TWE now self-distributing 25% of its business across large, direct states and 15% of its business transitioned to new, growth-oriented distributor partners. Initial signs of these route-to-market changes and feedback from strategic customers is very positive. In October 2017, our team based in Napa showed tremendous resilience in the face of the devastating Napa fires. While TWE was fortunate in that the Company sustained only minor cosmetic damage to a small number of our properties, the sense of community and care the team demonstrated in contributing to recovery efforts in the regions was simply outstanding.
- The Asia region delivered an extremely strong result, with EBITS up 37.5% to $205.2 million, and an EBITS margin of 37.5% as we saw a growing imported wine category taking share from the domestic wine category. Demand for our expanded portfolio continued across the region, with volume growth driven by our Australian and French portfolios – a particular highlight of F18 was the successful in-market launch of our French brand Maison de Grand Esprit. Our Shanghai warehouse facility became operational in the first half of F18, and this model is already proving to provide increased access to regional retailers in China. Toward the end of the fiscal year, we navigated the challenge of industry-wide delays on Australian wine imports into China. These delays appear to have since abated. The fundamentals of the Asia wine market continue to be exciting, and we remain focused on driving growth of our total portfolio across Asia.
- Australia and New Zealand (ANZ) reported 25.9% EBITS growth to $136.1 million and an EBITS margin of 22.7% (up 4.4 percentage points). This excellent result saw TWE volume growth outperform category growth in Australia. Outstanding success of our Masstige portfolio was led by Wolf Blass, Squealing Pig and 19 Crimes, and we saw our on-premise channel return to growth in F18 with continued investment in key initiatives such as Wine On Tap. Throughout the year, we continued to strengthen and embed our relationships with retail partners, while delivering further savings across our supply chain, and remaining disciplined on managing costs.
- The Europe region delivered EBITS of $49.5 million, up 9.3% and a 2.2 percentage point EBITS margin accretion to 15.4%, a strong result from the team in challenging market conditions. The business continued to exit lower margin Blossom Hill commercial wine volume, while focusing on premiumisation, in line with growth of premiumisation in the UK wine category. Targeted brand building initiatives across priority brands included a three-year partnership between Wolf Blass and the International Cricket Council and the relaunch of Lindeman's packaging. The culture and capability of the Europe team that delivered this result continues to set the benchmark, with the business being named on the UK Great Place to Work Best Workplaces list in April 2018.

> *"The F18 results reflect the consistently strong performance of the business, and the commitment of our team across every region to delivering against our strategy."*

In F18, the Company also commenced the 'Simplify for Growth' program, an initiative that builds on TWE's existing capability of identifying and removing embedded cost and complexity, to improve operational efficiency and allow the business to focus on growth opportunities.

1. All percentage movements are on a constant currency basis, unless otherwise stated.
2. Earnings before interest, tax, SGARA and material items.

BALANCE SHEET STRENGTH AND DIVIDEND

In F18, TWE's Balance Sheet continues to be strong, with metrics consistent with an investment-grade credit profile, providing us with flexibility to pursue value accretive opportunities in the future.

TWE's Balance Sheet and Cash Flow not only reflect a strong trading performance, but also investment in our business which will set us up for long-term, sustainable success. We successfully completed our $300 million on-market share buy-back in F18. This was executed at an average price of $15.41, and was Earnings Per Share (EPS) accretive.

Total capital expenditure for the year was $215.4 million, of which Maintenance and Replacement spend was $128.3 million. Our Reported EPS growth of 36% was driven by our strong trading performance, as well as proactive initiatives to deliver shareholder value.

Given the Company's strong result in F18, TWE is pleased to declare a final dividend of 17 cents per share, fully franked, which brings the total dividend for F18 to 32 cents per share, up 23% on the prior year.

CORPORATE RESPONSIBILITY

F18 saw a substantive review of TWE's Corporate Responsibility (CR) program, which included a comprehensive materiality assessment resulting in realignment of the program's focus under four key pillars: Performance, Planet, People and Product. Particular CR highlights in F18 include the launch of the Sustainable Future framework which is designed to drive environmental best practice across our supply business; an enhanced commitment to human rights through updated policies and an environment, social and governance (ESG) review system embedded into TWE's supplier on-boarding process; and numerous initiatives with external partners to promote the responsible consumption of alcohol in our communities.

As a milestone in our CR journey, this year we published our inaugural Sustainability Report, released alongside our 2018 Annual Report, which provides more detail on how TWE works to create long-term value through our CR program, as well as through effective management of ESG topics. As a business, we are focused on driving sustainability in everything we do. We are proud to be delivering the refreshed CR program from F19 onward.

THANKS AND CONCLUSION

F18 marked the fourth consecutive year of double digit EBITS growth for TWE – but our journey is far from over. The business enters F19 in a strong position, with increased availability of Luxury wine, a strong pipeline of innovation, stronger customer partnerships across all regions and several revenue-driving brand portfolio initiatives that will continue to deliver against our strategic imperatives.

> *"F18 marked the fourth consecutive year of double digit EBITS growth – but our journey is far from over."*

We are confident we have the world-class quality wines, the brands, the capability and the discipline to deliver approximately 25% EBITS growth in F19 and continue on our journey to achieving 25% EBITS margin over time.

We'd like to acknowledge our team, who have demonstrated outstanding commitment, resilience and focus across the entire year in delivering these results.

Finally, one of our non-executive directors, Michael Cheek, will be retiring from the Board at the end of the Company's 2018 Annual General Meeting. Mr Cheek has been a member of the Board since September 2012, bringing a depth of US alcohol beverage industry experience to the Board, and has also been a valuable member of the Human Resources Committee since April 2013. We would like to thank Mr Cheek for his significant contribution to the Board and TWE over the last six years.

As always, our thanks go to you, our shareholders, for your ongoing belief, investment and support of our Company.

Kind regards,

Paul Rayner
Chairman

Michael Clarke
Chief Executive Officer

BRAND HIGHLIGHTS

LIVING WINE LABELS

TECHNOLOGY BRINGS WINE LABELS TO LIFE

At the beginning of F18, TWE launched one of its most successful marketing activations ever. The Living Wine Labels (LWL) Augmented Reality (AR) app was introduced in the United States on 19 Crimes labels, giving a voice to the 18th century rogues on the bottles. Since then, the technology has been extended to Beringer Bros., The Walking Dead, Gentleman's Collection and Chateau St. Jean in the US. In other regions, consumers can access the LWL AR app on 19 Crimes and Gentleman's Collection. Since launch, the LWL App has been downloaded more than two million times.

WOLF BLASS

WOLF BLASS SIGNS HAT TRICK DEAL WITH INTERNATIONAL CRICKET COUNCIL

Wolf Blass was proud to announce its three-year global partnership with the International Cricket Council (ICC), further cementing the brand's rich history of supporting marquee sporting events. Wolf Blass is the Official Wine Partner of the ICC Cricket World Cup 2019 in England and Wales, as well as the ICC World T20 in Australia in 2020.

PENFOLDS UNVEILS A NEW WINE BORN FROM GRANGE DNA

To coincide with the annual Penfolds Collection launch in October 2017, Penfolds released a special wine blended from three Grange vintages spanning seven years, aptly named Penfolds g3. A true first, the vintages of 2008, 2012 and 2014 entwine to create a completely unique Grange expression. Penfolds g3 was celebrated at a launch event at the Liang Yi Museum, Hong Kong and only 1,200 bottles were made available worldwide.

> *"Put simply it's Penfolds 'House Style' distilled…Penfolds g3 is a natural end result of the venerated art of blending. It is a blend where each individual vintage selected delivers a depth of character and flavour honouring our flagship Grange."*

PETER GAGO
Penfolds Chief Winemaker

STERLING DRIVES OUTSTANDING GROWTH

Sterling Vintner's Collection drove outstanding growth in F18 through a strong focus on innovation, partnerships and branding. New offerings, Sparkling and Iridium, were introduced and a strategic partnership with the Emmy Awards in the US was formed, bringing to life the new brand positioning, *Always Polished, Never Dull.* This has placed Sterling at the forefront of luxury wine with a highlight of Iridium receiving 96 points from Robert Parker's Wine Advocate in October 2017.

WOLF BLASS

WOLF BLASS ACHIEVES MILESTONE 10,000 WINE SHOW AWARDS

Wolf Blass was awarded *Best of Nation* at the *2017 San Francisco International Wine Competition* for the third year in a row. This award takes the Wolf Blass award tally to a remarkable milestone of 10,000 won across the portfolio since the winery's inception in 1966.

WOLF BLASS

19 CRIMES

19 CRIMES CONTINUES TO BUILD MOMENTUM

19 Crimes continued to build outstanding momentum, collecting a number of industry awards including 'Hot Brand' status in the US from *Impact* Magazine for consecutive years of double-digit volume growth as well as one of the industry's most prestigious marketing awards, the *Super REGGIE*, for innovative use of Augmented Reality.

WYNNS

WYNNS CELEBRATES 60 VINTAGES OF ICONIC BLACK LABEL CABERNET SAUVIGNON

The first Wednesday of August each year is known as Wynnsday, marking the release of the annual new vintage collection from the winery. In F18, Wynnsday signified an auspicious milestone, the 60th vintage release of one of Australia's most iconic, and collected, cabernet sauvignons – Wynns Black Label.

"There are so many stories and anecdotes to tell about the history of Wynns Black Label Cabernet, however with all these layers it is important to remember that the ultimate story is the wine in the glass."

SUE HODDER
Wynns Senior Winemaker

SEPPELT

SEPPELT RELEASES INAUGURAL LUXURY COLLECTION

May 2018 marked the release of The 2018 Seppelt Luxury Collection and with it, the unveiling of its premium new branding and packaging. Released in unison for the first time, the Collection features nine of Seppelt's leading wines, including the flagship 2016 St Peters Grampians Shiraz, NV Original Sparkling Shiraz and the 2018 Drumborg Vineyard Henty Riesling. The Collection continues as an annual release going forward.

MAISON DE GRAND ESPRIT

MAISON DE GRAND ESPRIT GAINS MOMENTUM IN ASIA

After a successful launch in China, Maison de Grand Esprit has expanded to Hong Kong and Thailand where it's now available at major fine wine retailers and premium supermarkets. Since being introduced in June 2017, Maison de Grand Esprit has received numerous awards, including a double-gold medal and three gold medals, as well as ratings of more than 90 points by international wine critic James Suckling.

OPERATING AND FINANCIAL REVIEW

TWE is one of the world's largest publicly listed wine companies, listed on the Australian Securities Exchange (ASX). The Company is focused on delivering shareholder value through the production of wine, and marketing and selling quality wine brands to consumers around the world.

The following Operating and Financial Review contains details of the significant changes in TWE's state of affairs that occurred during the year ended 30 June 2018.

TWE's business activities

TWE's business activities in F18 remained unchanged.

TWE is a vertically integrated wine business focused on portfolio premiumisation supported by innovation, brand building investment and global sales and marketing execution.

TWE's brand portfolio is represented across the Luxury, Masstige and Commercial[1] price segments and sold in more than 100 countries around the world. Furthermore, TWE operates a balanced and sustainable sourcing model by diversifying its sourcing regions across Australia, the United States, New Zealand, Italy and France.

TWE employs approximately 3,500 winemakers, viticulturists, sales, distribution and support staff across the globe.

TWE's organisational structure and significant changes in the state of affairs

TWE continues to be focused on four regional segments:

- Australia and New Zealand (ANZ)
- Europe
- Asia
- Americas

Effective 1 May 2018, Matt Young (previously, Deputy Chief Financial Officer) became TWE's Chief Financial Officer replacing Gunther Burghardt who was appointed Executive Vice President, Operations – Americas.

During the year, TWE made a series of other management changes, including:

- Michelle Terry (previously Chief Marketing Officer, Americas) was appointed Chief Marketing Officer, based in the US (effective 1 March 2018);
- Tim Ford (previously Managing Director Europe, SEAMEA and Global Supply Chain) was appointed Deputy Chief Operating Officer, based in Melbourne (effective 1 July 2018);

1. TWE participates in three price segments: Luxury (A$20+); Masstige (A$10-A$20); and Commercial (A$5-A$10). Segment price points are retail shelf price.

- Angus McPherson (previously Managing Director, Australia and New Zealand) was appointed Managing Director, Australia and New Zealand and Europe, based in Melbourne (effective 1 July 2018);
- Peter Dixon (previously Managing Director, North Asia) was appointed Managing Director Asia, based in Shanghai (effective 1 July 2018); and
- Victoria Snyder (previously Executive Vice President, Americas) was appointed President, Americas, based in the US and reporting to Robert Foye, TWE's Chief Operating Officer (effective 2 July 2018).

These appointments continue to reflect the flexibility and depth of TWE's global talent pool at the executive leadership level.

Other than the above matters and those matters referred to in both the 'TWE Vision and Strategy' section of the Operating and Financial Review and the Financial Statements in this Annual Report, there have been no other significant changes in the state of affairs of the Group during the financial year.

TWE's business model

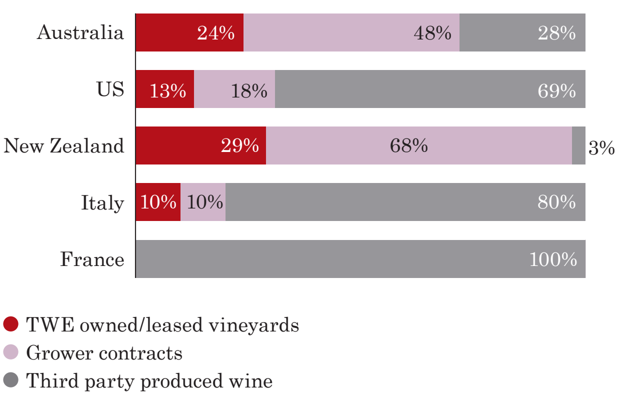
TWE is a vertically integrated wine business with three principal activities:

- Grape growing and sourcing
- Wine production
- Wine marketing, sales and distribution

Grape growing and sourcing

TWE secures access to grapes and bulk wine from a range of sources including Company-owned and leased vineyards, grower vineyards and the bulk wine market. The Company's sourcing mix varies by region as shown in Figure 1.

Figure 1: TWE's regional sourcing model



Proactively taking steps to de-risk TWE's global sourcing model by embedding flexibility and diversification across geographic regions, varietals and price segments continues to be a driver of the Company's sourcing strategy.

By embedding a diversified sourcing model as well as focusing on multi-region and multi-country sourcing, TWE is better able to manage vintage variation as well as grape and bulk wine pricing through periods of grape shortages and surpluses.

Embedding diversification and flexibility also enables TWE to react to changes in consumer and customer preferences.

TWE owns and leases 9,099 planted hectares of vineyards in Australia and New Zealand and is the custodian of some of the most sought after viticultural assets in renowned winemaking regions, including the Barossa Valley and the Coonawarra in Australia, and Marlborough in New Zealand.

The Company owns and/or operates 3,894 planted hectares in key viticultural regions in California, including Napa Valley, Sonoma County, Lake County and Central Coast.

TWE also owns and/or operates 148 hectares in Europe.

TWE continues to optimise its inventory holdings to support portfolio premiumisation and at the same time pursue initiatives to reduce production costs across the Luxury, Masstige and Commercial segments, globally. In F18, TWE successfully delivered in excess of $100 million cumulative run-rate cost of goods sold savings from its supply chain network, as part of its Supply Chain Optimisation initiative.

The organisation continues to focus on optimising production costs across TWE's global business and future incremental savings are expected to be delivered in the ordinary course of business.

At the same time, TWE continues to focus on securing increased access to Luxury and Masstige fruit across all its sourcing regions via vineyard acquisitions, vineyard leasing, entering into supply contracts with third party growers as well as increasing its sourcing of Commercial grade wine from the bulk wine market.

Wine Production

TWE owns world-class wine production and packaging facilities:

- In Australia, TWE owns and operates seven wineries and two packaging facilities. TWE's wines are primarily produced in South Australia and Victoria.
- In New Zealand, TWE owns one winery located in the Marlborough.
- In the US, TWE has seven wineries and one packaging facility located in the North and Central Coast regions of California.
- In Europe, TWE has one winery.

Marketing, selling and distribution of TWE wine

TWE markets, sells and distributes its branded wine to a range of customers in more than 100 countries around the world, tailoring and optimising its route-to-market model by country to capitalise on regional insights and opportunities.

TWE generates its revenues and profits from the production, marketing and sale of its portfolios of branded wine.

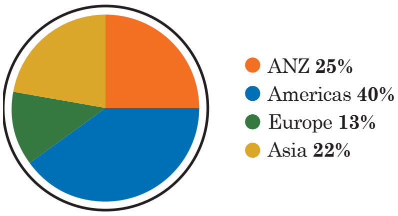
The Company has taken deliberate action to embed greater balance across its regional earnings mix, sourcing models and earnings delivery.

Consequently, TWE's improving profitability is increasingly being driven by high-growth segments, being Luxury and Masstige, as well as improved profitability across all segments (including the Commercial segment).

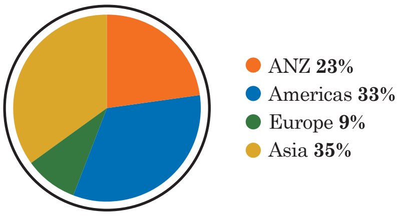
Figure 2 shows net sales revenue (NSR) and earnings before interest, tax, SGARA and material items (EBITS) contribution by region in F18.

Figure 2: TWE's business performance by region in F18

Net sales revenue ($m)



EBITS contribution[2] ($M)



Global industry overview

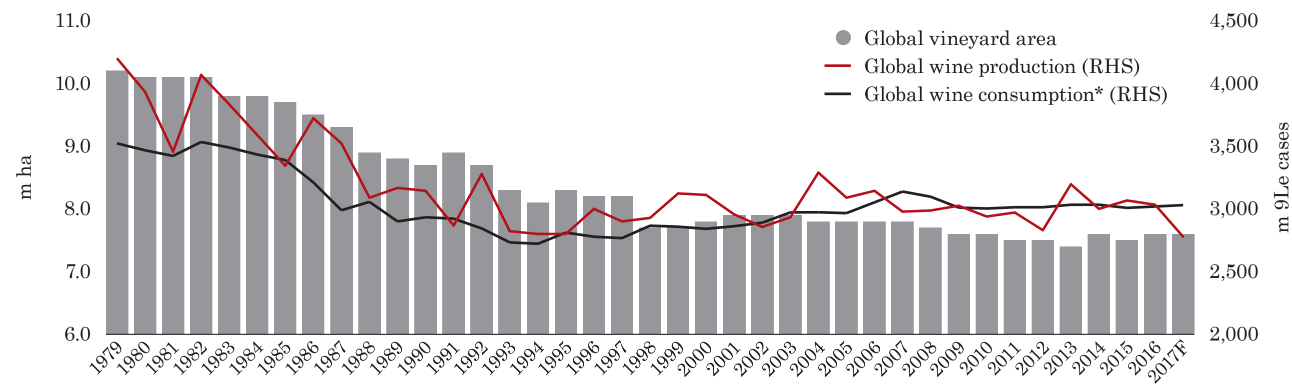
Global wine production and consumption

Global supply and demand fundamentals continue to be attractive, with consumption outstripping production by a significant margin in 2017.

Global production reduced by 8% in 2017, driven by weather-affected vintages principally in France and Italy where production was below 2016 by circa 20%.

Consumption remained broadly in line with the prior year and reflects growing wine consumption in emerging and large alcohol consuming regions, notably China and the US, largely offset by falling per capita consumption rates in Europe.

Figure 3: Global wine production and consumption[3]



* Consumption figures include ~330m 9Le cases of wine used in the production of fortifieds and industrial applications.

2. Excludes corporate costs of $53.6 million.
3. International Organisation of Vine and Wine (OIV).

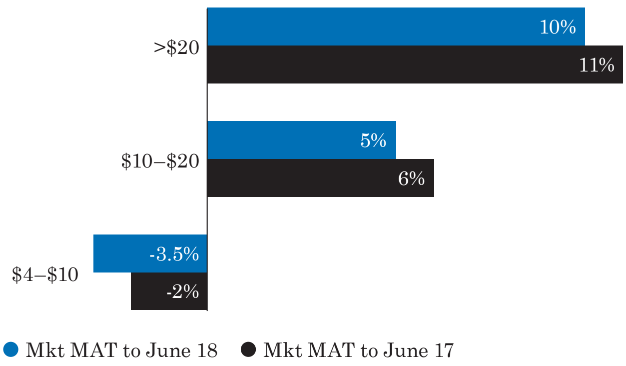
Figure 4: Forecast five-year compound annual growth rate (CAGR) in wine consumption in key growth areas and markets[4]

COUNTRY	CAGR (2017 – 2021F)
China	8.2%
Canada	1.4%
Australia	0.9%
US	0.9%
New Zealand	0.8%
Japan	(0.3)%
United Kingdom	(2.4)%

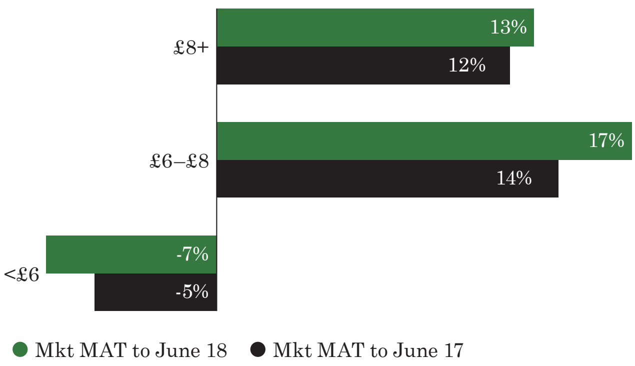
Growth in consumer demand remains strongest at the Masstige and Luxury price points; with value growth highest across these segments in all of TWE's key markets.

Figure 5: Value growth by price point

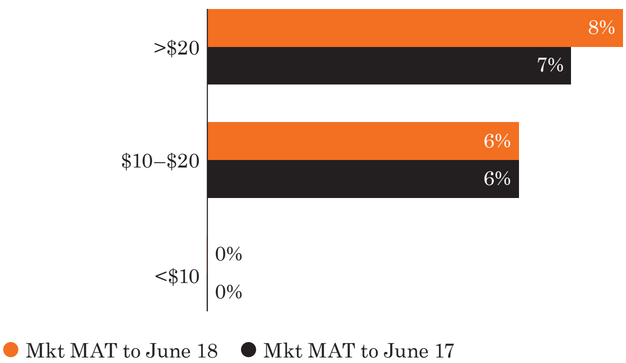
United States of America[5]



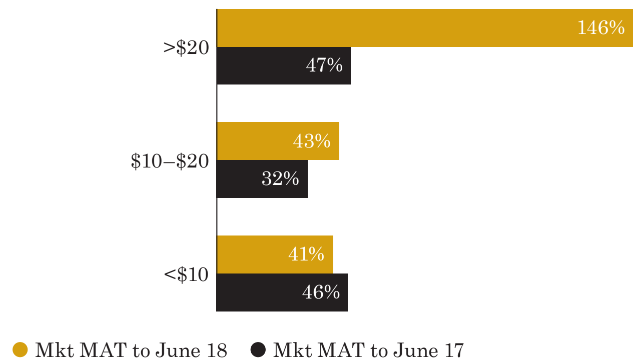
United Kingdom[6]



Australia[7]



Value growth of Australian bottled wine exports (freight on board) to China[8]



4. IWSR 2017, Still wine only.
5. IRI Market Advantage: Total Multi Outlet + Liquor, Table wine $4+, 52 weeks ending 1 July 2018.
6. Nielsen (750mL bottled still wine only) MAT to 14 July 2018.
7. Aztec Sales Data I Off-premise Channel Only I Bottled wine only I Weighted MAT to 15 July 2018.
8. Wine Australia MAT to June 2018.

TWE VISION AND STRATEGY

TWE's strategic vision and strategic imperatives have remained consistent over the last four years and are set out in Figure 6.

Figure 6: TWE's Vision and Strategy

VISION – To be the world's most celebrated wine company

JOURNEY – To move from an order-taking agricultural business to a brand-led organisation

	PEOPLE	BRANDS	MARKETS	PARTNERS	MODEL
STRATEGIC IMPERATIVES	**Build a high-performing organisation**	**Transform our portfolio**	**Win in priority markets**	**Develop long-term relationships**	**Optimise our capital base**
ACTIONS	• Drive an inclusive, supportive and collaborative culture • Grow capability now and for the future • Operate an efficient and sustainable structure	• Grow Priority Brands, one portfolio at a time • Expand into new countries-of-origin through virtual brands • Premiumise our portfolio • Invest to drive consumer pull • Deliver bigger, better campaigns	• Grow share in Asia through route-to-market and portfolio expansion • Grow in US through premiumisation and route-to-market optimisation • Expand no.1 position in Australia through category leadership • Protect profitability in other key markets	• Connect and engage with consumers • Partner with key customers to grow wine category • Drive performance for all stakeholders	• Operate sustainably, safely and responsibly • Create supply chain cost and quality advantage • Address high cost structures in mature markets • Simplify processes and ways of working

BEHAVIOURS

Focus on top priorities and deliver against them	Instil **belief** in our wines, our company and our people	Build **trust** by acting with integrity and holding ourselves to account	**Collaborate** with all stakeholders to achieve shared goals

STRATEGIC IMPERATIVE	PROGRESS AGAINST INITIATIVE IN F18
PEOPLE **Build a high-performing organisation** • Drive an inclusive, supportive and collaborative culture • Grow capability now and for the future • Operate an efficient and sustainable structure	In F18, TWE achieved the following: • Launched TWE's organisational ethos: *Thinkers. Makers. Doers. Welcome*, representing an important step in articulating the culture and the value of joining and/or staying with TWE. • Invested in our diversity agenda with the SheLeads program as part of the TWEforShe initiative, which involved the development and delivery of five modules to more than 700 women globally. • Expanded TWE's capability programs to include LEAD 1.0, a modular approach to teaching the essential competencies that underpin confidence, courage and belief to all TWE employees. • Strengthened functional capability with the launch of the Finance Academy, in addition to the continued roll out of TWE's Global Sales Academy and Global Marketing Academy. • Focused on simplification of the ways of working and business model to support sustainable future growth.
BRANDS **Transform our portfolio** • Grow Priority Brands, one portfolio at a time • Expand into new countries-of-origin through virtual brands • Premiumise our portfolio • Invest to drive consumer pull • Deliver bigger, better campaigns	In F18, TWE achieved the following: • Successfully launched TWE's first Luxury French brand, Maison de Grand Esprit in China. • Strengthened TWE's French portfolio proposition in China by securing exclusive distribution partnership with Baron Philippe de Rothschild. TWE is now distributing Mouton Cadet from France in addition to Escudo Rojo from Chile. • 19 Crimes became one of TWE's fastest growing brands with growing distribution; supported by successful new product developments (Hard Chard and Uprising). • Insight led innovation bringing Millennials into the wine category via Beringer Bros and The Walking Dead with both brands now on allocation in the US. • Refreshed Lindeman's packaging; returning excitement to the Commercial category (via partnership with Australian artist David Bromley). • Delivered continued premiumisation by proactively exiting lower margin Commercial volume to facilitate greater organisational focus on profitable Commercial segments and Luxury and Masstige, globally. • Refreshed and relaunched Seppelt with the release of the Luxury Collection in May 2018 in Australia; unveiling new branding and premium packaging.
MARKETS **Win in priority markets** • Grow share in Asia through route-to-market and portfolio expansion • Grow in US through premiumisation and route-to-market optimisation • Expand no.1 position in Australia through category leadership • Protect profitability in other key markets	In F18, TWE achieved the following: • Established a third party operated warehouse facility in Shanghai in October 2017, enabling TWE to sell a portfolio of brands to more customers, more frequently. • Expanded brand portfolio in China via growth of existing portfolio and investment in additional countries-of-origin; notably French and American. • Commenced transformational changes to TWE's route-to-market in the US to strengthen the Company's competitive positioning, drive greater brand availability and distribution and deliver EBITS margin growth. • Invested in brand and price segments in Australia where TWE is below its commensurate category share, notably in lighter-wine styles (e.g. Rosé, Pinot Grigio) as well as alternate packaging formats including cans and wine on tap. • Europe delivered on its double digit EBITS margin target, supported by increased focus on priority Masstige brands, including 19 Crimes, Lindeman's Gentleman's Collection and Wolf Blass.

STRATEGIC IMPERATIVE	PROGRESS AGAINST INITIATIVE IN F18
PARTNERS **Develop long-term relationships** • Connect and engage with consumers • Partner with key customers to grow wine category • Drive performance for all stakeholders	In F18, TWE achieved the following: • Launched the *Living Wine Labels* augmented reality app across 19 Crimes, Walking Dead, Beringer Bros, Lindeman's Gentleman's Collection and Chateau St Jean to drive in-store excitement, brand awareness and consumer communication and engagement. • Leveraged TWE's global sales capability and best practice to further strengthen strategic customer partnerships in all regions supported by joint business planning aimed at creating mutual value and margin growth for customers and TWE. • Broadened third-party grower partnerships across TWE's principal growing regions in ANZ, America and Europe, to increase access to Luxury and Masstige fruit. • TWE's new route-to-market in the US has facilitated closer and stronger direct relationships with retail and distributor partners.
MODEL **Optimise our capital base** • Operate sustainably, safely and responsibly • Create supply chain cost and quality advantage • Address high cost structures in mature markets • Simplify processes and ways of working	In F18, TWE achieved the following: • Continued to embed Destination Zero Harm, a behaviour-led safety culture program with the objective of zero harm across the Company. • Delivered in excess of A$100 million cumulative run-rate cost of goods sold (COGS) savings from TWE's Supply Chain Optimisation initiative by 31 December 2017. • Completed the integration of Diageo Wine; with US$35 million of cash synergies delivered. • Continued optimisation of TWE's viticultural asset footprint including acquisition of Wetherall vineyard in the Coonawarra region in the second half of F18 and select disposals of non-core viticultural and production assets. • Completed an on-market share buy-back of A$300 million in F18 to optimise TWE's cash and net debt position and deliver shareholder value. • Launched TWE's Simplify for Growth initiative; a global program aimed at reducing duplicated processes and driving operational efficiencies.

FUTURE PROSPECTS

TWE remains focused on leveraging its organisational, strategic and physical assets across the world to drive continued value accretion for its shareholders. Areas of current and ongoing business focus that will likely impact TWE's future operational and financial prospects include the following:

- Continuing to transition the business from an agricultural company to a brand-led organisation.
- Ongoing focus on premiumising TWE's portfolio, supported by TWE's non-current inventory of Luxury and Masstige wine.
- TWE expects to continue to launch new, virtual wine brands that are multi-regionally sourced from diverse countries-of-origin, as the Company positions itself as a truly global wine category manager.
- Ongoing focus on generating new revenue streams for TWE's brand portfolio and selectively pursuing potential opportunities for category adjacencies for some brands (e.g. Penfolds brandy and spirited wine).
- Leveraging global expertise to invest in sales and marketing capability in TWE's key growth regions; North Asia and the US.
- Continued investment in self distribution and embedding new operating model in the US; new operating model expected to be embedded in the second half of F19.
- New US operating model expected to drive greater brand availability, strengthened strategic retail and distributor partnerships and EBITS dollar and margin growth.
- TWE targets financial metrics that are consistent with an investment grade credit profile. TWE's balance sheet provides the Company with the flexibility to pursue value accretive opportunities for shareholders.
- TWE commenced its 'Simplify for Growth' program in late F18; an initiative that builds on TWE's existing capability of identifying and removing embedded cost and complexity. While 'Simplify for Growth' is primarily targeting operational efficiency, future cost savings are expected and TWE will update the market at the appropriate time.
- Maintenance and replacement capital expenditure expected in the range of $130 million to $140 million in F19.
- TWE expects to deliver approximately 25% EBITS growth in F19 and ongoing EBITS margin and ROCE accretion in F19 and beyond.
- TWE remains on a journey to deliver an EBITS margin of 25%.

MATERIAL BUSINESS RISKS

There are various risks that could have a material impact on the achievement of TWE's strategies and future prospects.

Below are those risks that TWE considers of greatest materiality to the business, and existing mitigations against these risks.

RISK	DESCRIPTION	MITIGATION
Constrained grape supply	TWE's ability to fulfil demand, in particular growing demand for Luxury wine, is restricted by the availability of grapes. Climate change, agricultural and other factors, such as disease, pests, extreme weather conditions, water scarcity, biodiversity loss and competing land use, create increased risk that TWE will be unable to fulfil demand. To the extent that any of the foregoing impact the quality and quantity of grapes available to TWE for the production of wine, the financial prospects of operations could be adversely affected, both in the year of harvest and in future periods.	• Long-term vintage planning and ongoing integrated business planning processes. • Strategic climate change remediation investment plan and vineyard capital investment plan. • Defined program to progressively reduce cost of goods sold over the next five years. • Balanced grape intake between owned/leased vineyards and third party suppliers. • Multi-regional growing and sourcing. • Innovative agronomic practices. • Strong grower relationships and defined service level agreements. • Innovation investment, including collaboration with research institutes on climate change adaption and water efficiency research, development and extension projects. • Environment Policy and Standard, monitoring and reporting systems.
Loss of key leadership/talent	TWE's ability to deliver on strategic targets is reliant on attracting and retaining experienced, skilled and motivated talent in core functions such as winemaking, sales and marketing. It also requires strong, resilient and effective leaders as the business grows at pace. Inability to retain key leaders and talent can impact relationships with TWE's key partners, result in lost business knowledge, increase risk of employee burnout and hamper the business' ability to deliver on key initiatives.	• Strategically aligned and targeted learning and development programs. • Talent review and succession planning processes. • Employee safety (including health and wellbeing) program. • Incentive and reward programs aligned to TWE's Vision and growth behaviours. • Employee retention agreements.
Brand reputation/ damage	The strength of TWE's portfolios of brands is key to the success of the business. As a brand-led organisation, managing the reputation of brands, and mitigating the potential for events that could damage brands (e.g. social and environmental risks, counterfeited product, black market trade, inaccurate media coverage, unsatisfactory supplier performance, supplier environmental or social incidents, product quality issues, etc.) is critical to TWE's ongoing success. Failure to protect and effectively manage TWE's portfolio of brands could have significant reputational and financial repercussions	• Brand portfolio and product strategy, including portfolio rationalisation, prioritisation and targeted investment in consumer marketing. • Consumer insights and innovation team supporting the monitoring and awareness of brand health and consumer trends. • Product pricing strategy and global pricing alignment. • Code of Conduct, Responsible Marketing Guidelines, Responsible Consumption program, Responsible Procurement Code, Environment Policy and Standard, Media Policy and Social Media Policy and incident management procedures. • Corporate Responsibility program. • Global media monitoring (including social/digital media). • Brand and intellectual property protection strategies.
Partner performance and market concentration	TWE relies on a number of key partners (suppliers, distributors, retailers) to support delivery of key strategic initiatives. The suboptimal performance of these partners, and/or their market concentration and power, could have a significant impact on TWE's ability to deliver these initiatives.	• Multi-regional and diversified supplier, distributor and retailer base. • Defined and pre-approved terms of engagement. • Investment in strong and multifaceted key partner relationships. • Joint business planning processes to support and align internal and partner incentives. • Quarterly performance reviews.

RISK	DESCRIPTION	MITIGATION
Changing laws and government regulations	TWE operates in a highly regulated industry in many of the markets in which it makes and sells wine. Each of these markets have differing regulations that govern many aspects of TWE's operations, including taxation, production, manufacturing, pricing, marketing, advertising, distribution and sales of wine. Remaining compliant with and abreast of changes to such regulations requires diligent and ongoing monitoring by the business. Additionally, changes and additional regulations can significantly impact the nature of operations in these markets.	• Company-wide policies, standards and procedures. • TWE compliance framework. • Crisis and Business Continuity Plans. • Specialised and experienced resources and teams. • Executive Leadership Team oversight via the Risk, Compliance and Governance Committee. • TWE assurance framework, including targeted reviews from external and internal audit and other specialist providers. • Relationships and engagement (where relevant) with key government, industry advocacy and regulatory bodies.
Significant business disruption and/or catastrophic damage or loss	TWE's scope of operations exposes it to a number of business disruption risks, such as environmental catastrophes, natural and man-made hazards and incidents, or politically motivated violence. Significant business disruption could result in TWE sites or employees being harmed or threatened, loss of key infrastructure, inventory shortages or loss, customer dissatisfaction, or financial and reputation loss.	• Crisis and Business Continuity Plans, training and resources. • Dedicated health and safety team oversight, audit programs and training. • Preventative repair and maintenance program. • Multi-regional and global sourcing and production capability. • Comprehensive insurance program.
Foreign exchange rate impacts	TWE is exposed to foreign exchange risk from a number of sources, namely from the export of Australian produced wine to key offshore markets in North America and Europe. Foreign exchange rate movements impact TWE's earnings on a transactional and translational basis.	• Active foreign exchange hedging strategy. • Partial natural hedges (purchases and sales within the same currency) where possible. • Matched debt funding of assets by currency, where possible.
Information security/cyber/ fraud threat	Data/information security is essential to protect business critical intellectual property and privacy of data. Continuing advances in technology, systems and communication channels mean increasing amounts of private and confidential data are now stored electronically. This, together with increasing cyber-crime, heightens the need for robust data security measures.	• Information Security Policy, supporting framework and specialised resources. • Restricted and segregated management of sensitive business/supplier/customer data. • Periodic employee training and alerts to ensure secure handling of sensitive data. • Crisis management and IT Disaster Recovery Plans. • Periodic user access and general system penetration testing.
Infrastructure supporting growth	The business relies on IT infrastructure, systems and processes to support ongoing business growth. Where such infrastructure cannot efficiently support the changing needs of the business, there is risk of process inefficiency and/or error increasing costs, processing time and damaging business reputation.	• Defined IT roadmap and strategy approved by the Board/Executive Leadership Team. • Implementation of global Enterprise Resource Planning system and reporting capability. • IT policies and supporting procedures (security, change management, project management, etc.). • System/process gap analysis and project prioritisation by Executive Leadership Team. • Documentation and mapping of key processes and controls across the business. • Semi-annual key control self-assessment process.
Changing consumer preferences/ market trends	The business' ability to effectively manage current and non-current inventory is intrinsically linked to actual and forecast consumer demand – particularly given the long product lead-time and agricultural nature of the business. Unanticipated changes in consumer demand or preferences can have adverse effects on the business' ability to either capture growth opportunities or manage supply.	• Dedicated consumer insights and innovation teams tracking consumer trends and researching new opportunities. • Brand portfolio and product strategy, including portfolio rationalisation, prioritisation and targeted investment in consumer marketing. • Integrated business planning processes, including portfolio reviews and global volume alignment processes. • Strategic focus on premium (high demand) categories.

PROFIT REPORT

Financial Performance

A$M (UNLESS OTHERWISE STATED)	F18	REPORTED CURRENCY F17	REPORTED CURRENCY CHANGE	CONSTANT CURRENCY F17	CONSTANT CURRENCY CHANGE
Volume (m 9Le cases)	34.6	36.4	(5.1)%*	36.4	(5.1)%*
Net sales revenue (NSR)	2,429.0	2,401.7	1.1%*	2,387.9	1.7%*
NSR per case ($)	70.25	65.96	6.5%	65.58	7.1%
Other Revenue	67.4	132.5	(49.1)%	131.3	(48.7)%
Cost of goods sold	(1,435.6)	(1,568.3)	8.5%	(1,560.7)	8.0%
Cost of goods sold per case ($)	41.52	43.07	3.6%	42.86	3.1%
Gross profit	1,060.8	965.9	9.8%*	958.5	10.7%*
Gross profit margin (% of NSR)	43.7%	40.2%	8.7%	40.1%	9.0%
Cost of doing business	(530.6)	(510.8)	(3.9)%	(509.3)	(4.2)%
Cost of doing business margin (% of NSR)	21.8%	21.3%	(0.5)ppts	21.3%	(0.5)ppts
EBITS	**530.2**	**455.1**	**16.5%**	**449.2**	**18.0%**
EBITS margin (%)	21.8%	19.0%	2.8ppts	18.8%	3.0ppts
SGARA	(15.1)	(5.7)	NM#	(5.2)	NM#
EBIT	**515.1**	**449.4**	**14.6%**	**444.0**	**16.0%**
Net finance costs	(33.4)	(27.1)	(23.2)%	(26.7)	(25.1)%
Tax expense	(116.7)	(130.4)	10.5%	(131.4)	11.2%
Net profit after tax (before material items)	**365.0**	**291.9**	**25.0%**	**285.9**	**27.7%**
Material items (after tax)	(4.6)	(22.0)	79.1%	(21.0)	78.1%
Non-controlling interests	(0.1)	(0.8)	87.5%	(0.8)	87.5%
Net profit after tax	**360.3**	**269.1**	**33.9%**	**264.1**	**36.4%**
Reported EPS (A¢)	49.7	36.5	36.2%		
Net profit after tax (before material items and SGARA)	**376.0**	**293.4**	**28.2%**	**286.9**	**31.1%**
EPS (before material items and SGARA) (A¢)	51.8	39.8	30.2%		
Average no. of shares (m)	725.7	736.8			
Dividend (A¢)	32.0	26.0	23%		

* As part of TWE's route-to-market transition in the US, TWE proactively destocked a former distributor partner primarily in states where TWE is now directly distributing. These actions resulted in a negative impact to volume, NSR and gross profit in TWE's F18 results.
# Not meaningful.

Financial headlines[1,2]

- Underlying volume up 2.7%; lower headline volume principally reflects exit from more than 2 million 9Le cases of lower margin Commercial volume and route-to-market transition in the US
- Net Sales Revenue (NSR) up 1.7%. Strong NSR per case growth, up 7.1% driven by portfolio premiumisation and price realisation, despite supply constrained Luxury brands
- EBITS of $530.2 million, up 18%. One-off $25 million adverse EBITS impact from route-to-market transition in the US included within EBITS
- EBITS margin accretion of 3.0ppts to 21.8%
- Strong uplift in NPAT, Reported EPS and EPS (before material items and SGARA)
- Underlying cash conversion was 82.5% adjusting for the impact of one-off items. Headline cash conversion was 68.0%
- Underlying cash conversion of 82.5% excludes the benefit from utilisation of receivables financing arrangements, relating to the receivables of high credit-quality retail customers in Australia and the UK throughout F18
- ROCE accretion delivered; up by 1.0ppts to 12.6%
- Net debt[3]/EBITDAS, adjusted for operating leases of 1.9x and interest cover of 16.1x[4]

Business headlines

- Delivered 18% EBITS growth in a 'foundation year' where TWE established optimal operating business models as well as appropriate structures for distributor, wholesaler and retailer partnerships across all regions

1. Financial information in this report is based on audited financial statements. Non-IFRS measures have not been subject to audit or review. The non-IFRS measures are used internally by Management to assess the operational performance of the business and make decisions on the allocation of resources.
2. Unless otherwise stated, all percentage or dollar movements from prior periods contained in the Profit Report are pre material items and on a constant currency basis.
3. Borrowings have been reduced by $12.7 million (F17: $4.1 million increase) to reflect a fair value hedge of a portion of US Private Placement notes.
4. Interest cover is calculated as the ratio of earnings to net interest expense, where earnings is the consolidated pre-tax profit (pre material items and SGARA) plus the sum of the amount of net interest expense adjusted for amortised interest costs, per financial covenants.

- Route-to-market changes in the US executed in the second half of F18. Embedding new operating model and ways-of-working expected to be completed in F19
- Completion of global initiative to proactively exit lower margin Commercial volume; more than 2 million 9Le cases exited in F18 with no adverse impact to Group COGS per case
- EBITS margin accretion largely driven by underlying portfolio premiumisation, above category growth in Australia and Asia, supply chain savings and Diageo Wine synergies
- Diageo Wine supply chain integration and cumulative run-rate COGS savings target of $100 million from Supply Chain Optimisation initiative delivered in F18

Dividend and share buy-back

- Final dividend of 17 cents per share, fully franked; bringing F18 full year dividend to 32 cents per share; up 23% on prior corresponding period (pcp) and representing a pay-out ratio of 65%[5]
- $300 million on-market share buy-back completed in F18 at average price of $15.41 and delivering EPS accretion

Outlook

- Continued investment in brand portfolio initiatives aimed at delivering incremental sales, EBITS and EBITS margin
- Focus on embedding new operating model in US and investing in new ways of working with customers. Operating model expected to be embedded in the second half of F19
- Long-term investment in winemaking expected to deliver step-up in Luxury conversion capabilities, globally
- 'Simplify for Growth' initiative commenced in F18; expected to deliver process efficiency, brand returns and future cost savings

Revenue by region[6]

		REPORTED CURRENCY		CONSTANT CURRENCY	
A$M	F18	F17	%	F17	%
Net Sales Revenue					
ANZ	598.7	591.3	1.3%	589.9	1.5%
Asia	547.6	394.3	38.9%	393.7	39.1%
Americas	961.8	1,083.8	(11.3)%*	1,061.1	(9.4)%*
Europe	320.9	332.3	(3.4)%	343.2	(6.5)%
Total sales revenue	**2,429.0**	**2,401.7**	**1.1%**	**2,387.9**	**1.7%**
Other revenue	67.4	132.5	(49.1)%	131.3	(48.7)%
Total Revenue	**2,496.4**	**2,534.2**	**(1.5)%**	**2,519.2**	**(0.9)%**

* As part of TWE's route-to-market transition in the US, TWE proactively destocked a former distributor partner primarily in states where TWE is now directly distributing. These actions resulted in a negative impact to volume, NSR and gross profit in TWE's F18 results.

Volume

- Underlying volume growth of 2.7% delivered by Asia and ANZ through strategic customer partnerships, focused brand investment and optimised routes-to-market
- Headline reduction in volume driven by:
  - Ongoing focus on driving premiumisation by proactively driving portfolio mix change
  - Proactive exit from more than 2 million 9Le cases of lower margin Commercial tiers and customer arrangements (notably in US, UK and South East Asia, Middle East and Africa (SEAMEA))
  - Planned shipment reduction associated with the US route-to-market change
  - Prior model deep discounting in the US in the last quarter of F17 not repeated in the last quarter of F18

Revenue

- Net Sales Revenue up 1.7%, with NSR per case up 7.1%, driven by portfolio premiumisation, top line momentum in Asia and ANZ, and price realisation across key, supply constrained Luxury brands
- Other revenue down 49%, reflecting the exit of third party distribution arrangements in New Zealand as part of the route-to-market change in F18 and revenue in F17 recognised on sale of bulk wine associated with the divestment of the NPC brand portfolio in July 2016

Cost of Goods Sold (COGS)

- COGS per case lower than pcp driven by Supply Chain Optimisation savings and realisation of Diageo Wine synergies, partially offset by portfolio premiumisation and higher underlying COGS in US
- Cumulative run-rate COGS savings target of $100 million from TWE's Supply Chain Optimisation initiative delivered in F18

Cost of Doing Business (CODB)

- CODB up $21.3 million (up 4%) to $530.6 million largely due to increased investment in Advertising and Promotion (A&P) and organisational capability in Asia and a step-up in Overheads in the US to align organisational structure with the new direct route-to-market

5. TWE targets a dividend payout ratio of between 55%–70% of Net Profit After Tax (pre material items and SGARA) over a fiscal year. F18 payout ratio excludes the $20.9 million one-off tax benefit from US tax reform.
6. Prior year comparatives have been restated to reflect the transition of the LATAM business from Europe to Americas.

EBITS by region[6]

		REPORTED CURRENCY		CONSTANT CURRENCY	
A$M	F18	F17	%	F17	%
ANZ	136.1	111.1	22.5%	108.1	25.9%
Asia	205.2	150.1	36.7%	149.2	37.5%
Americas	193.0	196.0	(1.5)%	189.7	1.7%
Europe	49.5	41.0	20.7%	45.3	9.3%
Corporate	(53.6)	(43.1)	(24.4)%	(43.1)	(24.4)%
TWE EBITS	**530.2**	**455.1**	**16.5%**	**449.2**	**18.0%**

Corporate costs
- Corporate costs up $10.5 million to $53.6 million reflecting investment in organisational capability and higher amortisation as a result of investment in TWE's global IT system in F17

EBITS
- EBITS of $530.2 million, up 18% on a constant currency basis, principally driven by premiumisation, strong momentum in Asia, ANZ and Europe, supply chain savings and Diageo Wine synergies, partially offset by increased CODB
- EBITS includes a one-off $25 million adverse EBITS impact associated with the route-to-market transition in the US
- EBITS margin up 3.0ppts to 21.8%

SGARA
- SGARA loss of $15.1 million ($9.9 million higher than pcp) driven by the 2017 Californian vintage; partially offset by the 2018 ANZ vintage and the unwind of prior vintage losses, notably the 2016 Californian and 2015 Australian vintages

Net finance costs
- Net finance costs higher than pcp, principally driven by increased average borrowings

Tax expense
- Lower tax expense reflects a one-off benefit of $20.9 million arising due to the restatement of TWE's net deferred tax liability in respect to its US operations, following the enactment of the US Tax Cuts and Jobs Act
- Effective tax rate in F18 of 24.2% (F17: 30.8%). Excluding the one-off benefit, TWE's effective tax rate was 28.6% in F18

Material items
- Post-tax material items expense of $4.6 million reflects final integration costs associated with the integration of Diageo Wine

Net profit after tax (NPAT)
- NPAT before material items up to $365 million (+28%) driven by higher EBITS and lower tax expense, partially offset by higher SGARA loss and net finance costs

Earnings Per Share (EPS)
- EPS (before SGARA and material items) increased 30% to 51.8cps and Reported EPS up 36% to 49.7cps; both on a reported currency basis. EPS (before SGARA, material items and one-off tax benefit) up 22.9% to 48.9cps

Balance Sheet (condensed)[7]

A$M	F18	F17
Cash and cash equivalents	89.4	240.8
Receivables	593.3	607.9
Current inventories	1,012.3	947.9
Non-current inventories	952.1	763.9
Property, plant and equipment	1,416.5	1,328.5
Agricultural assets	41.3	37.7
Intangibles	1,128.9	1,095.8
Tax assets	154.5	208.0
Assets held for sale	45.2	36.0
Other assets	12.2	12.8
Total assets	**5,445.7**	**5,279.3**
Payables	759.3	719.9
Borrowings	879.6	600.5
Tax liabilities	245.3	285.0
Provisions	49.4	64.8
Other liabilities	15.8	0.6
Total liabilities	**1,949.4**	**1,670.8**
Net assets	**3,496.3**	**3,608.5**

Balance sheet movements as at 30 June 2018
Net assets down $112.2 million to $3,496.3 million, principally driven by an increase in net debt, partially offset by increased inventory. Adjusting for movements in foreign exchange rate movements, net assets decreased by $168.9 million

Cash and cash equivalents
Lower cash balance principally driven by $300 million share buy-back, increased dividends and tax paid and higher working capital (driven by higher inventory); partially offset by continued earnings growth

Working Capital
Higher working capital relative to 30 June 2017, reflecting:

- Increased inventory, up $252.6 million to $1,964.4 million versus F17 driven by:
  - Intake from the high quality, lower yielding vintages in California in 2017 and in Australia in 2018

6. Refer to footnote 6 on page 21.
7. Unless otherwise stated, balance sheet percentage or dollar movements from the previous period are on a reported currency basis and in respect of the prior corresponding period.

- A significant increase in Luxury grape grade conversion drove a strong uplift in production of Luxury Australian wine in 2018
  - Planned repurchase of distributor inventory associated with the route-to-market change in the US
  - Inclusion of French brand portfolio inventory (Maison de Grand Esprit and Mouton Cadet)
  - Continued focus on premiumising TWE's overall inventory mix; increasing Luxury and Masstige availability and exiting lower margin Commercial volume
- Higher payables driven by business growth as well as increased brand building investment in North Asia to support Australian, US and French brand portfolios
- Lower receivables driven by exit from lower margin Commercial volume and working capital financing initiatives, partially offset by phasing of sales due to the US route-to-market change and industry delays on Australian wine imports into China in the last quarter of F18

Property, plant and equipment
Property, plant and equipment increased $88.0 million to $1,416.5 million reflecting investments in Australia, the US and New Zealand, notably the acquisition of the Wetherall vineyard; a premium vineyard in Coonawarra, South Australia

Agricultural assets
Agricultural assets at 30 June 2018 represent the market value of unharvested grapes prior to the 2018 US vintage with the increase reflecting recent investments in vineyard redevelopment

Intangibles
Adjusting for foreign currency movements, intangible assets increased by $17.0 million, principally reflecting TWE's investment in IT systems, notably to support its new route-to-market in the US

Provisions
Lower provisions relative to pcp, driven by utilisation of restructuring-related provisions in respect of the integration of Diageo Wine (now complete)

Tax and other assets
Increase in net deferred tax liabilities principally relates to the unwind of deferred tax assets recognised on the Diageo Wine acquisition, partially offset by the revaluation of net US deferred tax liabilities following the enactment of the US Tax Cuts and Jobs Act

Assets held for sale
Increase in assets held for sale reflects barrels to be sold under sale and lease back arrangements and surplus supply assets in the US and Australia

Borrowings[8]
Borrowings increased $279.1 million to $879.6 million, predominantly reflecting funding associated with TWE's share buy-back program

Balance sheet leverage
Net debt/EBITDAS of 1.9x (adjusted for operating leases) and interest cover of 16.1x

Funding structure
At 30 June 2018, TWE had committed debt facilities totalling approximately $1.3 billion, comprising;

- Drawn bank facilities of $274.1 million and $544.3 million of US Private Placement notes
- Undrawn committed, syndicated debt facilities totalling $483.1 million

Weighted average term to maturity of committed facilities of 4.5 years

Cash flow – reconciliation of net debt

A$M (UNLESS OTHERWISE STATED)	F18	F17
EBITDAS	**627.7**	**563.4**
Change in working capital	(177.1)	(67.4)
Other items	(23.8)	(23.5)
Net operating cash flows before financing costs, tax and material items	**426.8**	**472.5**
Cash conversion	**68.0%**	**83.9%**
Capital expenditure	(215.4)	(210.4)
Net investment proceeds/(expenditure)	50.1	50.9
Cash flows after net capital expenditure, before financing costs, tax and material items	**261.5**	**313.0**
Net interest paid	(29.3)	(24.5)
Tax paid	(93.7)	(32.0)
Cash flows before dividends and material items	**138.5**	**256.5**
Dividends/distributions paid	(203.7)	(184.6)
Cash flows after dividends before material items	**(65.2)**	**71.9**
Material item cash flows	(8.1)	(3.9)
On-market share buy-back	(300.0)	–
On-market share purchases	(42.9)	(65.9)
Total cash flows from activities	**(416.2)**	**2.1**
Opening net debt	**(354.8)**	**(365.0)**
Total cash flows from activities (above)	(416.2)	2.1
Proceeds from settlement of derivatives	–	0.6
Debt revaluation and foreign exchange movements	(31.3)	7.5
Increase in net debt	**(447.5)**	**10.2**
Closing net debt	**(802.3)**	**(354.8)**

8. Borrowings have been reduced by $12.7 million (F17: $4.1 million increase) to reflect a fair value hedge of a portion of US Private Placement notes.

Movement in net debt

Net debt increased $447.5 million to $802.3 million. Drivers of the movement in net debt included:

EBITDAS

EBITDAS increased $64.3 million on a reported currency basis driven by premiumisation, strong momentum in Asia, ANZ and Europe, Supply Chain savings and Diageo Wine synergies, partially offset by increased CODB

Movement in working capital[9]

Net working capital outflow driven by:

- Increased inventory reflecting intake from the high quality, lower yielding vintages in California in 2017 and Australia in 2018, the inclusion of French brand portfolio inventory as well as inventory repurchased as part of TWE's route-to-market change in the US
- Higher payables, driven by business growth as well as increased brand building investment in North Asia to support Australian, US and French brand portfolios
- Lower receivables driven by exit from lower margin Commercial volume and working capital finance initiatives, partially offset by phasing of sales due to the US route-to-market change, and industry delays on Australian wine imports into China in the last quarter of F18

Other items

Other items reflects movements in provisions and profit on sale of assets

Capital expenditure

Capital expenditure (capex) of $215.4 million comprising:

- Maintenance and Replacement capex of $128.3 million; slightly higher than guidance due to incremental expenditure in F18 associated with vineyard investment
- Capex of $36.9 million for Diageo Wine integration (now complete)
- Vineyard acquisitions of $36.8 million to increase access to Luxury and Masstige supply, notably the acquisition of the Wetherall vineyard; a premium vineyard in Coonawarra
- Other investment in growth initiatives of $13.3 million

In F19, Maintenance and Replacement capex expected in the range of $130 million to $140 million (including oak barrels), reflecting increased growth and scale of Luxury operations

Net investment proceeds/(expenditure)

Net investment expenditure reflects proceeds received from the sale and leaseback of oak barrels and the sale of surplus supply assets

Net interest paid

Increased net interest paid driven by higher average drawn debt

Dividends paid

Increase in dividends paid reflects F18 interim dividend of 15 cents per share and F17 final dividend of 13 cents per share, representing an increase of 12% relative to pcp

Tax paid

Increase in tax paid predominantly reflects Australia being in a full tax paying position in F18

Material items

Material items outflow driven by restructuring and redundancy costs associated with the integration of Diageo Wine (now complete)

On-market share purchases

Increase in issued share transactions reflects:

- Purchase and cancellation of $300 million of issued capital under TWE's share buy-back program; executed at an average price of $15.41 per share; and
- Upfront acquisition of shares in connection with vesting of TWE's Long-Term Incentive Plans, and underlying appreciation in TWE's share price

Exchange rate impact

Lower period-end exchange rates used to revalue foreign currency borrowings and cash as at 30 June 2018 increased net debt by $31.3 million

Cash conversion

- Underlying cash conversion was 82.5% after adjusting for inventory repurchased as part of TWE's route-to-market transition in the US, delayed sales due to clearance delays of Australian wine imports into China in the last quarter of F18 and the inclusion of French brand portfolio inventory (Maison de Grand Esprit and Mouton Cadet). Headline cash conversion was 68.0%
- Underlying cash conversion of 82.5% excludes the benefit from utilisation of receivables financing arrangements, relating to the receivables of high credit-quality retail customers in Australia and the UK throughout F18

9. Change in working capital reflects operating cash flow movements.

AMERICAS

Financial performance[10]

		REPORTED CURRENCY		CONSTANT CURRENCY	
A$M	F18	F17	%	F17	%
Volume (m 9Le)	13.7	15.8	(13.3)%*	15.8	(13.3)%*
NSR (A$m)	961.8	1,083.8	(11.3)%*	1,061.1	(9.4)%*
NSR per case (A$)	70.43	68.81	2.4%	67.37	4.5%
EBITS (A$m)	193.0	196.0	(1.5)%	189.7	1.7%
EBITS margin (%)	20.1%	18.1%	2.0ppts	17.9%	2.2ppts

* As part of TWE's route-to-market transition in the US, TWE proactively destocked a former distributor partner primarily in states where TWE is now directly distributing. These actions resulted in a negative impact to volume, NSR and gross profit in TWE's F18 results.

Historical EBITS and EBITS margin*

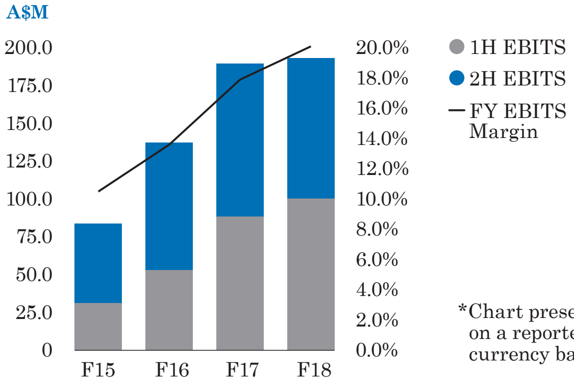


*Chart presented on a reported currency basis.

Business performance

- Underlying volume growth flat versus pcp, before taking into account the following adverse impacts:
  - Exit from lower margin Commercial volume
  - Shipment reduction associated with the US route-to-market changes
  - Prior model deep discounting in F17 not repeated in F18
  - Total shipments below depletions by >400k cases
- Luxury and Masstige depletions growth continued to be strong, up 6%, combined
- NSR down 9.4%, driven by lower volume. NSR per case growth driven by favourable portfolio mix, price realisation on some supply constrained Luxury brand tiers, partially offset by continued reallocation of brand building investment to Discounts and Rebates (D&R) to drive on-shelf availability
- Ongoing impact of lower yielding, high quality vintages driving higher COGS, notably across leased vineyards. Increased underlying COGS per case offset by supply chain savings in F18. TWE working to offset higher COGS in F19
- Favourable CODB driven by ongoing reallocation of A&P to D&R to drive distribution availability, partially offset by investment in Overheads ahead of US direct route-to-market changes in F18 and one-off items netting to $8 million included in EBITS in pcp, principally relating to profit on asset sales
- Strong EBITS growth and margin accretion in Canada; partnership with Mark Anthony Wine & Spirits delivering significant improvement in in-market execution
- LATAM EBITS up 37% versus pcp driven by premiumisation and expansion in markets including Mexico and the Caribbean region
- Americas EBITS up 1.7% to $193.0 million, reflecting underlying premiumisation, partially offset by the $25 million one-off adverse EBITS impact from the route-to-market transition in the last quarter of F18

Americas regional perspectives

- US wine industry volume (excluding bag in box) continues to be flat; Commercial in decline and Masstige and Luxury segments in growth[11]
- Integration of Diageo Wine completed in the first half of F18, following the consolidation of packaging to Sonoma Bottling Centre
- Route-to-market transition executed in the US in F18; TWE continuing to invest in self-distributing 25% of its business in large, direct states and transitioned 15% of its business to new, growth-oriented distributor partners
- Positive initial signs of new operating model; gross profit per case delivered by direct states in the US in the last quarter of F18 higher than pcp reflecting early benefits of route-to-market change
- Positive feedback from strategic, national retail customers in the last quarter of F18 as TWE leverages global sales and marketing capability to further strengthen direct customer partnerships and drive category growth
- TWE continuing to embed new operating model in the US and investing in new ways of working with customers; new operating model expected to be embedded in the second half of F19

10. Prior year comparatives have been restated to reflect the transition of the LATAM business from Europe to Americas; F17 EBITS restated from $189.0 million to $196.0 million.
11. IRI Market Advantage, Table $4+ excluding bag in box, 52 weeks ending 1 July 2018, Total US Multi Outlet + Liquor.

REGIONAL SUMMARIES

ASIA

Financial performance

		REPORTED CURRENCY		CONSTANT CURRENCY	
A$M	F18	F17	%	F17	%
Volume (m 9Le)	4.3	3.5	23.2%	3.5	23.2%
NSR (A$m)	547.6	394.3	38.9%	393.7	39.1%
NSR per case (A$)	125.93	111.70	12.7%	111.53	12.9%
EBITS (A$m)	205.2	150.1	36.7%	149.2	37.5%
EBITS margin (%)	37.5%	38.1%	(0.6)ppts	37.9%	(0.4)ppts

Historical EBITS and EBITS margin*

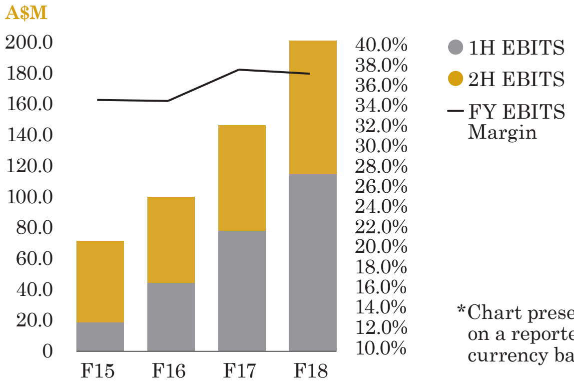


*Chart presented on a reported currency basis.

Business performance

- Volume growth of 23% to 4,348k 9Le cases; North Asia up 41% versus pcp, and South East Asia, Middle East and Africa (SEAMEA) down 6%
- F18 volume growth led by Australian and French brand portfolios, up 27% and 296%, respectively partially offset by deliberate exit of lower margin Commercial volumes in SEAMEA, largely relating to Blossom Hill
- Excluding Blossom Hill, US brand portfolio volume up 44% led by Luxury tiers of Beringer, Beaulieu Vineyard and Sterling Vineyards
- Forward days of inventory cover broadly in line with previous corresponding period
- Higher NSR per case driven by increased Luxury volume, proactive reduction in Blossom Hill Commercial volume in SEAMEA and price realisation on select supply-constrained Luxury brands
- Higher A&P investment in F18; in the second half of F18 A&P investment more than double pcp to support Australian, US and French brand portfolios in North Asia
- Ongoing investment in sales, marketing and organisational capabilities and presence in Asia underpinned increased Overheads
- Despite higher CODB, positive operating leverage from stronger NSR growth drove lower CODB margin in F18
- EBITS up 38% to $205.2 million and EBITS margin of 37.5%; slightly higher than the stated guidance range of 32–37%

Asian regional perspectives

- Fundamentals of Asian wine market continue to be attractive; imported wine category taking share from declining local wine category[12]
- Industry delays on Australian wine imports into China in the last quarter of F18 appear to have abated. Strong engagement with regional and national government authorities
- Shanghai warehouse facility operational in F18. Warehouse model already providing increased access to regional retailers in China, with customer transition ongoing
- Successful in-market launch of Maison De Grand Esprit in F18; with 1,000+ distribution points achieved in North Asia in F18
- China distribution agreement with Baron Philippe de Rothschild commenced in January; positive momentum seen in F18
- Focus on premiumisation and leveraging organisational capability to deepen strategic retail and e-commerce customer partnerships in SEAMEA
- TWE continues to focus on driving portfolio growth in Asia; including Penfolds, other Australian, US, French and Italian wines
- Asia expected to deliver EBITS margin of 35%+ in F19 and beyond

12. As per IWSR Global Database 2017.

AUSTRALIA & NEW ZEALAND (ANZ)

Financial performance

		REPORTED CURRENCY		CONSTANT CURRENCY	
A$M	F18	F17	%	F17	%
Volume (m 9Le)	7.9	7.8	1.7%	7.8	1.7%
NSR (A$m)	598.7	591.3	1.3%	589.9	1.5%
NSR per case (A$)	75.47	75.84	(0.5)%	75.66	(0.3)%
EBITS (A$m)	136.1	111.1	22.5%	108.1	25.9%
EBITS margin (%)	22.7%	18.8%	3.9ppts	18.3%	4.4ppts

Historical EBITS and EBITS margin*

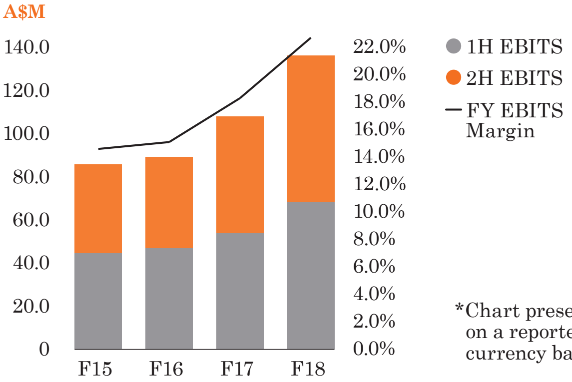


*Chart presented on a reported currency basis.

Business performance

- ANZ volume growth of 1.7% to 7,933k 9Le cases; Australia volume growth outperformed Australian wine category[13]
- NSR per case in line with pcp; strong Masstige portfolio growth, offset by the impact of the transition to distributor model in New Zealand. Adjusting for the route-to-market transition, underlying NSR per case increased 4%
- Lower COGS per case supported by continued realisation of supply chain savings
- Lower-cost distributor model in New Zealand and reduced COGS per case offset increased investment in organisational capability (Overheads); largely incurred in the first half of F18
- CODB margin broadly unchanged, with a one-off benefit of $4 million relating to profit on asset sales in F18 offsetting the impact of increased Overheads
- EBITS up 26% to $136.1 million with margin accretion of 4.4ppts to 22.7%

ANZ regional perspectives

- Australian wine market volume is growing at c.0–1%[13], with premiumisation driving higher value growth
- Successfully relaunched Seppelt Luxury Collection in the second half of F18 with nationwide in-store execution and outstanding online and print media marketing campaign
- A'Tivo cans launched in the second half of F18 in Australia; strengthening TWE's share of refreshment category growth
- TWE continues to target aspirational 25% volume and value market share in Australia, driven by investment in portfolio growth and innovation within the Masstige segment
- Relationships with strategic customers remain strong and collaborative; joint business planning processes are maturing
- TWE's on-premise channel returned to growth in F18; continued investment in Wine On Tap and Choice of Pour
- Successful transition to distributor route-to-market model in New Zealand in F18; distributor model and realigned portfolio mix positions New Zealand for growth in F19
- NSR per case growth expected in F19 in ANZ underpinned by Luxury and Masstige volume and value growth and lapping of the impact of the route-to-market transition in New Zealand in F18

13. Due to incompleteness of available market data, this is a Management estimate.

REGIONAL SUMMARIES

EUROPE

Financial performance[14]

A$M	F18	REPORTED CURRENCY F17	REPORTED CURRENCY %	CONSTANT CURRENCY F17	CONSTANT CURRENCY %
Volume (m 9Le)	8.6	9.3	(7.5)%	9.3	(7.5)%
NSR (A$m)	320.9	332.3	(3.4)%	343.2	(6.5)%
NSR per case (A$)	37.16	35.59	4.4%	36.76	1.1%
EBITS (A$m)	49.5	41.0	20.7%	45.3	9.3%
EBITS margin (%)	15.4%	12.3%	3.1ppts	13.2%	2.2ppts

Historical EBITS and EBITS margin*

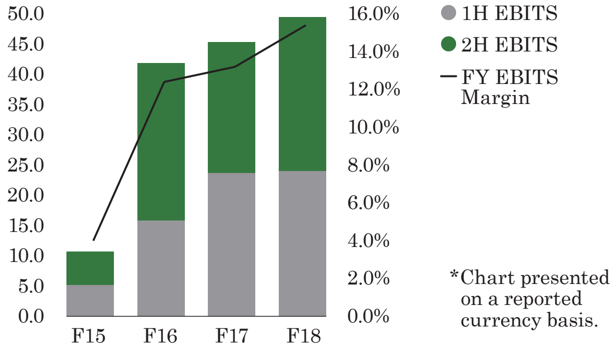


*Chart presented on a reported currency basis.

Business performance

- Volume decline of 8% to 8,637k 9Le cases, reflecting exit from lower margin Blossom Hill Commercial volume as well as the exit from under-bond wholesale market in the UK
- Higher NSR per case driven by continued focus on driving priority Masstige brands, notably Wolf Blass, Lindeman's Gentleman's Collection and 19 Crimes and favourable mix within the Commercial segment
- Favourable COGS per case reflects integration of Diageo Wine and continued supply chain savings
- Overheads largely in line with pcp, reflecting implementation of organisational structure changes made in F17 and continued focus on managing costs
- EBITS up 9% to $49.5 million, and EBITS margin accretion delivered, up 2.2ppts to 15.4%

Europe regional perspectives

- UK wine market conditions remain challenging, with a declining wine category and continued uncertainty from Brexit
- Premiumisation continues in the UK with Luxury and Masstige wine volume growing at c.16%, and Commercial declining c.7%[15]
- Continued prioritisation of key markets (UK, Sweden and Netherlands) and priority brands (Wolf Blass, Lindeman's, Blossom Hill and 19 Crimes)
- Targeted brand building investment supporting priority brands including launch of three-year partnership between Wolf Blass and the International Cricket Council and relaunch of Lindeman's packaging
- Fit for purpose organisational structure now implemented and driving cost efficiencies
- Strengthened partnerships with key European retailers driving improved distribution of priority brands; focus continues to be on joint business planning and increasing share of shelf space
- Europe positioned to deliver positive volume growth and continued double digit EBITS margin in F19, supported by strengthening customer partnerships, focused investment on priority brands and maintaining an efficient organisational structure

14. Prior year comparatives have been restated to reflect the transition of the LATAM business from Europe to Americas; F17 EBITS restated from $48.0 million to $41.0 million.
15. Nielsen, Total Coverage, Total Still Light Wine, 52 weeks ending 14 July 2018 (750ml bottle still wine only).

VINTAGE UPDATE

California

A dry and warm winter concluded with late rainfalls and cooler conditions in March. The late winter rains and moderate growing season thereafter are expected to result in the 2018 harvest being later than 2017, with timing more aligned to long-term averages. The remainder of the growing season is expected to be warm, with overall yields anticipated to be higher than 2017. Key varietals, including Cabernet in Napa; and Chardonnay and Pinot Noir in Sonoma and the Central Coast are currently benefitting most from the favourable growing conditions and continued investments in estate vineyards. The quality of the 2018 vintage will not be impacted by the California wildfires from late 2017.

Australia

The 2018 Australian harvest reflects a high quality vintage, with yields returning to long-term averages. Despite seasonal challenges of early frost and then some new year heat spikes, an extended and moderate ripening period leading into harvest has produced a high quality vintage across most of TWE's growing regions and varietals – Barossa Valley Shiraz; McLaren Vale Shiraz and Cabernet Sauvignon; Coonawarra and Robe Cabernet Sauvignon; Tasmanian Pinot Noir and Chardonnay; and Western Australian Chardonnay and Cabernet Sauvignon.

New Zealand

The 2018 vintage experienced warm to hot conditions during the early growing season, followed by late season rains. Regional variations of these conditions were evident, with the extreme growing conditions resulting in wines showing high levels of concentration and character. Overall industry yields were higher than 2017, with TWE experiencing a notable uplift in Central Otago Pinot Noir.

CORPORATE RESPONSIBILITY

In 2018, TWE is proud to present the Company's inaugural Sustainability Report, which outlines how TWE works to create long-term value through its Corporate Responsibility program, as well as through effective management of environmental, social and governance topics.

Corporate Responsibility (CR) information found in TWE's previous Annual Reports, has moved to the Sustainability Report, including fiscal year updates on:

- the CR program and its strategic priorities;
- health, safety and environment; and
- product quality and safety.

The Sustainability Report is available online via TWE's corporate website, at www.tweglobal.com/responsibility.

The release of TWE's inaugural Sustainability Report coincides with the commencement of TWE's refreshed CR program.

In F18, the Global CR Council oversaw a review of TWE's CR program, including its pillars, guiding principles, strategic priorities and governance framework.

The review considered the Company's vision, strategy and business priorities, and was supported by a comprehensive CR materiality assessment[1]. The review informed the identification of the Company's priority environmental, social and governance (ESG) topics. These topics were grouped, resulting in the establishment of four key pillars – Performance, Planet, People and Product.

The four pillars encompass and build on the previous CR program priorities which applied in F18; being Sustainable Sourcing, Volunteering and Community, and Responsible Consumption.

In F18, following the CR program review and the CR materiality assessment, the Company identified seven priority United Nations Sustainable Development Goals (SDGs). These SDGs were identified as having the most impact on TWE, whilst also being closely aligned to the Company's vision and strategy, and are:

- Goal 3: Good health and well-being
- Goal 5: Gender equality
- Goal 6: Clean water and sanitation
- Goal 7: Affordable and clean energy
- Goal 12: Responsible consumption and production
- Goal 13: Climate action
- Goal 17: Partnerships for the goals

A visual representation of TWE's CR framework and its alignment to TWE's strategy and the SDGs is shown in Figure 7.

1. The CR materiality assessment was a process undertaken to inform TWE of its stakeholders' views on ESG topics. Priority ESG topics identified through the CR process are therefore not necessarily TWE's material risks. TWE's material business risks are outlined in the Operating and Financial Review in this Annual Report.

Figure 7: TWE's Corporate Responsibility framework

VISION	To be the world's most celebrated wine company			
MISSION	Create long term value for TWE and everyone who touches our Company by being sustainable in everything we do			
TWE STRATEGIC IMPERATIVES	PARTNERS MARKETS	MODEL	PEOPLE	BRANDS
CR PILLAR	PERFORMANCE	PLANET	PEOPLE	PRODUCT
GUIDING PRINCIPLE	*Be transparent and hold ourselves to account*	*Be sustainable and efficient when sourcing and producing our wine*	*Respect and enhance the lives of our people and our communities*	*Create quality wines that are consumed and promoted responsibly and safely*
AMBITION	*Our stakeholders believe in and trust our Company to operate sustainably*	*Our environmental impact is sustainable and reducing over time*	*Our peoples' human rights, safety and wellbeing is protected*	*Our wines are produced, marketed and consumed responsibly*

PRIORITY UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 17 PARTNERSHIPS FOR THE GOALS

For more information on the CR program, the CR program review, and the Company's F18 performance in relation to identified ESG topics, please see TWE's 2018 Sustainability Report.

F18 KEY HIGHLIGHTS

PERFORMANCE

- Reviewed CR program
- Completed CR materiality assessment
- Identified seven priority SDGs

PLANET

- Launched the Sustainable Future framework
- Achieved 100% sustainability certification of vineyards and wineries
- Improved water and energy efficiency in wineries and packaging centres

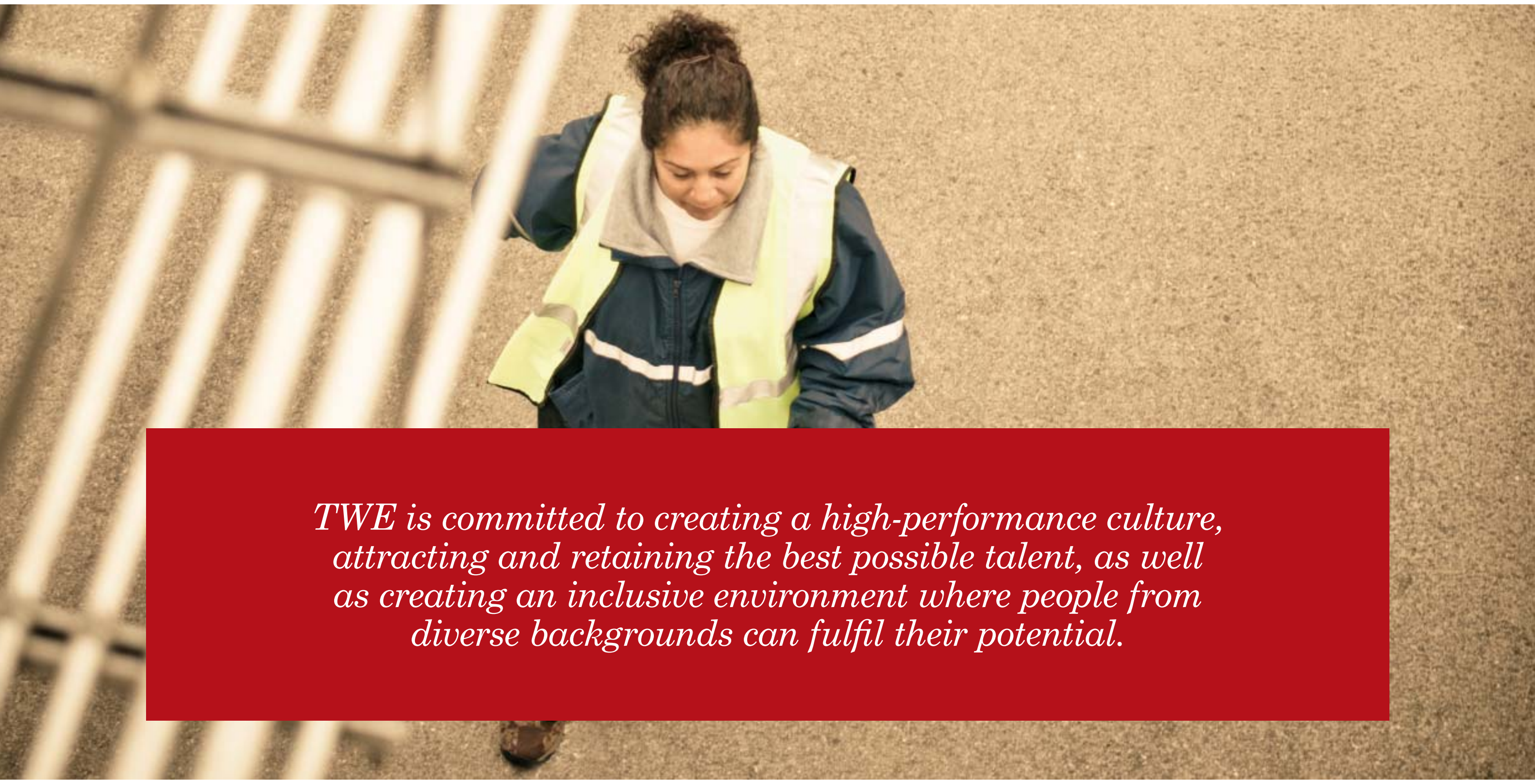
PEOPLE

- Added Human Rights or ESG topics to codes and policies
- Contributed over A$1 million in value to the community
- Decreased Serious Incident Frequency Rate (SIFR) by 30%

PRODUCT

- Integrated social media into the Responsible Marketing Guidelines
- Trained 97.1% of employees on TWE's Alcohol Policy
- Maintained third party quality and food safety certifications

DIVERSITY AND INCLUSION



TWE is committed to creating a high-performance culture, attracting and retaining the best possible talent, as well as creating an inclusive environment where people from diverse backgrounds can fulfil their potential.

TWE's commitment also serves to broaden the Company's collective knowledge and give TWE a competitive edge. It helps the Company to understand and connect more effectively with its customers, communities and consumers and drive stronger engagement with employees.

The Board has committed to reviewing and assessing progress against TWE's diversity and inclusion objectives annually. To that end, the Company is pleased to report progress made in F18, together with its F19 measurable objectives.

The Company's Diversity and Inclusion Policy can be found on the Company's website: www.tweglobal.com/investors/corporate-governance

F18 objectives

Recommendation 1.5 of the ASX Corporate Governance Principles and Recommendations states that a company's board or board committee is to set the measurable objectives for achieving gender diversity.

The diversity objectives and measures set by the Board for F18 were:

1. Increase gender diversity in leadership
   Continue the journey towards achieving an increase in females in leadership roles to 38% by 2020.
2. Develop inclusive leaders
   A total of 75% of senior leaders meet or exceed expectations on Inclusive Leadership.

Executive Leadership Team diversity objectives

The Chief Executive Officer (CEO) and all Executive Leadership Team (ELT) members had a diversity Key Performance Objective (KPO) to deliver the above objectives in F18.

F18 progress

To achieve the objectives, various initiatives were undertaken throughout F18, including:

- Our global Employee Value Proposition, *'Thinkers. Makers. Doers. Welcome'*, was launched with a focus on promoting inclusion and gender diversity.
- Launch of the second phase of the 'TWEforShe' global program, focused on 'on-the-job learning', to support women across our business in unlocking their potential, and creating a truly balanced and high performing culture at TWE.
- The fourth global *Mary Penfold* Leadership Award for Outstanding Female Leadership was awarded.

- Reinforcement of Inclusive Leadership by training and upskilling the Global Talent Acquisition team on unconscious bias and coaching hiring managers.
- Reinforcement of Inclusive Leadership through bias interrupters and during key people activities.
- Implementation of a toolkit to support employees who take parental leave.
- Gender pay equity review recommendations were implemented.

The ELT continued to operate as the Diversity Council in F18 to focus their efforts on setting appropriate goals and targets, monitoring progress, and driving action.

The following outcomes were recorded against the objectives for the reporting period:

- Female representation in leadership roles as at 30 June 2018 was 37.1% from 37.3% in F17.
- 98% of employees agreed that senior leaders met or exceeded expectations on Inclusive Leadership.

F19 objectives and initiatives

As is the case in nurturing TWE's premium wines, investment and time yield great results. F18 has continued momentum and in F19 the Company will continue to invest in core areas of diversity and Inclusive Leadership through the following objectives to deliver sustainable improvement:

1. Increase gender diversity in leadership
   Continue the journey towards achieving an increase in females in leadership roles to 38% by 2020.
2. Develop inclusive leaders
   A total of 75% of senior leaders meet or exceed expectations on Inclusive Leadership.

The following initiatives have been identified to maintain momentum in F19 and achieve the Company's objectives:

- Continue executive mentoring and sponsorship of female talent;
- Leverage momentum through continued investment in the 'TWEforShe' global program, aimed at building female capability and realising their potential through 'on-the-job' learning;
- Continuation of the *Mary Penfold* Leadership Award in celebration of outstanding female leadership; and
- Implementation a 360-degree survey to measure senior leaders' Inclusive Leadership.

Executive Leadership Team diversity objectives

The CEO and all ELT members have a diversity KPO to deliver the above objectives in F19.

Organisational gender profile

The Company makes the following diversity disclosures in relation to Recommendation 1.5 of the ASX Corporate Governance Principles and Recommendations:

RECOMMENDATION 1.5 REQUIREMENT	
Proportion of women in the whole organisation	As at 30 June 2018, 39.8% of the Group's employees were women.
Proportion of women in senior executive[1] positions within the Group	As at 30 June 2018, 40% of the senior executive positions within the Group were held by women.
Proportion of women on the Board of the Company	As at 30 June 2018, 25% of the Company's Board of Directors (including executive directors) were women. The Board is committed to ensuring that it is comprised of individuals with appropriate skills, experience, and diversity to develop and support the Company's strategic aims. In 2017, the Board set an aspirational target to achieve 30% female representation by 2018 as vacancies and circumstances allow. Further details are set out in the Corporate Governance section of the Annual Report.

As an Australian based business, the Company complies with the *Workplace Gender Equality Act* which requires annual filings to the Australian Workplace Gender Equality Agency (WGEA) disclosing 'Gender Equality Indicators'. The WGEA report covering the 12-month period ended 31 March 2018, is published on the WGEA website and the TWE website at tweglobal.com/careers/diversity-inclusion

1. For the purposes of this disclosure, the Company has defined 'senior executive' as the Chief Executive Officer and his/her direct reports. To note, using the TWE definition of leader, 37.1% of roles were held by women as at 30 June 2018.

BOARD OF DIRECTORS




Left to right:
Paul Rayner
Michael Clarke
Ed Chan
Michael Cheek

Paul Rayner B.Ec, MAdmin, FAICD
Chairman

Member of the Board since May 2011 and Chairman of the Board and the Nominations Committee since 1 September 2012.

Mr Rayner is an independent Director and is an Australian resident.

He brings to the Board extensive international experience in markets relevant to Treasury Wine Estates including Europe, North America, Asia, as well as Australia. He has worked in the fields of finance, corporate transactions and general management in the consumer goods, manufacturing and resource industries. His last role as an executive was as Finance Director of British American Tobacco plc, based in London, from January 2002 to 2008.

Mr Rayner is also a director of Qantas Airways Limited (since July 2008 and where he also serves as Chairman of the Remuneration Committee), Boral Limited (since September 2008 and where he also serves as Chairman of the Audit and Risk Committee) and Murdoch Children's Research Institute (since December 2014 and where he also serves as Chairman of the Audit, Finance and Risk Committee).

Mr Rayner was a director of Centrica Plc, a UK listed company, from September 2004 until December 2014.

Michael Clarke CA, B.Com
Managing Director and Chief Executive Officer

Member of the Board since March 2014.

Mr Clarke has dual Irish/South African citizenship and is an Australian resident.

He has held senior executive roles at Kraft Foods, where he was President of the Company's European business and sat on the global operating board, The Coca-Cola Company and Reebok International. He was Chief Executive Officer of the UK publicly listed company Premier Foods Plc, where he led a significant turnaround of the business.

Mr Clarke was a director of Quiksilver Inc. from April 2013 to February 2016 and a director of Wolseley plc from March 2011 until March 2014.

In alphabetical order:

Ed Chan B.A/Ec, MS
Non-executive Director

Member of the Board since September 2012 and a member of the Audit and Risk Committee.

Mr Chan is an independent Director and a Hong Kong resident.

He is currently a director of Hong Kong-listed LINK REIT (since February 2016) and Yum China Holdings, Inc (since October 2016). Mr Chan is also the former Vice Chairman of Charoen Pokphand Group (from January 2012 to February 2018) and a former director of Hong Kong-listed CP Lotus (from April 2012 to February 2018). From 2006 to 2011 Mr Chan was the President and CEO of Wal-Mart China. He has also held senior positions with Dairy Farm including his last position as North Asia Regional Director, as well as leading the Bertelsmann Music Group business in Greater China. Mr Chan began his career as a consultant with McKinsey & Co working in both Hong Kong and the United States.

Michael Cheek B.BA (Hons)
Non-executive Director

Member of the Board since September 2012 and a member of the Human Resources Committee.

Mr Cheek is an independent Director and a United States resident.

He has more than 25 years' experience in the alcohol beverages industry in senior executive positions, including 14 years of leadership in the US wine industry.

He has held prior roles as Chairman of Finlandia Vodka Worldwide for the Brown-Forman Corporation and also as a non-executive director for Glenmorangie. His career spans over 10 years with Brown-Forman in executive roles, including President, Global Spirits Group and President, North American Spirits. Mr Cheek also spent over nine years with The Coca-Cola Company in senior positions in both The Wine Spectrum and in Coca-Cola USA.

Mr Cheek is the Chairman of Nelson's Green Brier Distillery, a non-executive director of Jose Cuervo and a member of the Board of Advisers of privately owned Conecuh Investors, LLC.




Left to right:
Warwick Every-Burns
Garry Hounsell
Colleen Jay
Lauri Shanahan

Warwick Every-Burns AMP, Harvard University (Advanced Management Program)

Non-executive Director

Member of the Board since May 2011, Chairman of the Human Resources Committee and a member of the Nominations Committee.

Mr Every-Burns is an independent Director and is an Australian resident.

He was Chief Executive Officer of Treasury Wine Estates on an interim basis from 23 September 2013 until 30 March 2014.

Mr Every-Burns previously worked for more than 30 years in the consumer packaged goods sector. Most recently, he was President of International Business and a member of the Worldwide Executive Committee of The Clorox Company, a NYSE-listed, S&P 500 business with a market capitalisation of circa US$17 billion. He was based at The Clorox Company's headquarters in the United States for more than five years. Mr Every-Burns began his career at Unilever, is a former Managing Director of Glad Products of Australia and New Zealand, and was formerly on the Advisory Council of the Frontier Strategy Group.

Mr Every-Burns is a director of The a2 Milk Company Limited (since August 2016).

Garry Hounsell B.Bus (Acc), FCA, FAICD

Non-executive Director

Member of the Board since September 2012, Chairman of the Audit and Risk Committee and a member of the Nominations Committee.

Mr Hounsell is an independent Director and is an Australian resident.

He is currently Chairman of Myer Holdings Limited (a director since September 2017 and Chairman since November 2017) and Helloworld Limited (since October 2016). Mr Hounsell is also a director of the Commonwealth Superannuation Corporation Limited (since July 2016).

Mr Hounsell is a former Chairman of PanAust Limited (from July 2008 to August 2015) and former director of Qantas Airways Limited (from January 2005 to February 2015), Integral Diagnostics Limited (from October 2015 to March 2017), and Dulux Group Limited (from July 2010 to December 2017) and has held senior positions at Ernst & Young and Arthur Andersen.

Colleen Jay B.BA (Hons)

Non-executive Director

Member of the Board since April 2018 and a member of the Audit and Risk Committee.

Ms Jay is an independent Director and a United States resident.

Ms Jay has extensive experience in the fast-moving consumer goods industry, acquired over a long and successful career at Procter & Gamble (P&G, NYSE: PG), an American multinational consumer goods company, between 1985 and 2017. She has held a number of senior leadership roles at P&G, including President of Global Retail Hair Care & Colour and her most recent position as President of the US$5 billion Global Beauty Specialty business, where she also led a complex transition and divestiture of several businesses.

Ms Jay has significant global experience having lived and worked in the United States, Europe, China and Canada. Her leadership experience includes significant global line operational leadership, strategy creation and execution, global brand building, new business development, transformational innovation and M&A.

Ms Jay is currently an independent non-executive director of The Cooper Companies (NYSE: COO).

Lauri Shanahan JD Business Law, BS Finance

Non-executive Director

Member of the Board since November 2016 and a member of the Human Resources Committee.

Ms Shanahan is an independent Director and a United States resident.

Ms Shanahan has extensive retail, consumer brand, e-commerce and governance experience. Ms Shanahan has held senior executive positions, including as Chief Administrative Officer, Chief Legal Officer and Corporate Secretary with The Gap Inc, where she was involved in leading the company's domestic and international expansion. Ms Shanahan also founded the consulting practice Maroon Peak Advisors of which she is a Principal.

Ms Shanahan is currently Chair of fashion retailer Charlotte Russe Holding Inc and a director of Cedar Fair Entertainment Company and Deckers Outdoor Corporation.

CORPORATE GOVERNANCE

The Board believes good corporate governance and transparency in corporate reporting is a fundamental part of the Group's culture and business practices.

During the year, the Board continued to govern the Company through the execution of its strategy of transitioning from an agricultural to a brand-led, high-performance organisation. Key governance focuses of the Board for the year included:

- Continued commitment to the governance of workplace health and safety performance and developing a culture of leadership on safety across the business, with the ongoing development and implementation of the safety framework, Destination Zero Harm, and related programs designed to empower the Company's leaders to engage their teams and lead safety performance.
- Input into, and approval of, management's development of corporate strategy, including setting performance objectives and approving the annual financial budget; and monitoring corporate performance and the implementation of strategy and policy.
- Approving and overseeing transformational changes to TWE's route-to-market in the United States (US), which are expected to strengthen the Company's competitive positioning, increase efficiency and effectiveness and drive portfolio growth.
- Board succession planning, including the appointment and induction of new independent non-executive director, Colleen Jay, who joined the Board on 1 April 2018.
- Supporting and monitoring changes to the Executive Leadership Team, which are designed to ensure the successful implementation of the route-to-market changes in the US and accelerate the Company's growth plans in order to deliver further value creation for shareholders.
- Oversight of management's continued commitment to a culture of high-performance and ethical conduct to lead the global business and setting remuneration policy to attract and retain the best possible talent and reward high performance.
- A comprehensive review of the Group's Risk Profile and Risk Management Framework to further enhance the assessment and management of current and emerging material business risks facing the Group.
- Approving, and overseeing the execution of, the $300 million on-market share buy-back.
- Maintaining effective governance to facilitate high-quality processes and internal controls as the business continues to grow.
- Overseeing the process for the rotation of the external audit partner, as well as the process for the tender of internal audit co-source services.

INTRODUCTION

The Board is committed to conducting the Company's business ethically and in accordance with high standards of corporate governance. This is essential for the long-term performance and sustainability of the Company and to protect the interests of its stakeholders.

To this end, the Board regularly reviews the charters and key policies that underpin the Company's corporate governance practices to ensure they remain appropriate, reflect high standards of governance and meet regulatory requirements. The Company's governance practices complied with the third edition of the ASX Corporate Governance Principles and Recommendations for the financial year.

This Corporate Governance section provides an overview of the Board's operations, details on the governance framework and the key governance focuses of the Board for the financial year.

The full Corporate Governance Statement, which outlines the key aspects of the Company's corporate governance framework and practices for the year ended 30 June 2018, together with the Appendix 4G *Key to Disclosures – Corporate Governance Council Principles and Recommendations* and key governance documents, including the constitution, charters and policies, are available on our website at www.tweglobal.com/investors/corporate-governance.

BOARD OF DIRECTORS

Members of the Board

The Board continues to comprise a majority of independent directors with all directors, other than the Chief Executive Officer (CEO), being independent non-executive directors.

There were several changes to the Board during the year, including the appointment of Colleen Jay as a non-executive director with effect from 1 April 2018. Ms Jay is a US resident with extensive experience in the fast-moving consumer goods industry, including significant global line operational leadership, strategy, global brand building, transformational innovation and mergers and acquisitions. Ms Jay's appointment was the culmination of an extensive global search conducted by an external search firm, which included appropriate background checks (including criminal, bankruptcy, education, qualifications and reference checks). In addition, Peter Hearl and Lyndsey Cattermole retired as non-executive directors on 31 August 2017 and 18 October 2017 respectively.

Since the end of the year, the Company has announced the retirement of Michael Cheek with effect from the end of the 2018 Annual General Meeting on 18 October 2018.

The Board is committed to ensuring it is comprised of individuals with appropriate skills, experience and diversity to develop and support the Company's strategic aims, having regard to its five strategic imperatives. The Board utilises a skills matrix to assist in assessing the mix of skills, experience and diversity on the Board, and to identify areas of focus to supplement the mix of skills and experience as part of Board succession planning.

The Board considers that its members collectively possess the appropriate competencies and attributes that enable the Board to discharge its responsibilities effectively, contribute to the Company's strategic direction and oversee the delivery of its corporate objectives.

Areas of competence and skills of the Board of directors are summarised in Table 1 below.

Table 1 – Areas of Competence and Skills – Board of Directors

Strategic Imperatives

PEOPLE	BRANDS	MARKETS	PARTNERS	MODEL
Build a high-performing organisation	**Transform our portfolio**	**Win in priority markets**	**Develop long-term relationships**	**Optimise our capital base**

Directors' Skills

AREA	COMPETENCE/EXPERIENCE
Industry	Wine, alcohol beverages, consumer and brand marketing, supply chain, distribution, route-to-market.
Leadership and Strategy	Listed company experience, business strategy development, business and executive leadership, CEO experience, mergers and acquisitions.
Finance and Business	Financial acumen, financial accounting, audit, corporate finance, capital management, e-commerce and technology.
Governance and Regulatory	Corporate governance, legal, regulatory, health, safety and environment, government relations, risk management, human resources and remuneration.
International	International business experience, international industry experience.

The Board recognises the importance of cultural, geographic and gender diversity amongst its members which is reflected in the current representation on the Board, with four non-executive directors based offshore in regions in which the Company operates. In 2017, the Board set an aspirational target to achieve 30% female representation on the Board by the 2018 Annual General Meeting as vacancies and circumstances allow. As at the date of this Annual Report, women represent 25% of the Board, and will represent 29% of the Board following the retirement of Mr Cheek at the end of the 2018 Annual General Meeting. The Board is committed to achieving the 30% target and therefore continues to be actively engaged in succession planning in order to achieve this target, with a focus on appointing candidates to the Board with the desired mix of skills, experience and diversity.

The Board is committed to ensuring its performance is enhanced through its director induction and ongoing education program. The Board's ongoing education calendar incorporated site visits throughout the financial year to a number of the Company's operational facilities. Further, presentations were given by management and external parties concerning developments impacting, or likely to impact, the business.

Independence

The Board, having reviewed the position and associations of all non-executive directors currently in office, considers that all non-executive directors are independent.

During the year, non-executive directors met periodically without the presence of management to have the opportunity to discuss key matters amongst the non-executive directors.

Role of the Board

The responsibilities of the Board as set out in the Board Charter include:

Strategic guidance and effective oversight of management

- Providing input and approval of the Group's corporate strategy, performance objectives and business plans as developed by management.
- Appointing the CEO and managing succession planning, as well as overseeing changes to the Executive Leadership Team, with a view to ensuring senior management has the appropriate resources to enable implementation of the Company's strategic initiatives.
- Directing, monitoring and assessing the Group's performance against strategic and business plans.
- Approving and monitoring capital management, including major capital expenditure, acquisitions and divestments.

Risk assessment and management

- Reviewing and evaluating the integrity of the Group's systems of risk management, legal compliance, and internal compliance and control.

Obligations to stakeholders

- Monitoring and reviewing processes aimed at ensuring integrity of financial and other reporting.
- Monitoring compliance with adopted strategies, procedures and standards, including corporate governance standards.

Board Committees

Three standing Board Committees have been established to assist the Board in fulfilling its responsibilities.

Board of Directors

Audit and Risk Committee

Oversees: Financial reporting, risk management and internal controls, external and internal audit, capital management and compliance.

Key focuses for F18 included:

- Updating the Group's Risk Profile and Risk Management Framework, including revisions to risk assessments and the inclusion of new emerging risks.
- Reviewing the scope of the annual internal and external audit programs and overseeing the conduct and coordination of those programs, as well as the performance and independence of the internal and external auditors.
- Overseeing the process for the rotation of the external audit partner and the process for the tender of internal audit co-source services.
- Reviewing significant accounting and financial reporting related matters raised by management and the auditors.
- Reviewing workplace health, safety and environmental matters across the Group.
- Reviewing whistleblower matters reported across the Group.
- Reviewing the register of potential conflicts of interests disclosed by employees.
- Monitoring the Group's insurance renewal program.
- Reviewing and recommending to the Board the approval of the F18 full year and interim financial reports.
- Recommending to the Board the approval of the on-market share buy-back and overseeing its execution.

Nominations Committee

Oversees: Board composition, performance of the Board, Board Committees and individual directors, as well as succession planning.

Key focuses for F18 included:

- Assessing the competencies of the directors to ensure the appropriate range of skills and expertise amongst Board members.
- Board succession planning, including recommending to the Board the appointment of Colleen Jay as a new non-executive director with effect from 1 April 2018.
- Reviewing the composition of Board Committees.
- Overseeing, and receiving reports from the Chairman of the Board concerning the reviews of performance of individual directors, the Board as a whole and the operation of the Board Committees.
- Assessing the independence of directors and suitability of director candidates for re-election and election.

Human Resources Committee

Oversees: Training, development and succession planning for senior management, Company's diversity policy, evaluation of senior executive performance and remuneration and non-executive directors' fees.

Key focuses for F18 included:

- Reviewing the level of annual fixed remuneration and incentive compensation arrangements for the CEO and senior executives, including reviewing remuneration arrangements in connection with senior executive changes during the year.
- Reviewing the attainment of STI and LTI performance conditions by the CEO and senior executives.
- Reviewing and recommending to the Board the approval of the Company's F18 Remuneration Report.
- Overseeing the implementation of initiatives to facilitate the Group's diversity and inclusion objectives.
- Reviewing the base fee and committee fees payable to non-executive directors.
- Monitoring global trends in executive remuneration.
- Overseeing the appointment of a new remuneration consultant, including approving the terms of engagement.

GOVERNANCE POLICIES

The Company has a number of governance policies which guide how it does business, including:

- Code of Conduct, which recognises that the Company's reputation is one of its most valuable assets, founded on the ethical behaviour of the people who represent the Company;
- Disclosure Policy, which recognises the importance of timely disclosure of the Company's activities to shareholders and market participants so that trading in the Company's shares takes place in an informed market;
- Fraud and Corruption Policy, which confirms the Company's commitment to a zero tolerance approach to bribery and corruption;
- Whistleblower Policy, which promotes and supports the Company's culture of honest and ethical behaviour by encouraging the reporting of instances of unethical, illegal or fraudulent behaviour or any other matter that may contravene the Company's Code of Conduct, policies or the law;
- Potential Conflicts of Interest Policy, which guides the disclosure and management of potential conflicts of interest;
- Share Trading Policy, which prohibits trading in the Company's shares by directors and employees if they are in possession of 'inside information' and also during 'blackout' periods, and provides additional restrictions that specifically apply to directors, Executive Leadership Team members and certain employees who have been notified by the Chief Legal Officer or Company Secretary; and
- Risk Management Policy, as well as a Risk Management Framework, which provide guidance and direction on the management of risk in the Company and state the Company's commitment to the effective management of risk to reduce uncertainty in the Company's business outcome.

DIRECTORS' REPORT

The directors of Treasury Wine Estates Limited (the Company) present their report together with the financial report for the Company and its controlled entities (the Group) for the financial year ended 30 June 2018 and the auditor's report.

The sections referred to below form part of, and are to be read in conjunction with, this Directors' Report:

- Operating and Financial Review (OFR)
- Board of Directors
- Remuneration Report

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were viticulture and winemaking, and the marketing, sale and distribution of wine.

STATUTORY INFORMATION

The Group's consolidated financial statements have been presented for the financial year ended 30 June 2018 and appear on pages 64 to 111.

DIRECTORS

The directors of the Company during the financial year and up to the date of this report are:

	DATE OF APPOINTMENT
Lyndsey Cattermole AM (retired 18 October 2017)	10 February 2011
Warwick Every-Burns	9 May 2011
Paul Rayner	9 May 2011
Peter Hearl (retired 31 August 2017)	17 February 2012
Garry Hounsell	1 September 2012
Ed Chan	1 September 2012
Michael Cheek	1 September 2012
Michael Clarke (Chief Executive Officer)	31 March 2014
Lauri Shanahan	1 November 2016
Colleen Jay	1 April 2018

Particulars of the current directors' qualifications, experience and Board Committee responsibilities are detailed in the Board of Directors section of this Annual Report.

DIRECTORS' MEETINGS

The number of Board and Board Committee meetings and the number of meetings attended by each of the directors of the Company during the financial year are listed below:

Meetings held during 2018 financial year

	BOARD MEETINGS[1]		AUDIT AND RISK COMMITTEE[1]		HUMAN RESOURCES COMMITTEE[1]		NOMINATIONS COMMITTEE[1]		ADDITIONAL MEETINGS[2]
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	ATTENDED
Paul Rayner[3]	11	11	2	2	–	–	4	4	6
Michael Clarke	11	11	–	–	–	–	–	–	5
Lyndsey Cattermole[4]	4	4	2	2	–	–	–	–	–
Ed Chan[5]	11	11	4	4	–	–	–	–	–
Michael Cheek	11	11	–	–	7	7	–	–	–
Warwick Every-Burns	11	9[6]	–	–	7	7	4	4	1
Peter Hearl[7]	3	2[8]	1	1	–	–	–	–	–
Garry Hounsell	11	11	5	5	–	–	4	4	4
Colleen Jay[9]	4	3[10]	1	1	–	–	–	–	–
Lauri Shanahan	11	11	–	–	7	6[11]	–	–	–

1. Shows the number of meetings held and attended by each director during the period that the director was a member of the Board or Committee. Directors who are not members of Board Committees do attend Committee meetings from time to time. The above table reflects the meeting attendance of directors who are members of the relevant Committee(s).
2. Reflects the number of additional formal meetings attended during the financial year by each director, including Committee meetings (other than Audit and Risk Committee, Human Resources Committee or Nominations Committee) where any two directors are required to form a quorum.
3. Mr Rayner was a member of the Audit and Risk Committee from 19 October 2017 to 10 April 2018.
4. Mrs Cattermole retired as a director and member of the Audit and Risk Committee with effect from 18 October 2017.
5. Mr Chan joined the Audit and Risk Committee with effect from 1 September 2017.
6. Mr Every-Burns attended all scheduled Board meetings. This number reflects his absence from two unscheduled Board meetings due to prior commitments.
7. Mr Hearl retired as a director and member of the Audit and Risk Committee with effect from 31 August 2017.
8. Mr Hearl attended all scheduled Board meetings while he was a director. This number reflects his absence from one unscheduled Board meeting due to a prior commitment.
9. Ms Jay was appointed as a director and a member of the Audit and Risk Committee with effect from 1 April 2018.
10. Ms Jay attended all scheduled Board meetings since her appointment on 1 April 2018. This number reflects her absence from one unscheduled Board meeting due to a prior commitment.
11. Ms Shanahan attended all scheduled Human Resources Committee meetings. This number reflects her absence from one unscheduled Human Resources Committee meeting, which was due to a prior commitment.

Directors' interests in share capital

The relevant interest of each director in the share capital of the Company as at the date of this report is disclosed in the Remuneration Report.

DIVIDENDS

Interim dividend: The Company paid an interim dividend of 15 cents per ordinary share on 6 April 2018. The dividend was 75% franked.

Final dividend: Since the end of the financial year, the directors have declared a final dividend of 17 cents per share, fully franked and payable on 5 October 2018.

The record date for entitlement to this dividend is 6 September 2018.

	DIVIDEND PER SHARE	$M
Interim dividend paid on 6 April 2018	15 cents per share	$107.7
Final dividend payable on 5 October 2018	17 cents per share	$122.2
Total	32 cents per share	$229.9

The Company paid shareholders a final dividend in respect of the 2017 financial year of $96.0 million.

EVENTS SUBSEQUENT TO BALANCE DATE

On 29 August 2018, the Company announced that non-executive director, Michael Cheek, will retire from the Board with effect from the end of the 2018 Annual General Meeting, which will be held on 18 October 2018.

Other than as disclosed in the financial statements, 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.

CORPORATE RESPONSIBILITY

Matters of environmental and social significance to the Group are primarily addressed within the Corporate Responsibility (CR) program. This program is governed by the Global CR Council, comprising the Chief Executive Officer and senior representatives from regional and functional areas of the business.

Further detail on the Group's CR program, strategy, initiatives and achievements are detailed in the Corporate Responsibility section of this Annual Report and the Company's inaugural 2018 Sustainability Report.

ENVIRONMENTAL REGULATION

Management of environmental issues is a core element of the work program of sustainability and technical teams across the globe, and is detailed in the Corporate Responsibility section of this Annual Report and the 2018 Sustainability Report, with the Group subject to a range of licences, permits and internal policies and procedures governing its operations.

Additionally, the Group's operations are subject to a number of regulatory frameworks governing energy and water consumption, waste generation and greenhouse gas reporting.

The Group recognises the direct link between effective management of its environmental impacts and its business success. To this end, the Group's environment policies, procedures and practices are designed to ensure that the Group maintains focus on resource efficiency and continuous improvement, and that environmental laws and permit conditions are complied with. Compliance with these regulatory and operational programs has been incorporated into relevant business practices and processes. The Company monitors its operations through a Health, Safety and Environment (HSE) Management System, overlaid with a risk management and compliance system overseen by the Audit and Risk Committee. The Global CR Council provides executive oversight of the Company's strategic approach to managing the environmental challenges it faces. Although the Company's various operations involve relatively low inherent environmental compliance risk, matters of non-compliance are identified from time to time and are corrected. Where required, the appropriate regulatory authority is notified.

During the financial year, the Group was not found to be in breach of any environmental regulations.

Under the compliance system, the Audit and Risk Committee and the Board receive six-monthly reports detailing matters involving non-compliance and potential non-compliance. These reports also detail the corrective action that has been taken.

PROCEEDINGS ON BEHALF OF THE COMPANY

There are no proceedings brought or intervened in, or applications to bring or intervene in proceedings, on behalf of the Company by a member or other person entitled to do so under section 237 of the *Corporations Act 2001* (Cth).

NON-AUDIT SERVICES AND AUDITOR INDEPENDENCE

KPMG is the Company's auditor, appointed with effect from 23 October 2013.

The Group may decide to engage the auditor, KPMG, on assignments additional to their statutory audit duties where such services are not in conflict with their role as auditor and their expertise and/or detailed experience with the Company may allow cost efficiencies for the work.

The Board has considered the position and, in accordance with advice received from the Audit and Risk Committee, is satisfied that the provision of non-audit services by KPMG is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth). The Board also notes that:

- All non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the actual or perceived impartiality and objectivity of KPMG and are consistent with the Committee's rules of engagement contained in its Charter; and
- None of the services provided by KPMG undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the financial year, the fees paid or payable for non-audit services provided by KPMG as the auditor of the Company and its related practices totalled $160,797. Amounts paid or payable for audit and non-audit services are disclosed in note 31 of the Financial Statements.

A copy of the auditor's independence declaration is set out on page 43 and forms part of this report.

INDEMNITIES AND INSURANCE

Rule 40 of the Company's Constitution provides that the Company will, to the extent permitted by law, indemnify directors and officers of Group companies in respect of any liability, loss, damage, cost or expense incurred or suffered in or arising out of the conduct of the business of the Group or in or arising out of the proper performance of any duty of that director or officer.

Each director of Treasury Wine Estates Limited has entered into a Deed of Indemnity, Insurance and Access (Deed) with the Company. Several members of the senior executive team have also entered into a Deed. No director or officer of the Company has received a benefit under an indemnity from the Company during the period ended 30 June 2018 or to the date of this report.

In accordance with the Company's Constitution and the Deed, the Company has paid a premium in respect of an insurance contract that covers directors and officers of the Group companies against any liability arising in or out of the conduct of the business of the Group and the proper performance of any duty of that director or officer. Due to confidentiality undertakings of the policy, no further details in respect of the premium or the policy can be disclosed.

ROUNDING

Treasury Wine Estates Limited is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/19* and, except where otherwise stated, amounts in the statutory financial statements forming part of this report have been rounded off to the nearest one hundred thousand dollars or to zero where the amount is $50,000 or less.

Dated at Melbourne 29 August 2018.

Paul Rayner
Chairman

Michael Clarke
Chief Executive Officer

AUDITOR'S INDEPENDENCE DECLARATION

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Treasury Wine Estates Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Treasury Wine Estates Limited for the financial year ended 30 June 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

KPMG

KPMG

Paul J McDonald

Paul J McDonald

Partner
Melbourne
29 August 2018

F18 REMUNERATION REPORT (AUDITED)

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EXECUTIVE REMUNERATION

Introduction from the Chairman of the Human Resources Committee

Dear Shareholders,

On behalf of the Board, I am pleased to share with you our F18 remuneration report which reflects the Company's performance, executive reward framework and outcomes and their strong alignment with shareholder returns.

In F18, we have remained disciplined and committed to delivering our strategy and by doing so, we have delivered another year of significant returns to our shareholders.

F18 has been coined a 'foundation year' for our Company, a year in which we have established the optimal operating business models as well as the appropriate structure for distributor, wholesaler and retailer partnerships across all regions. We have reported an outstanding 18% EBITS growth on a constant currency basis to $530.2 million and a 1 percentage point ROCE improvement to 12.6%. Our EBITS margin for F18 increased by 3 percentage points on a constant currency basis to 21.8% and the Company's Total Shareholder Return performance from July 2015 to June 2018 was at the 99th percentile relative to its peer group.

The momentum in the business, together with the strength of the organisational talent, brand portfolios, operating models and customer partnerships, enabled TWE to deliver strong earnings growth in F18 whilst successfully executing transformational changes to our route-to-market in the US as well as navigating the distraction caused by industry delays on Australian wine imports into China; both in the final quarter of the fiscal year.

This year's results demonstrate ongoing and consistently outstanding leadership and global execution, with the team having delivered an EBITS Compound Annual Growth Rate of 25% over the past four years. Importantly, the strong performance is reflected in the remuneration outcomes for executives.

TWE's journey to become the world's most celebrated wine company is far from over. The business enters F19 in a strong position with a talented, innovative and highly motivated leadership team, increased availability of Luxury wine and strong customer partnerships across all regions.

This report shares with you our reward framework and how remuneration outcomes align with our strategic imperatives, stellar results, market practice and shareholder value creation. The Group's remuneration practices are designed to attract, motivate and retain the high-calibre talent needed to continue delivering sustainable results that out-perform the market. In this report you will see rewards to executives reflect their outstanding contribution to the out-performance of the Company and reflect the Board's commitment to retaining this talented team.

We welcome shareholder feedback and regularly engage with investors. As part of our investor relations program we meet throughout the year to discuss our interim and annual results as well as Executive remuneration and governance matters.

Common terms used throughout the report are defined in the table on page 63.

I trust you will find this report informative and useful in understanding the remuneration policies and practices of the Group and in better informing your investment decisions.

Yours sincerely,

Warwick Every-Burns
Human Resources Committee Chairman

1. KEY MESSAGES

This report details the F18 remuneration framework and outcomes for the Key Management Personnel (KMP) of the Group which includes non-executive directors. In this report, 'executives' refers to executives identified as KMP excluding the non-executive directors. It is prepared in accordance with the requirements of the Corporations Act 2001 and all references are to Australian dollars (A$) unless otherwise specified.

(a) Financial highlights for F18

In F18, Treasury Wine Estates Limited (TWE) delivered EBITS of $530.2 million, up 18% on a constant currency basis and adjusted Earnings per Share (EPS) of 51.8 cents (before material items and SGARA). The Company also delivered outstanding EBITS margin accretion, up 3 percentage points on a constant currency basis to 21.8% and improved Return On Capital Employed (ROCE), up 1 percentage point to 12.6%.

F18 was a year where the Company invested in its organisational talent, brand portfolios, customer partnerships and its operating models across priority regions. Whilst investing in long-term, sustainable growth in F18, TWE still delivered strong financial results that reflect continued momentum across priority regions, portfolio premiumisation, enhanced global marketing and sales execution, a strong focus on embedding more efficient routes-to-market and an ongoing emphasis on optimising TWE's cost base.

(b) KMP

KMP at TWE (in addition to non-executive directors) is as follows:

EXECUTIVES (AS AT 30 JUNE 2018)

Current KMP		
MA Clarke	Chief Executive Officer	Full Year
RB Foye	Chief Operating Officer	Full Year
MJ Young	Chief Financial Officer	From 1 May 2018
Former KMP		
GG Burghardt	Chief Financial Officer	1 July 2017 to 30 April 2018

Gunther Burghardt moved to a new role, Executive Vice President Operations Americas, on 1 May 2018 and ceased to be KMP on that date.

(c) Fixed remuneration

Over the last three years TWE has become a truly global company with significant growth increasing the responsibility and complexity of executive roles. The executive team has been crucial to the successful turnaround of the Company. The reward, retention and development of this team has been a key consideration of the Board and was reflected in fixed remuneration outcomes for executives.

The Board is committed to rewarding and retaining the CEO who has led the financial transformation and sustained out-performance of the Company. As reported in the Company's 2017 Report, Mr Clarke's fixed remuneration increased from $2,200,000 to $2,500,000 effective 1 September 2017, an increase of 13.6%. For F19, the Board approved a 4% increase in Mr Clarke's fixed remuneration to $2,600,000 effective 1 September 2018. Mr Foye's fixed remuneration increased from US$625,000 to US$825,000 effective 1 September 2017 however this was offset with a reduction in his expatriate benefits from US$350,000 to US$150,000. Mr Young was appointed as CFO on 1 May 2018 which coincided with him becoming KMP. He received a fixed remuneration increase of 32% to $700,000 effective 30 June 2018 to reflect the responsibilities of his new role and the next review of his salary will occur in September 2019.

(d) Short-term incentives in the year

Again, the Group's successful focus on sustainable earnings growth, cost management and operational effectiveness, including the transformational route-to-market change in the US, significantly enhanced shareholder value in F18. The continued focus on our global priority brands, expansion of country-of-origin offerings and investment in long-term relationships with key stakeholders has driven over-achievement on the executive KMP's balanced scorecards. As a result, the Board has determined that the F18 short-term incentive plan (STIP) outcomes are above target (68% of fixed remuneration) for Mr Foye and at maximum (120% of fixed remuneration) for Mr Young. The CEO received a STIP outcome of 150% of fixed remuneration due to achievement of maximum performance.

(e) Long-term incentives in the year

The Group's Total Shareholder Return (TSR) performance was at the 99th percentile relative to its peer group. This achievement, along with strong ROCE results, has driven vesting of 100% of the F16 long-term incentive plan (LTIP) for eligible executives. This vesting outcome for executives mirrors the strong returns delivered to investors over the plan period. The share price appreciated from $4.90 on 1 July 2015 to $17.39 on 29 June 2018. Over the three year plan period investors have enjoyed a 255% increase in the Company's share price and Return on Capital Employed has almost doubled, moving from 6.8% to 12.6%.

(f) General employee share plan

Three purchases for executives under the Company's 2017 Share Cellar plan were completed in F18. The 2018 Share Cellar plan was successfully launched in February 2018 and the Company now has 39% of all eligible employees participating in equity plans. All executive KMP as at 30 June 2018 are enrolled as participants.

(g) Changes for F19

F19 LTIP

In the F18 LTIP, the two metrics of ROCE and Relative TSR were equally weighted. This has been reviewed by the Board for F19.

Sustainable results are the bedrock of the Company's incentive framework and the Board and Management are intent on motivating performance that positions TWE for the long term. Releasing Luxury wine in a gradual manner honours its scarcity and achieves sustainable pricing and margin. It drives longer term thinking, protects future year's availability of luxury wine and reduces potential risk to TWE. ROCE growth driven by improved asset returns and margin accretion drives shareholder value. In F19 the Board wants Management resolutely focused on ROCE with TSR improvement as a natural consequence.

With this context, the Board has given significant thought to incentive design and measures. The Board continues to view the existing LTIP measures, ROCE and Relative TSR, as appropriate but has adjusted the weighting of these measures for F19 with ROCE weighted at 75% of the plan. Relative TSR is weighted at 25%. ROCE growth is a metric on which executives can actively focus and drive improvement whereas Relative TSR is an outcome metric beyond the direct influence of executive action. The Board is confident these metrics and their revised weightings strongly align Management and shareholder outcomes and believe the measures strike the right balance between motivating sustainable results and rewarding outperformance.

The following targets have been set for the F19 LTIP.

ROCE growth will be measured against the F18 ROCE base of 12.6% and vest according to the following schedule.

ROCE baseline 12.6% (F18)	% ROCE growth	ROCE result	% of Performance Rights subject to ROCE measure which vest
	Less than 1.9%	Less than 14.5%	0%
	1.9% to 2.6%	14.5% to 15.2%	35–100%
	At or above 2.6%	At or above 15.2%	100%

The vesting schedule for the F19 LTIP is unchanged from F18.

Relative TSR Vesting Schedule	Relative TSR Ranking	% of Performance Rights subject to Relative TSR measure which vest
	Below 50th percentile	0%
	50th to 60th percentile	35–70%
	60th to 75th percentile	70–100%
	At or above 75th percentile	100%

The peer group for relative TSR comprises companies within the S&P/ASX 200 Index, excluding companies from the energy, metal and mining, real estate and finance sectors.

Offers of performance rights under the F19 LTIP are subject to the satisfaction of performance conditions, as outlined above, over the performance period from 1 July 2018 to 30 June 2021. LTIP awards to KMP are at the absolute discretion of the Board. For F19 LTIP the following awards will apply:

- Mr Clarke: opportunity of 200% of fixed remuneration at maximum, 70% at threshold, 0% below threshold
- Mr Foye: opportunity of 162% of fixed remuneration at maximum, 56.7% at threshold, 0% below threshold
- Mr Young: opportunity of 199% of fixed remuneration at maximum, 69.7% at threshold, 0% below threshold. The LTIP opportunity of 199% comprises a grant equivalent to 150% of fixed remuneration plus a one-off additional grant of 15,000 performance rights equivalent to 49% of fixed remuneration

The Company will seek shareholder approval at the 2018 Annual General Meeting for the F19 LTIP offer to the CEO.

(h) New Accounting Standard on Leases

A new Lease Accounting Standard, AASB 16 Leases, is mandatorily effective in Australia for annual reporting periods commencing on or after 1 January 2019. The Group will adopt AASB 16 in the annual reporting period ending 30 June 2020 (F20). AASB 16 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.

The new standard is expected to have an impact on the Group's balance sheet and P&L, both of which are key inputs to the EBITS and ROCE metrics used in the Company's incentive plans. The Board has determined to manage the impact of this change on incentive plan outcomes. Results will be assessed absent of the impact of this new accounting standard. It is intended that plan participants will not materially benefit or be disadvantaged by the change of accounting treatment.

2. FRAMEWORK

(a) Total remuneration

Executive total remuneration (TR) comprises fixed remuneration (FR) and variable ('at-risk') remuneration in the form of STIP and LTIP. The remuneration structure in F18 for current executives as at 30 June 2018 is as follows.

Total Remuneration with STIP at Target and LTIP at Threshold:

CEO

Percentage of TR
- FR **33%**
- STIP (at target) **33%**
- LTIP (at threshold) **34%**

Executives

Percentage of TR
- FR **46%**
- STIP (at target) **30%**
- LTIP (at threshold) **24%**

Total Remuneration with both STIP and LTIP at Maximum:

CEO

Percentage of TR
- FR **18%**
- STIP (at maximum) **27%**
- LTIP (at maximum) **55%**

Executives

Percentage of TR
- FR **27%**
- STIP (at maximum) **32%**
- LTIP (at maximum) **41%**

The CEO's remuneration mix in F18 changed slightly from F17 due to his LTIP award increasing from 200% of fixed remuneration in F17 to 300% of fixed remuneration in F18. In F19 the CEO's remuneration mix will move again as his LTIP award will be 200% of fixed remuneration.

(b) Fixed remuneration

For Australian-based executives this is total fixed remuneration inclusive of superannuation and other benefits. For executives based outside Australia, references to fixed remuneration refer to base salary.

Fixed remuneration is reviewed annually and set at a market-competitive level reflective of the executive's skills, experience and responsibilities, and taking into account complexity of role, location and performance. The Group looks at industry and general market peer groups, with key criteria applied such as market capitalisation and revenue. Both Australian and global peers are considered, reflecting the complexity of roles in a global business and the Group's international lens on talent. Peer groups are reviewed regularly for accuracy and alignment with the nature of the business.

(c) Short-term incentive plan (STIP)

The STIP drives an annual at-risk component of remuneration and links business results for the fiscal year, executive performance and reward using a balanced scorecard approach.

The STIP performance measures are consistent across the Company. They are designed to support the financial health of the organisation and shareholder return in terms of dividends and share price – this year and over time. The metrics are aimed at reinforcing Company culture as their achievement requires focus, belief, trust and collaboration. Hurdles and stretch targets are set for each metric and the sustainability of growth and returns is non-negotiable.

F18 STIP MEASURES	REMUNERATION AND PERFORMANCE LINK
Global/Regional EBITS (30% to 60%)	The EBITS metric focuses and rewards executives for the overall health and profit-producing ability of the Group/Region. It is designed to reward executives for levels of earnings that will benefit shareholders and provide capital that can be further invested by the Group for future growth.
Cost optimisation (up to 10%)	The cost optimisation metric aims to reward executives for the efficient deployment of overheads. It encourages executives to innovate, and where warranted to invest, to remove waste, achieve economies of scale and simplify.
Forecast accuracy (up to 10%)	The forecast accuracy metric aims to reward executives for optimising efficiency across the Company, from supply in our vineyards to demand from our customers. Delivery of this metric drives executives to collaborate to achieve balance in the supply chain over time, managing investment, product quality and inventory levels.
Working capital (10%)	Working capital focuses and rewards executives on cash conversion i.e. their efficiency in turning the Group's products into cash.
ROCE (10% to 15%)	The Return on Capital Employed metric (ROCE) rewards executives for the efficient deployment of capital across the business. Focusing investment only where return hurdles will be met and the prioritising of investment to initiatives with higher yields ensures financial returns for investors are maximised.
Strategic Initiatives (10% to 15%)	This part of the STIP scorecard is used to focus executives on specific strategic initiatives that are critical to the delivery of Regional, Functional or Group business plans.

The table below provides further detail including the weighting of metrics and size of opportunity.

F18 STIP PERFORMANCE MEASURES	STIP OPPORTUNITY	STIP DETAIL
The STIP Balanced Scorecard is weighted by role as follows. *CEO & CFO:* 50% global EBITS 10% cost optimisation up to 10% forecast accuracy 10% working capital 10–15% ROCE 10–15% Strategic Initiatives *COO:* 30% global EBITS 30% regional EBITS 10% forecast accuracy 10% working capital 10% ROCE 10% Strategic Initiatives Each measure is assessed after the financial year-end against the full-year audited financial report on a constant currency basis to determine the overall level of performance achieved. The Balanced Scorecard can drive a multiplier outcome between 0 and 1.2 as per the diagram overleaf.	The annual STIP opportunity is at the absolute discretion of the Board. In F18, the following STIP opportunities applied: *Target:* Executives 66.5% of FR CEO 100% of FR *Maximum:* Executives 120% of FR CEO 150% of FR The Individual Performance Multiplier is derived from the level of each Executive's achievement of individual KPOs and demonstration of the Company's growth behaviours. The Individual Performance Multiplier can drive a result of 0 to 1.5 as per the diagram overleaf (except for the CEO for whom the individual multiplier on STIP is capped at 1.25).	An annual award of cash and/or equity may be received based on: • Group, team and individual financial, strategic and operational performance, measured by way of the Balanced Scorecard; and • Agreed individual key performance objectives (including company behaviours) measured by way of the Individual Performance Multiplier One-third of the STIP award for executives is deferred into Restricted Equity in the Company. Of this Restricted Equity, one-half (i.e. one-sixth of the overall STIP award) will vest after one year, and one-half (i.e. one-sixth of the overall STIP award) will vest after two years. The remaining two-thirds of the STIP award is delivered in cash at the end of the F18 financial year.

The overall structure of the F18 STIP is provided below.

Fixed remuneration $ × STIP opportunity % × Balanced Scorecard multiplier (0 to 1.2) × Individual multiplier (0 to 1.5)* = STIP Award $

Fixed – based on level of skill and responsibility.

Fixed – based on role and level of role within the Company.

Variable – based on Balanced Scorecard performance.

Variable – based on individual performance.

* 0 to 1.25 for the CEO

STIP Award $

● Restricted Equity	1/3
● Cash	2/3

(d) Long-term incentive plan (LTIP)

The LTIP is designed to reward executives for long-term performance and value creation for shareholders. Offers are approved by the Board and made to select executives and senior leaders as nominated by the CEO. For F18 the Board awarded the CEO an LTIP opportunity of 300% of fixed remuneration. This decision was taken to recognise and retain the CEO who has led the outstanding financial transformation and performance of the Company over recent years.

The performance period for the F18 LTIP is 1 July 2017 to 30 June 2020 and the plan has the following features.

LTIP PERFORMANCE MEASURES	LTIP OPPORTUNITY	LTIP DETAIL
Relative Total Shareholder Return (TSR) (50% weighting) Relative to S&P/ASX 200 Index, excluding companies from the energy, metal and mining, real estate and finance sectors. **Return on Capital Employed (ROCE) Growth (50% weighting)** Calculated as EBITS divided by average capital employed (at constant currency). Capital employed is the sum of average net assets (excluding SGARA) and average net debt.	LTIP awards are at the absolute discretion of the Board. In F18, the following awards applied: Executives 150% to 162% of FR CEO 300% of FR	LTIP awards are delivered in the form of performance rights. The number of rights allocated is based on face value using the 90-day VWAP preceding 1 July at the start of the performance period. If the performance conditions are met at the end of the three-year performance period, rights vest and executives receive a share for each vested performance right. No amount is payable on the vesting of the performance rights or on their conversion into shares. Any rights that do not vest lapse.

F18 LTIP Vesting schedules

Relative TSR Vesting Schedule	**Relative TSR Ranking**	**% of Performance Rights subject to Relative TSR measure which vest**	
	Below 50th percentile	0%	
	50th to 60th percentile	35–70%	
	60th to 75th percentile	70–100%	
	At or above 75th percentile	100%	
ROCE baseline 11.6% (F17)	**% ROCE growth**	**ROCE result**	**% of Performance Rights subject to ROCE measure which vest**
	Less than 2.1%	Less than 13.7%	0%
	2.1% to 2.8%	13.7% to 14.4%	35–100%
	At or above 2.8%	At or above 14.4%	100%

(e) General employee share plan (Share Cellar)

The Group has a broad-based employee share plan, Share Cellar, which operates by way of after-tax employee payroll contributions (minimum $500 to maximum $5,000) to acquire shares in the Company. For every two purchased shares that a participant holds at the vesting date (approximately two years) the Company delivers one matched share. An equivalent cash plan operates in countries where, due to local laws, it is not practicable to offer shares to employees.

Shares were acquired in F18 under the 2017 Share Cellar offer, and a subsequent offer to participate in the 2018 Share Cellar plan was made during the year. The first share purchases in the 2018 Share Cellar plan will occur in September 2018 (F19).

(f) Restricted equity plan (REP)

In addition to the LTIP, the Group operates the REP which allows the Board to make offers of Restricted Shares or Deferred Share Rights for the purpose of attracting, retaining and motivating key employees within the Group. There were no awards granted to, or vested for, executives under the REP in F18.

(g) Other key information

Board discretion and clawback

The Board will exercise discretion to ensure any cash or equity outcomes are appropriately aligned to the Company's underlying performance and the interests of shareholders. The Board maintains the discretion to clawback any unvested equity should a clawback event arise, such as (but not limited to) material misstatement, which was not apparent at the time the equity was awarded.

Leavers

The Board has absolute discretion as to whether participants retain their unvested equity upon ceasing employment, taking into account the circumstances of their departure. In general if an executive ceases employment with the Group they forfeit their entitlement to cash or equity under the Company's incentive plans.

In exceptional circumstances (such as redundancy, death or disability), the Board, in its discretion, may determine that a portion of the award is retained having regard to performance and time lapsed to date of cessation (or that an equivalent cash payment be made). Retained awards will generally be subject to post-employment vesting, where the participant must continue to hold the relevant Performance Rights until the end of the performance period, and be subject to the performance conditions under the plan.

Dividends and voting rights

Plan participants granted restricted shares are entitled to dividends and voting rights. Participants holding time-restricted rights or performance rights are entitled to neither dividends nor voting rights.

Change of control

In the event of a change of control, unless the Board determines otherwise, the transfer restrictions imposed on the shares will be lifted, but only in so far as to permit the executive to participate in the change of control event. Any shares that do not participate in the change of control event will continue to be subject to restrictions until the end of the applicable restriction period.

Hedging

To ensure the variable components of the Group's remuneration structure remain 'at-risk', employees may not hedge against the risk inherent in arrangements such as the LTIP or any other equity-based incentive plans. Awards will be forfeited if the policy is breached.

3. PERFORMANCE AND REMUNERATION OUTCOMES

(a) Overview of company performance

EBITS growth and EBITS margin accretion, together with improved asset returns are underpinned by the Company's investment in its organisational talent, portfolio premiumisation, brand building investment, strategic customer and distributor partnerships, more efficient routes-to-market and a cost conscious culture. F18 results demonstrate the benefits of this strategy delivering EBITS of $530.2 million, up 18% year on year on a constant currency basis and improved profitability with strong EBITS margin accretion and significantly enhanced ROCE.

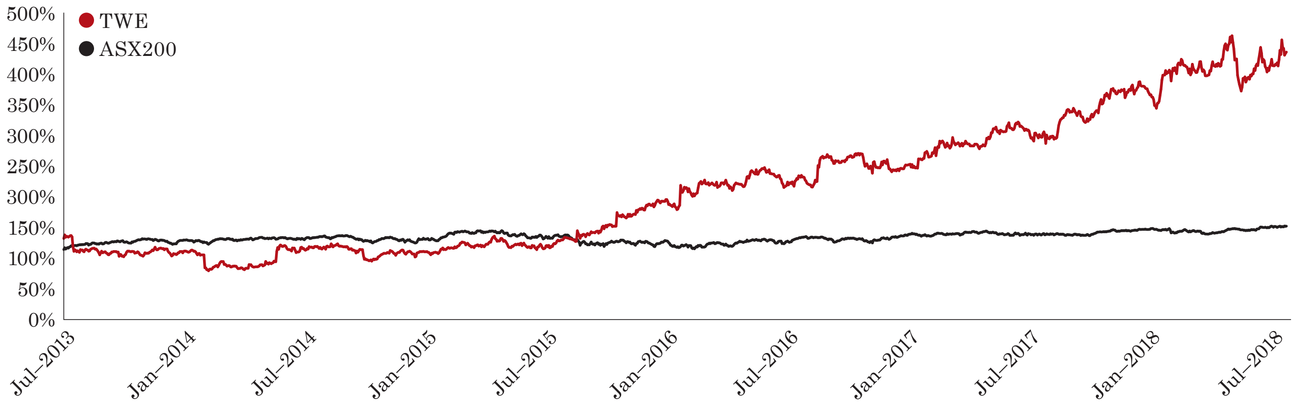
The table below summarises the Company's financial performance over the last five financial years.

Table 3.1: Overview of Company performance (reported)

FINANCIAL YEAR ENDED 30 JUNE	2014	2015	2016	2017	2018
EBITS performance (A$ million)	184.6	225.1	334.2	455.1	**530.2**
Earnings per share (cents)[1]	17.4	21.9	30.5	39.8	**51.8**
Dividends paid per share (cents)	13	13	16	25	**28**[2]
Franked (%)	0	0	0	0	**63**
Closing share price ($ at 30 June)	4.92	4.90	9.23	13.16	**17.39**
Return on capital employed (%)	5.9	6.8	9.3	11.6	**12.6**

1. Before material items, SGARA and tax consolidation benefit.
2. The 2018 dividend of 28 cents is comprised of the final dividend in F17 of 13 cents (50% franked) paid on 6 October 2017 and the interim F18 dividend of 15 cents (75% franked) paid on 6 April 2018. For the final F18 dividend see Note 6 of the Financial Statements.

The following graph shows movement in the Company share price against movement in the ASX200 over the last. five years.



(b) Fixed remuneration outcomes

Market benchmarking and salary reviews are conducted annually with any changes effective from 1 September.

In F18:

- The CEO, Mr Clarke, received an increase from $2,200,000 to $2,500,000 per annum, an increase of 13.6%.
- The former CFO, Mr Burghardt, received an increase from US$475,000 to US$530,000, an increase of 11.6%.
- Mr Foye's fixed remuneration increased from US$625,000 to US$825,000 however this was offset with a reduction in his expatriate benefits from US$350,000 to US$150,000.
- Mr Young was appointed CFO on 1 May 2018. His fixed remuneration was increased by 32% to $700,000 effective 30 June 2018 to reflect the responsibilities of his new role.

(c) Short-term incentive outcomes

Short-term incentives are assessed by achievement against each executive's Balanced Scorecard and specific personal objectives. Actual results for the Balanced Scorecard are provided below.

The F18 STIP scorecard is heavily weighted to financial metrics and the primary driver is EBITS. STIP outcomes for executives reflects the financial out-performance of the Company with particularly strong results in Europe, Asia, Australia and New Zealand. EBITS results were more variable in the Americas region where the route-to-market changes were implemented part way through the year. However, this was countered by over-achievement in all other regions. The Company's strong focus on cost, operational efficiency and ROCE resulted in stretch achievement on the related metrics in the STIP scorecards. This high level of performance is reflected in the STIP results and the level of payout for most executives.

F18 STIP SCORECARD	CEO		CFO		COO[1]	
	WEIGHT	PAYMENT	WEIGHT	PAYMENT	WEIGHT	PAYMENT
Financial goals						
Global EBITS[2]	50%	60%	50%	60%	30%	30%
Regional EBITS					30%	23%
Cost optimisation	10%	12%	10%	12%		
Working capital	10%	12%	10%	12%	10%	10%
Strategic goals						
Strategic Initiatives	15%	18%	10%	12%	10%	6%
Forecast Accuracy			10%	12%	10%	6%
ROCE	15%	18%	10%	12%	10%	10%
Total	**100%**	**120%**	**100%**	**120%**	**100%**	**85%**

1. In F18 the COO was measured on scorecards relating to North Asia, Americas and his role as Chief Operating Officer.
2. TWE has a three-phase approach to driving value accretion for shareholders; Fixing, Growing and Accelerating. The Board exercised discretion on the Global EBITS result for the Americas region in light of it remaining in "*Fixing*" phase versus TWE's ANZ, Asia and Europe regions being in "*Growth*" phase.

The table below sets out short-term incentive outcomes for each executive inclusive of the impact of individual performance multiplier outcomes. The cash component of F18 STIP awards will be paid in September 2018. The Restricted Equity will also be allocated in September 2018.

Table 3.2: F18 STIP outcomes

EXECUTIVE[1]	FR[2] FOR STIP OPPORTUNITY ($)	STIP OPPORTUNITY AT TARGET (% OF FR) (%)	STIP OPPORTUNITY AT TARGET ($)	STIP AWARDED[4] ($)	TOTAL STIP AWARDED (% OF FR)[4] (%)	CASH ($)	RESTRICTED EQUITY ($)	TOTAL STIP OPPORTUNITY FORFEITED (% OF FR)[4] (%)
MA Clarke	2,500,000	100%	2,500,000	3,750,000	150%	2,500,000	1,250,000	0%
RB Foye	1,063,967	66.5%	707,538	724,131	68%	482,754	241,377	0%
MJ Young[3]	89,041	66.5%	59,212	106,582	120%	71,055	35,527	0%

1. Reports only executives who were KMP at 30 June 2018.
2. FR is salary as of 1 September 2017. Where changes have occurred after 1 September, FR is pro-rated based on calendar days in the financial year.
3. Mr Young's FR for STIP opportunity and actual payment is pro-rated reflecting the period he was KMP from 1 May 2018.
4. Inclusive of balanced scorecard and individual performance multiplier outcomes.

(d) Long-term incentive awards and outcomes

LTIP awarded during the year

Performance rights were allocated to executives under the F18 LTIP after the 2017 Annual General Meeting and are subject to a three-year performance period. Any vesting is subject to two hurdles (detailed on page 49). The performance rights have no exercise price and the minimum total value of the grant is zero. The maximum value is the number of awards granted multiplied by the share price at vesting.

Table 3.3: F18 LTIP Performance Rights

EXECUTIVE	GRANT DATE	VESTING DATE	NUMBER OF AWARDS GRANTED	FACE VALUE AT GRANT DATE ($)[1]	FAIR VALUE AT GRANT DATE ($)[2]
Current (as at 30 June 2018)					
MA Clarke	13 November 2017	30 June 2020	514,283	6,599,999	6,690,822
RB Foye	13 November 2017	30 June 2020	138,186	1,773,396	1,797,800
MJ Young[3]	13 November 2017	30 June 2020	17,727	227,498	230,628
Former					
GG Burghardt	13 November 2017	30 June 2020	73,613	944,705	957,705

1. The value of LTIP awards granted to executives was the face value of the volume weighted average price (VWAP) of Company shares sold on the Australian Securities Exchange over the 90-day period up to and including 30 June 2017 ($12.8334 per share).
2 The fair value ($) in the table above is calculated using the valuation method detailed in note 21 of the Financial Statements.
3 The number of awards shown for Mr Young represent the full F18 LTIP grant which were granted prior to him becoming KMP.

LTIP vesting

The F16 LTIP vested at the end of the year. The vesting schedule for the F16 LTIP is provided below.

Relative TSR vesting schedule	**Relative TSR ranking**		**% of Performance Rights subject to Relative TSR measure which vest**
	Below 50th percentile		0%
	50th to 75th percentile		35–100%
	At or above 75th percentile		100%
ROCE growth vesting schedule	**% ROCE growth**	**ROCE result**	**% of Performance Rights subject to ROCE measure which vest**
Baseline 6.8% (F16)	Less than 0.6%	Less than 7.4%	0%
	0.6% to 1.2%	7.4% to 8.0%	35–100%
	Greater than 1.2%	Greater than 8.0%	100%

Performance over the three year period ended 30 June 2018. The Group's Relative TSR performance was at the 99th percentile of the peer group and so 100% vesting for this metric was achieved. Return on Capital Employed (ROCE) growth for the performance period was 12.6% resulting in 100% vesting. The combined vesting outcome for the F16 LTIP plan was 100%.

The F16 LTIP vesting outcome by executive is provided below.

Table 3.4: Vesting/lapse of F16 LTIP[1]

EXECUTIVE	NUMBER OF PERFORMANCE RIGHTS GRANTED[1]	REVISED NUMBER OF AWARDS[2]	VALUE AT GRANT[3] ($)	NUMBER OF RIGHTS VESTED	VALUE VESTED[4] ($)	NUMBER OF RIGHTS WHICH LAPSED[5]	VALUE LAPSED[4] ($)
Current (as at 30 June 2018)							
MA Clarke	639,506	659,759	3,507,675	659,759	11,473,209	0	0
RB Foye	179,617	185,305	985,193	185,305	3,222,454	0	0
MJ Young	14,671	15,135	80,467	15,135	263,198	0	0

1. Represents the original number of Performance Rights granted under the F16 LTIP. Mr Young's F16 LTIPs were awarded before he became KMP.
2. The revised number of awards reflects the updated number of Performance Rights allocated to employed executives to keep them whole after the renouncable rights issue announced by the Company on 14 October 2015. The additional number of units granted was determined in accordance with the methodology provided to the Company by an independent third-party advisory firm.
3. 'Value at grant' is calculated based on $5.3166 which was the volume weighted average price of Company shares sold on the ASX over the 90 day period up to and including 30 June 2015. This was the price used to calculate the number of performance rights granted under the F16 LTIP as previously disclosed by the Company.
4. The 'value vested' and 'value lapsed' are calculated based on the closing share price on the performance period end date of 30 June 2018, being $17.3900. The value for each executive largely reflects the $12.0734 share price differential between the unit value at grant, being $5.3166, and the share price at the end of the performance period of $17.3900.
5. The number of rights which lapsed as they did not vest.

(e) General employee share plan (Share Cellar)

All executives are participants of the 2017 Share Cellar plan, except for Mr Foye. Mr Foye at that time was based in China, and therefore participated in the Cash Plan. Mr Young was not KMP at the time the 2017 Share Cellar plan was offered.

Share purchases occurred in September 2017, November 2017 and March 2018 with the relevant matching rights allocated to executives in F18. Subject to the executive continuing to meet the plan rules, these matching rights will convert to matching shares when the plan vests.

Table 3.5: Acquisitions in F18 for the 2017 Share Cellar Plan

EXECUTIVE[1]	MECHANISM	ACQUISITION DATE	ACQUISITION PRICE ($)	NUMBER OF SHARES ACQUIRED	NUMBER OF RIGHTS ALLOCATED	VALUE OF RIGHTS ALLOCATED ($)[2]
Current (as at 30 June 2018)						
MA Clarke	Shares	1 September 2017	14.51	156	78	2,264
		1 November 2017	15.63	58	29	907
		26 February 2018	17.72	103	51	1,825
RB Foye	Phantom Shares	1 September 2017	14.51	156	78	2,264
		1 November 2017	15.63	58	29	907
		26 February 2018	17.72	103	51	1,825
Former						
GG Burghardt	Shares	1 September 2017	14.51	140	70	1,016
		1 November 2017	15.63	54	27	422
		26 February 2018	17.72	105	52	921

1. MJ Young was not a participant in the 2017 Share Cellar plan.
2. The value of rights allocated at grant date is calculated based on the acquisition price.

During F18, the 2018 Share Cellar plan was launched with deductions commencing in April 2018. Actual share acquisitions under the plan will be completed in F19, commencing September 2018.

Enrolment rates for the fourth year of Share Cellar were at an all-time high and the Company now has more than a third of all eligible employees participating in the Share Cellar Plan and investing their post-tax pay to become shareholders. All executives as at 30 June 2018 are enrolled in the 2018 Share Cellar plan.

(f) Summary of awards held by executives

The table below sets out the number and movement of awards held by executives. Restricted Shares are generally issued under STIP Deferral (Restricted Equity). Performance Rights are issued under the LTIP. Deferred Share Rights are issued under the REP or represent the right to matching shares under the 2016 and 2017 Share Cellar Plans.

Table 3.6 Summary of awards held by executives

NAME		HELD AT THE START OF THE REPORTING PERIOD	GRANTED/ ACQUIRED DURING REPORTING PERIOD	RECEIVED UPON EXERCIS-ING	OTHER CHANGE[1]	HELD AT THE END OF THE REPORTING PERIOD	NUMBER UNVESTED AT THE END OF THE REPORTING PERIOD	EXERCIS-ABLE AT THE END OF THE REPORTING PERIOD[4]
Current (as at 30 June 2018)								
MA Clarke	Restricted Shares	201,956	76,238	(163,431)	–	114,763	114,763	–
	Performance Rights	1,111,964	514,283	–	–	1,626,247	966,488	659,759
	Deferred Share Rights	317	–	(182)	158	293	293	–
RB Foye	Restricted Shares	41,069	21,085	(34,090)	–	28,064	28,064	–
	Performance Rights	288,783	138,186	(185,305)	–	241,664	241,664	–
	Deferred Share Rights	–	–	–	–	–	–	–
MJ Young[2]	Restricted Shares	–	–	–	–	–	–	–
	Performance Rights	46,837	–	–	–	46,837	31,702	15,135
	Deferred Share Rights	92	–	–	–	92	92	–
Former								
GG Burghardt[3]	Restricted Shares	–	5,447	–	(5,447)	–	–	–
	Performance Rights	98,640	73,613	–	(172,253)	–	–	–
	Deferred Share Rights	35,134	–	(35,003)	(131)	–	–	–
Grand Total		**1,824,792**	**828,852**	**(418,011)**	**(177,673)**	**2,057,960**	**1,383,066**	**674,894**

1. Represents balance adjustments for executives ceasing to be a member of KMP, grants made in relation to Share Cellar and any units forfeited in F18.
2. Mr Young's holding at the start of the period reflects his holding on 1 May 2018 when he became KMP.
3. Ceased as KMP on 1 May 2018.
4. MA Clarke and MJ Young's Performance Rights are eligible for an exercise period. The F16 LTIP plan provides Australian based participants an option to defer exercising vesting rights for a period of up to four years.

(g) Remuneration of executives

The table below (Table 3.7) provides details of remuneration for the CEO and executives for F18, calculated in accordance with statutory accounting requirements. All amounts are in Australian dollars and relate only to the portion of the year in which the person occupied the KMP role.

Table 3.7: Remuneration of executives

			SHORT-TERM BENEFITS			
EXECUTIVE	YEAR	SALARY/ FEES[1] ($)	LEAVE ACCRUAL[2] ($)	NON-MONETARY BENEFITS[3] ($)	TOTAL CASH INCENTIVE[4] ($)	OTHER PAYMENTS[5] ($)
Current (as at 30 June 2018)						
MA Clarke[9]	**F18**	**2,429,951**	**182,638**	**606,779**	**2,500,000**	**161,188**
KMP full year	F17	2,180,384	154,944	116,595	2,200,000	69,533
RB Foye[10,11,12]	**F18**	**1,014,365**	**34,630**	**728,684**	**482,754**	**4,259**
KMP full year	F17	746,858	(12,000)	808,403	608,465	–
MJ Young[13]	**F18**	**84,992**	**8,215**	**690**	**71,055**	**–**
From 1 May 2018	F17	–	–	–	–	–
Former						
GG Burghardt[10,14]	**F18**	**562,531**	**24,917**	**527,184**	**–**	**78,471**
Until 30 April 2018	F17	209,013	16,003	16,066	157,201	31,771
Total	**F18**	**4,091,839**	**250,400**	**1,863,337**	**3,053,809**	**243,918**
	F17	3,136,255	158,947	941,064	2,965,666	101,304

1. Represents cash salary including any salary sacrificed items such as superannuation and novated motor vehicles.
2. Includes any net changes in the balance of annual leave and long service leave (i.e. leave entitlements that accrued during the year but were not used).
3. Includes the provision of car parking, insurances, product allocations, executive medical checks, the value of entertainment, taxation expenses, international relocation and expatriate costs and Fringe Benefits Tax on all benefits, where applicable.
4. Represents cash payments made under the F18 STIP, excluding the Restricted Equity portion which will be allocated in September 2018.
5. Includes allowances such as, but not limited to, relocation, car and repatriation.
6. Includes a proportion of the fair value of all outstanding LTIP offers at the start of the year, or which were offered during the year. Under Australian Accounting Standards, the fair value is determined as at the offer date and is apportioned on a straight-line basis across the expected vesting period after adjusting at each reporting date for an estimation of the number of shares that will ultimately vest.
7. Includes a proportion of the fair value of all Restricted Shares and Deferred Share Rights held under outstanding Restricted Equity Plans at the start of the year. F16 and F17 STIP Restricted Equity were outstanding at the end of F18. Restricted Equity granted under the F18 STIP is expected to be allocated in September 2018. Under Australian Accounting Standards, the fair value is determined as at the offer date and is apportioned on a straight-line basis across the expected vesting period after adjusting at each reporting date for an estimation of the number of shares that will ultimately vest.
8. Represents the sum of incentive and Performance Rights/Restricted Equity as a percentage of total remuneration, excluding termination payments.
9. Mr Clarke's salary was adjusted on 1 September 2017 from AU$2,200,000 to AU$2,500,000.

	SHARE-BASED PAYMENTS				
SUPERANNUATION/ PENSION ($)	TOTAL AMORTISATION VALUE OF LTIP[6] ($)	OTHER EQUITY[7] ($)	TOTAL ($)	PERFORMANCE RELATED[8] (%)	TERMINATION BENEFITS ($)
20,049	**4,267,867**	**958,119**	**11,126,591**	**69%**	**–**
19,616	3,358,940	753,439	8,853,451	71%	–
13,065	**1,138,828**	**255,702**	**3,672,287**	**51%**	**–**
14,377	900,546	173,747	3,240,396	52%	–
3,341	**19,178**	**111**	**187,582**	**48%**	**–**
–	–	–	–		–
16,671	**341,563**	**40,761**	**1,592,098**	**24%**	**–**
7,438	111,059	15,433	563,984	50%	–
53,126	**5,767,436**	**1,254,693**	**16,578,558**		**–**
41,431	4,370,545	942,619	12,657,831		–

10. Mr Burghardt and Mr Foye are remunerated in US dollars. Amounts reported are converted to Australian dollars at average A$:US$ exchange rate for F18 of 0.7754.
11. Mr Foye's remuneration mix was adjusted on 1 September 2017 from Fixed Remuneration of US$625,000 and long-term assignment benefits of US$350,000 to Fixed Remuneration of US$825,000 and long-term assignment benefits of US$150,000.
12. Mr Foye's tax equalisation benefits represents the difference between the hypothetical taxes deducted from Mr Foye's US salary and the tax actually paid in China and California which is borne by TWE.
13. Amounts reported for Mr Young for KMP period, from 1 May 2018 to 30 June 2018.
14. Amounts reported for Mr Burghardt for KMP period, from 1 July 2017 to 30 April 2018.

NON-EXECUTIVE DIRECTOR REMUNERATION

4. FRAMEWORK AND OUTCOMES

This section of the report refers to the following non-executive directors.

NAME	POSITION	DATES
Non-executive directors		
Current (as at 30 June 2018)		
PA Rayner	Chairman	Full year
EYC Chan	Non-executive director	Full year
MV Cheek	Non-executive director	Full year
WL Every-Burns	Non-executive director	Full year
GA Hounsell	Non-executive director	Full year
LM Shanahan	Non-executive director	Full year
CE Jay	Non-executive director	From 1 April 2018
Former		
PR Hearl	Non-executive director	Retired effective 31 August 2017
ML Cattermole	Non-executive director	Retired effective 18 October 2017

(a) Fee pool

The current maximum aggregate fee pool of $2,500,000 per annum (inclusive of superannuation) was approved by shareholders at the 2016 Annual General Meeting.

(b) Non-executive director fees

The level of non-executive directors' fees takes into account the risks and responsibilities of the role, the global reach and complexity of the business; director skills and experience, and market benchmark data (provided by independent external consultants).

Chairman and non-executive director base fees increased during F18, effective 1 April 2018, for the third time since May 2011. Committee fees remain unchanged. The increases were informed by input from the Committee's independent remuneration advisor and awarded to remain competitive in the market, noting the increasing global operations, scale and complexity of the Group.

Table 4.1: F18 Non-executive director fees

BOARD/COMMITTEE	CHAIRMAN FEE ($)	MEMBER FEE ($)
Board base fee	515,000[1]	187,250[2]
Audit and Risk Committee	40,000	20,000[3]
Human Resources Committee	40,000	20,000
Nominations Committee	10,000[4]	5,000

The above fees were effective from 1 April 2018 and are inclusive of superannuation.

1. The Chairman fee was increased by 4% from $495,000 per annum to $515,000 per annum, effective 1 April 2018.
2. The non-executive director base fee was increased by 4% from $180,000 to $187,250 per annum, effective 1 April 2018.
3. The Chairman of the Board, Mr Rayner, was a member of the Audit and Risk Committee from 19 October 2017 to 10 April 2018 and did not receive any additional fees for this role.
4. Currently the Chairman of the Board, Mr Rayner, is also the Chairman of the Nominations Committee, thereby not receiving any additional fees for this role.

In addition to the above fees, non-executive directors receive a wine allowance. In order to maintain independence, non-executive directors do not participate in the Company's incentive plans and they do not receive retirement benefits other than the superannuation contributions disclosed in this report.

During F18, overseas-based directors were entitled to a travel allowance to compensate for travel undertaken in their duties. This was in addition to any business-related expenses that may be incurred in carrying out their duties. Travel costs are not included in base fees but are paid to non-executive directors as appropriate so that it is a targeted spend for the business to compensate for actual travel taken during the year.

Table 4.2: F18 Non-executive director travel allowances

TRAVEL TIME	TRAVEL ALLOWANCE
Between 4–12 hours	$1,250 each trip (i.e. generally $2,500 per meeting)
More than 12 hours	$2,500 each trip (i.e. generally $5,000 per meeting)

The above allowances are inclusive of superannuation, if applicable.

As previously reported, the Board decided in F15 to gradually phase out this travel allowance by 30 June 2018. Travel allowances ceased at the end of F18 and are no longer available to directors.

(c) Non-executive director outcomes

Details of non-executive director remuneration for F18 and F17 are provided below.

Table 4.3: F18 Non-executive director remuneration

NON-EXECUTIVE DIRECTOR	YEAR	FEES ($)	NON-MONETARY BENEFITS[1] ($)	TRAVEL ALLOWANCE ($)	SUPER-ANNUATION ($)	TOTAL ($)
PA Rayner	**F18**	**479,951**	**8,900**	**–**	**20,049**	**508,900**
	F17	434,134	12,856	–	19,615	466,605
EYC Chan	**F18**	**193,251**	**4,000**	**10,000**	**5,228**	**212,479**
	F17	159,419	4,000	10,000	5,581	179,000
MV Cheek	**F18**	**201,851**	**4,000**	**20,000**	**–**	**225,851**
	F17	185,000	4,000	20,000	–	209,000
WL Every-Burns	**F18**	**207,160**	**7,800**	**–**	**19,653**	**234,613**
	F17	191,781	6,188	–	18,219	216,188
GA Hounsell	**F18**	**207,160**	**4,000**	**–**	**19,653**	**230,813**
	F17	191,781	9,463	–	18,219	219,463
CE Jay[2]	**F18**	**51,813**	**1,000**	**–**	**–**	**52,813**
	F17	–	–	–	–	–
LM Shanahan	**F18**	**201,813**	**4,000**	**20,000**	**–**	**225,813**
	F17	122,077	2,000	15,000	–	139,077
Former						
ML Cattermole[3]	**F18**	**54,795**	**2,000**	**–**	**5,205**	**62,000**
	F17	178,082	6,888	–	16,918	201,888
PR Hearl[4]	**F18**	**30,441**	**1,000**	**–**	**2,892**	**34,333**
	F17	168,950	6,888	–	16,050	191,888
Total	**F18**	**1,628,235**	**36,700**	**50,000**	**72,680**	**1,787,615**
	F17	1,631,224	52,283	45,000	94,602	1,823,109

1. Includes car parking, product allocations, entertainment and Fringe Benefits Tax, where applicable. The amounts for Mr Rayner includes car parking.
2. Ms Jay commenced as non-executive director from 1 April 2018.
3. Ms Cattermole ceased as non-executive director on 18 October 2017.
4. Mr Hearl ceased as non-executive director from 31 August 2017.

OTHER REMUNERATION INFORMATION

5. GOVERNANCE

(a) Role of the Human Resources Committee (HRC)

The HRC provides assistance to the Board in relation to such matters as monitoring remuneration principles and frameworks, providing advice on remuneration matters, making remuneration recommendations for executives, approving incentive plans, and reviewing and governing remuneration policies. In addition to its remuneration responsibilities and together with the Board, the HRC's duties include overseeing talent management, diversity and leadership development.

The Committee ensures that the Company's policies and frameworks aid the achievement of the Group's strategic objectives, are aligned with market best practice, and fulfil the Board's responsibility to shareholders.

As outlined in Section 4 of the Corporate Governance Statement disclosed on the Company's website www.tweglobal.com, the Group has procedures in place for the reporting of any matter that may give rise to a conflict between the interests of a director and those of the Group. In addition, the Group has adopted a general policy for employees in relation to the disclosure and management of potential conflicts of interest (see Section 4 of the Corporate Governance Statement on www.tweglobal.com).

(b) Engagement of remuneration advisors

In F18, the Board and HRC engaged PwC as an independent advisor to the HRC. In the financial year, PwC did not provide any remuneration recommendations as defined in the Corporations Act.

(c) Executive and non-executive director share ownership

Each executive and non-executive director is encouraged to have control over ordinary shares in the Company that are worth at least the equivalent of one year's fixed remuneration or base fees. This guideline is expected to be met over a reasonable period of time (approximately five years). The Group's variable incentive programs contribute towards executives meeting this guideline. The Director Share Acquisition Plan (DSAP) allows directors to apply after-tax fees to the acquisition of the Company's shares on a periodic basis at the prevailing market rate. The table below sets out KMP shareholdings.

Table 5.1: KMP shareholdings

F18	BALANCE AT START OF THE YEAR	RECEIVED UPON EXERCISE[1]	OTHER CHANGES DURING THE YEAR[2]	BALANCE AT END OF YEAR
Executive				
Current (as at 30 June 2018)				
MA Clarke	805,708	823,372	(469,769)	1,159,311
RB Foye	254,747	219,395	(234,837)	239,305
MJ Young[3]	1,340	15,135	–	16,475
Former				
GG Burghardt	66,786	35,003	(101,789)	–
Executive total	**1,128,581**	**1,092,905**	**(806,395)**	**1,415,091**

1. Includes shares acquired upon exercise of F16 LTIP awards. MA Clarke's balance includes 163,613 shares received upon exercise and 659,759 exercisable rights at the end of the reporting period. MJ Young's balance includes 15,135 exercisable rights at the end of the reporting period.
2. Includes the purchase/sale of ordinary shares during F18 and balance adjustments for executives ceasing to be KMP.
3. Mr Young's holding at the start of the period reflects his holding on 1 May 2018 when he became KMP.

F18	BALANCE AT START OF THE YEAR	ACQUIRED DURING THE YEAR AS PART OF DSAP[4]	OTHER CHANGES DURING THE YEAR[5]	BALANCE AT END OF YEAR
Non-executive directors				
Current (as at 30 June 2018)				
PA Rayner	228,068	–	21,966	250,034
EYC Chan	43,300	2,569	–	45,869
MV Cheek	55,124	1,937	3,000	60,061
WL Every-Burns	90,000	–	10,000	100,000
GA Hounsell	54,500	–	14,000	68,500
CE Jay	–	–	–	–
LM Shanahan	4,779	–	3,764	8,543
Former				
ML Cattermole[6]	174,214	1,094	(175,308)	–
PR Hearl[7]	45,000	–	(45,000)	–
Non-executive director total	**694,985**	**5,600**	**(167,578)**	**533,007**
Grand total	**1,823,566**	**1,098,505**	**(973,973)**	**1,948,098**

4. Shares acquired by Directors using post-tax fees in TWE's Director Share Acquisition Plan (DSAP).
5. Includes the purchase/sale of ordinary shares during F18 and balance adjustments for non-executive directors on cessation as KMP.
6. Ceased as non-executive director on 18 October 2017. Zero balance at end of year represents cessation as KMP, not the sale of shares.
7. Ceased as non-executive director on 31 August 2017. Zero balance at end of year represents cessation as KMP, not the sale of shares.

6. FURTHER INFORMATION

(a) Executive contracts

There is no fixed term for executive contracts. The Company may terminate service agreements immediately for cause, in which case the executive is not entitled to any payment other than the value of fixed remuneration and accrued leave entitlements up to the termination date. On resignation all executives are required to give six months' notice. If the termination is Company initiated, all executives have termination provisions of six months' notice by the Company plus six months' severance pay.

(b) Other transactions with KMP and their personally related entities

The Group entered into transactions which are insignificant in amount with KMP 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 which include payments of salaries and benefits and purchase of Group products.

Some directors of the Company are also directors of public companies which have transactions with the Group. The relevant directors do not believe they have the individual capacity to control or significantly influence the financial policies of those companies. The companies are therefore not considered to be related parties for the purpose of the disclosure requirements of the Corporations Act 2001.

(c) Prior years' equity arrangements

This section summarises all outstanding equity arrangements for executives, as reported in previous Remuneration Reports.

The below equity plans have no exercise price and the minimum total value of the grant is zero. The maximum value is the number of awards granted multiplied by the share price at vesting.

Table 6.1: Prior years' restricted equity[1]

EXECUTIVE	PLAN	INSTRUMENT TYPE	ALLOCATION DATE	NUMBER	FACE VALUE AT ALLOCATION DATE[2,3,4] ($)	FAIR VALUE AT ALLOCATION DATE[5] ($)	VESTING DATE
MA Clarke	F16 STIP (tranche 2)	Restricted Shares	15 September 2016	38,525	419,996	419,996	14 September 2018
	F17 STIP (tranche 1)	Restricted Shares	12 September 2017	38,119	550,000	550,000	11 September 2018
	F17 STIP (tranche 2)	Restricted Shares	12 September 2017	38,119	550,000	550,000	11 September 2019
	F17 LTIP	Performance Rights	5 December 2016	452,205	4,400,000	3,676,427	30 June 2019
	2016 Share Cellar	Matched Rights	15 November 2016	83	871	871	20 August 2018
	2016 Share Cellar	Matched Rights	9 March 2017	52	628	628	20 August 2018
RB Foye	F16 STIP (tranche 2)	Restricted Shares	15 September 2016	6,979	76,084	76,084	14 September 2018
	F17 STIP (tranche 1)	Restricted Shares	12 September 2017	10,543	152,120	152,120	11 September 2018
	F17 STIP (tranche 2)	Restricted Shares	12 September 2017	10,542	152,105	152,105	11 September 2019
	F17 LTIP	Performance Rights	5 December 2016	103,478	1,006,851	841,276	30 June 2019
	2016 Share Cellar	Phantom Shares	15 November 2016	81	850	850	20 August 2018
	2016 Share Cellar	Phantom Shares	9 March 2017	49	592	592	20 August 2018
MJ Young	F17 LTIP	Performance Rights	5 December 2016	13,975	135,978	113,617	30 June 2019
	2016 Share Cellar	Matched Rights	15 July 2016	25	241	241	20 August 2018
	2016 Share Cellar	Matched Rights	17 October 2016	22	250	250	20 August 2018
	2016 Share Cellar	Matched Rights	16 January 2017	24	253	253	20 August 2018
	2016 Share Cellar	Matched Rights	29 March 2017	21	256	256	20 August 2018

1. Reports only executives who were KMP at 30 June 2018.
2. The value of STIP Deferral at allocation date is calculated based on the five-day VWAP up to and including the allocation date. The F16 and F17 STIP allocation price was $10.9019 and $14.4285 respectively.
3. The value of F17 LTIP awards at allocation date is calculated based on the ninety-day VWAP up to and including 30 June 2016 ($9.7301 per share). The vesting schedule is provided in Table 6.2.
4. The value of matched rights is calculated based on the purchase price of the 2016 Share Cellar shares at each purchase date.
5. This LTIP value is calculated using the valuation method detailed in Note 21 of the Financial Statements. All other plans are based on face value.

Table 6.2: F17 LTIP vesting schedules

Relative TSR vesting schedule	**Relative TSR ranking**		**% of Performance Rights subject to Relative TSR measure which vest**
ROCE growth vesting schedule	Below 50th percentile		0%
	50th to 75th percentile		35–100%
	At or above 75th percentile		100%
Baseline 9.6% (F16)	**% ROCE growth**	**ROCE result**	**% of Performance Rights subject to ROCE measure which vest**
	Less than 1.8%	Less than 11.4%	0%
	1.8% to 2.4%	11.4% to 12.0%	35–100%
	Greater than 2.4%	Greater than 12.0%	100%

(d) Definitions

TERM	DEFINITION
Constant currency	An exchange rate that eliminates the effects of exchange rate fluctuations year-on-year.
Earnings per Share (EPS)	NPAT excluding SGARA and material items, divided by the weighted average number of shares. Adjusted EPS is used to calculate performance outcomes, meaning that the Board retains the discretion to adjust EPS to ensure that participants are not penalised or provided with a windfall gain arising from matters outside of management's control.
EBITS	Earnings before interest, tax, SGARA and material items.
Key management personnel (KMP)	Those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise), as listed in the introduction to the Remuneration Report.
Phantom Shares	Units which provide the participant with a right to a receive a cash payment at the vesting date, whereby the payment is tied to the market value of an equivalent number of TWE shares. The amount of the payout will increase as the share price rises, and decrease if the share price falls, but without the participant actually receiving any TWE shares.
Relative Total Shareholder Return (TSR)	The return on investment of a company relative to a peer group of companies.
Restricted Equity	Rights or shares granted by TWE that vest upon the satisfaction of certain conditions, such as continued employment for a period of time or the achievement of particular performance milestones. The plan participant cannot deal in the equity until it vests and the restriction is lifted.
Return on Capital Employed (ROCE)	EBITS divided by Capital Employed (at constant currency). Capital Employed is the sum of average net assets (adjusted for SGARA impact) and average net debt.
SGARA	Self-generating and regenerating assets. The adjustment to self-generating and regenerating assets (SGARA) is excluded to reflect the fair value adjustment each financial year which is largely due to environmental conditions not within the Group's control.
Total Shareholder Return (TSR)	Total return on investment of a security, taking into account both capital appreciation and distributed income that was reinvested.

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)
Gross profit		**1,060.8**	965.9
Selling expenses		**(286.6)**	(273.6)
Marketing expenses		**(110.8)**	(113.9)
Administration expenses		**(113.0)**	(128.8)
Other expenses		**(41.5)**	(35.3)
Profit before tax and finance costs		**508.9**	414.3
Finance income		**28.2**	19.9
Finance costs		**(61.6)**	(47.0)
Net finance costs		**(33.4)**	(27.1)
Profit before tax		**475.5**	387.2
Income tax expense	22	**(115.1)**	(117.3)
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		**360.3**	269.1
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges		–	7.6
Tax on cash flow hedges		–	(3.1)
Exchange gain/(loss) on translation of foreign operations		**59.4**	(50.8)
Other comprehensive income for the year, net of tax		**59.4**	(46.3)
Total comprehensive income for the year attributable to members of Treasury Wine Estates Limited		**419.7**	222.8
Non-controlling interests		**0.1**	0.8
Total comprehensive income for the year		**419.8**	223.6

		CENTS PER SHARE	CENTS PER SHARE
Earnings per share for profit attributable to the ordinary equity holders of the Company			
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
Current assets			
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
Total current assets		**1,741.8**	1,835.2
Non-current assets			
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
Total non-current assets		**3,703.9**	3,444.1
Total assets		**5,445.7**	5,279.3
Current liabilities			
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
Total current liabilities		**809.4**	779.3
Non-current liabilities			
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
Total non-current liabilities		**1,140.0**	891.5
Total liabilities		**1,949.4**	1,670.8
Net assets		**3,496.3**	3,608.5
Equity			
Contributed equity	18	**3,235.4**	3,528.6
Reserves	20	**0.4**	(23.9)
Retained earnings		**256.2**	99.6
Total parent entity interest		**3,492.0**	3,604.3
Non-controlling interests		**4.3**	4.2
Total equity		**3,496.3**	3,608.5

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
Balance at 30 June 2016	**3,533.6**	**15.1**	**(1.0)**	**18.1**	**3,565.8**	**3.4**	**3,569.2**
Profit for the year	–	269.1	–	–	269.1	0.8	269.9
Total other comprehensive income	–	–	(50.8)	4.5	(46.3)	–	(46.3)
Total comprehensive income for the year	**–**	**269.1**	**(50.8)**	**4.5**	**222.8**	**0.8**	**223.6**
Transactions with owners in their capacity as owners directly in equity							
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)
Balance at 30 June 2017	**3,528.6**	**99.6**	**(51.8)**	**27.9**	**3,604.3**	**4.2**	**3,608.5**
Profit for the year	–	360.3	–	–	360.3	0.1	360.4
Total other comprehensive income	–	–	59.4	–	59.4	–	59.4
Total comprehensive income for the year	**–**	**360.3**	**59.4**	**–**	**419.7**	**0.1**	**419.8**
Transactions with owners in their capacity as owners directly in equity							
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)
Balance at 30 June 2018	**3,235.4**	**256.2**	**7.6**	**(7.2)**	**3,492.0**	**4.3**	**3,496.3**

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

	NOTE	2018 $M INFLOWS/ (OUTFLOWS)	2017 $M INFLOWS/ (OUTFLOWS)
Cash flows from operating activities			
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)
Net cash flows from operating activities	8	**295.0**	382.5
Cash flows from investing activities			
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
Net cash flows used in investing activities		**(164.8)**	(129.9)
Cash flows from financing activities			
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)
Net cash flows used in financing activities		**(279.9)**	(252.7)
Total cash flows from activities		**(149.7)**	(0.1)
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)
Cash and cash equivalents at end of the year	9	**89.4**	240.8

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 financial report was authorised for issue by the Board of Directors on 29 August 2018.

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

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.

On 29 August 2018, the Company announced that non-executive director, Michael Cheek, will retire from the Board with effect from the end of the 2018 Annual General Meeting on 18 October 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.

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
Total revenue comprises:								
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)	–	–	–
Total segment revenue (excl other income/interest)	**955.0**	**1,019.2**	**547.9**	**373.0**	**(401.0)**	**2,494.1**	**2.3**	**2,496.4**
Management EBITS	**136.1**	**193.0**	**205.2**	**49.5**	–	**583.8**	**(53.6)**	**530.2**
SGARA gain/(loss)	7.5	(21.6)	–	(1.0)	–	(15.1)	–	(15.1)
Material items	–	(3.1)	–	(3.1)	–	(6.2)	–	(6.2)
Management EBIT	**143.6**	**168.3**	**205.2**	**45.4**	–	**562.5**	**(53.6)**	**508.9**
Net finance costs								(33.4)
Consolidated profit before tax								**475.5**
Depreciation of property, plant and equipment	**38.6**	**41.1**	**0.5**	**2.0**	–	**82.2**	**3.5**	**85.7**
Amortisation of intangible assets	**1.0**	**0.8**	–	**0.1**	–	**1.9**	**9.9**	**11.8**
Assets held for sale	**29.1**	**16.1**	–	–	–	**45.2**	–	**45.2**
Capital expenditure	**107.6**	**97.2**	**1.7**	**1.9**	–	**208.4**	**12.4**	**220.8**
Segment assets (excl intersegment assets)	**2,212.6**	**2,362.9**	**192.6**	**329.6**	–	**5,097.7**	**348.0**	**5,445.7**
Segment liabilities (excl intersegment liabilities)	**269.3**	**401.1**	**57.9**	**87.5**	–	**815.8**	**1,133.6**	**1,949.4**

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
Total revenue comprises:								
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)	–	–	–
Total segment revenue (excl other income/interest)	950.5	1,173.8	394.4	371.1	(360.4)	2,529.4	4.8	2,534.2
Management EBITS	111.1	196.0	150.1	41.0	–	498.2	(43.1)	455.1
SGARA gain/(loss)	16.8	(22.5)	–	–	–	(5.7)	–	(5.7)
Material items	4.3	(36.6)	–	(2.8)	–	(35.1)	–	(35.1)
Management EBIT	132.2	136.9	150.1	38.2	–	457.4	(43.1)	414.3
Net finance costs								(27.1)
Consolidated profit before tax								387.2
Depreciation of property, plant and equipment	43.6	51.4	0.4	1.6	–	97.0	2.4	99.4
Amortisation of intangible assets	1.4	0.4	–	0.1	–	1.9	7.0	8.9
Assets held for sale	23.0	13.0	–	–	–	36.0	–	36.0
Capital expenditure	85.1	104.2	0.3	1.4	–	191.0	19.4	210.4
Segment assets (excl intersegment assets)	2,173.1	2,133.0	77.9	345.5	–	4,729.5	549.8	5,279.3
Segment liabilities (excl intersegment liabilities)	271.1	418.0	28.4	81.0	–	798.5	872.3	1,670.8

NOTE 2 – SEGMENT INFORMATION (CONTINUED)

Geographical segments

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

	NET SALES REVENUE 2018 $M	2017 $M
Australia	**1,053.4**	887.7
United States of America	**990.1**	1,104.0
United Kingdom	**279.5**	293.5
Other geographical locations[1]	**106.0**	116.5
Total	**2,429.0**	2,401.7

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.

	NON-CURRENT ASSETS 2018 $M	2017 $M
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
Total geographical non-current assets	**3,543.2**	3,231.4
Other non-current assets[2]	**160.7**	212.7
Consolidated non-current assets	**3,703.9**	3,444.1

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

NOTE 3 – REVENUE

	2018 $M	2017 $M
Revenue		
Net sales revenue[1]	**2,429.0**	2,401.7
Other revenue	**67.4**	132.5
Total revenue	**2,496.4**	2,534.2

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.

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 retails 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

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

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
Individually material items included in profit before income tax:		
Restructuring and redundancy costs[1]	**(5.2)**	(16.3)
(Write-down)/reversal of write-down of assets[2]	**(1.0)**	(18.8)
Total material items (before tax)	**(6.2)**	(35.1)
Tax effect of material items	**1.6**	13.1
Total material items (after tax)	**(4.6)**	(22.0)

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.

NOTE 6 – DIVIDENDS

	2018 $M	2017 $M
Dividends declared and paid on ordinary shares		
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
	203.7	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
Basic EPS		
Basic EPS (cents) based on net profit attributable to members of Treasury Wine Estates Limited	**49.7**	36.5
Diluted EPS		
Diluted EPS (cents) based on net profit attributable to members of Treasury Wine Estates Limited	**49.3**	36.1

	NUMBER	NUMBER
Weighted average number of shares		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS (in thousands)	**725,652**	736,766
Effect of potentially dilutive securities		
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
Earnings reconciliation		
Basic and diluted EPS		
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).

NOTE 8 – NET CASH FLOWS FROM OPERATING ACTIVITIES

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

NOTE 9 – WORKING CAPITAL

	2018 $M	2017 $M
Current		
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)
Total current	**991.8**	1,132.7
Non-current		
Inventories (b)	**952.1**	763.9
Trade and other payables	**(56.4)**	(57.4)
Total non-current	**895.7**	706.5

(a) Receivables

	2018 $M	2017 $M
Current		
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
Total current receivables	**593.0**	606.5

(b) Inventories

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

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.

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)
Carrying amount at end of year	**355.3**	329.8	**242.4**	214.3	**47.4**	45.4	**771.4**	739.0	**1,416.5**	1,328.5
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)
Carrying amount at end of year	**355.3**	329.8	**242.4**	214.3	**47.4**	45.4	**771.4**	739.0	**1,416.5**	1,328.5

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.

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

	2018 HECTARES	2017 HECTARES
Australia	**8,607**	8,828
New Zealand	**492**	528
United States	**3,894**	3,758
Italy	**148**	152
	13,141	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.

NOTE 11 – AGRICULTURAL ASSETS

	2018 $M	2017 $M
Agricultural assets	**41.3**	37.7
Total agricultural assets	**41.3**	37.7
Reconciliations		
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)
Carrying amount at end of year	**41.3**	37.7

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).

NOTE 12 – INTANGIBLE ASSETS

	BRAND NAMES AND LICENCES		IT 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)
Carrying amount at end of year	**937.8**	918.2	**62.0**	51.2	**129.1**	126.4	**1,128.9**	1,095.8
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)
Carrying amount at end of year	**937.8**	918.2	**62.0**	51.2	**129.1**	126.4	**1,128.9**	1,095.8

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
Goodwill								
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)
Carrying amount at end of year	**35.8**	37.0	**73.7**	70.7	**19.6**	18.7	**129.1**	126.4
Brand names and licences								
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)
Carrying amount at end of year	**481.4**	481.2	**453.2**	434.0	**3.2**	3.0	**937.8**	918.2

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.

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
Total assets classified as held for sale	**45.2**	36.0

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.

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.

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.

NOTE 15 – PROVISIONS

	2018 $M	2017 $M
Current		
Employee entitlements	**34.4**	34.9
Other	**11.0**	26.4
Total current provisions	**45.4**	61.3

Other provisions

	ONEROUS CONTRACTS $M	RESTRUCTURING $M	OTHER $M	TOTAL $M
2018				
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**
Carrying amount at end of year	**2.0**	**6.5**	**2.5**	**11.0**
2017				
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)
Carrying amount at end of year	3.8	18.4	4.2	26.4

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
Total borrowings	**879.6**	600.5

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.

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.

ALL BALANCES TRANSLATED TO AUD	2017 $M	TOTAL CASH FLOWS FROM ACTIVITIES $M	DEBT REVALUATION AND FX MOVEMENTS $M	2018 $M
Net debt				
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)
Net debt	**(354.8)**	**(416.2)**	**(31.3)**	**(802.3)**

NOTE 18 – CONTRIBUTED EQUITY

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

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.

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
Leases		
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
Total lease commitments	**850.0**	909.6
Capital expenditure and other commitments		
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*.

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)
Total reserves	**0.4**	(23.9)

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)
Outstanding at the end of the year	**255,406**	**4,448,771**	**395,909**	**100,806**
Exercisable at the end of the year	–	**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.

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.

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:

GRANT DATE	F17 PLAN 05-DEC-16	F18 PLAN 13-NOV-17
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

GRANT DATE	GRANT DATE SHARE PRICE
F15	
29-Aug-14	$5.11
F16	
4-Sep-15	$5.98
4-Dec-15	$7.97
F17	
5-Dec-16	$10.42
F18	
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:		
Statement of profit or loss		
Current income tax expense	**106.6**	75.7
Deferred income tax expense	**8.5**	41.6
Total tax expense	**115.1**	117.3
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)
Deferred income tax	**8.5**	41.6

Tax reconciliation

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:

	2018 $M	2017 $M
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
Total tax expense	**115.1**	117.3
Income tax expense on operations	**116.7**	130.4
Income tax benefit attributable to material items	**(1.6)**	(13.1)
Income tax expense	**115.1**	117.3

Deferred income tax relates to the following:

	2018 $M	2017 $M
Deferred tax assets		
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
Total deferred tax assets	**154.5**	208.0
Deferred tax liabilities		
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
Total deferred tax liabilities	**190.8**	233.9

NOTE 22 – INCOME TAX (CONTINUED)

	2018 $M	2017 $M
Movements in deferred income tax relate to the following:		
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
Amounts recognised directly in equity		
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.

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.

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
Committed facilities		
Available facilities	**1,301.5**	1,178.8
Amounts utilised	**(818.4)**	(520.8)
Amount unutilised	**483.1**	658.0

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

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:						
	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	CONTRACTUAL TOTAL $M	CARRYING AMOUNT $M
2018							
Non-derivative financial liabilities							
Bank loans[1]	**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**
Derivative financial liabilities							
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**
Total financial liabilities	**719.7**	**16.0**	**121.8**	**375.2**	**548.5**	**1,781.2**	**1,609.4**
2017							
Non-derivative financial liabilities							
Bank loans[1]	–	–	–	–	–	–	(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
Derivative financial liabilities							
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
Total financial liabilities	678.3	14.9	30.5	184.3	553.8	1,461.8	1,263.7

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.

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
Financial assets		
Cash and cash equivalents	**89.4**	240.8
Total assets	**89.4**	240.8
Financial liabilities		
US Private Placement Notes[1]	**272.1**	195.3
Bank loans	**274.1**	–
Total liabilities	**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[1]	**+ / – 25bp**	+ / – 25bp	**(0.3)**	**0.3**	–	–
GBP[1]	**+ / – 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.

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
	Total	**187.7**	
AUD/GBP	Forwards	27.0	0.5561
	Options	154.5	0.5922
	Total	**181.5**	
USD/GBP	Forwards	13.5	1.3301
	Options	13.5	1.3400
	Total	**27.0**	
ZAR/GBP	Options	87.0	17.7494
	Total	**87.0**	
NZD/USD	Forwards	58.0	0.6829
	Total	**58.0**	

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
2018					
Net debt					
Cash and cash equivalents	**26.2**	**26.2**	**0.6**	**36.4**	**89.4**
Loan receivable	**0.6**	–	–	–	**0.6**
Bank loans[1]	**(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)**
Net debt	**(125.7)**	**(713.4)**	**0.6**	**36.2**	**(802.3)**
Other financial assets/(liabilities)					
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)**
Net other assets/(liabilities)	**(26.1)**	**(190.7)**	**(9.1)**	**28.2**	**(197.7)**
2017					
Net debt					
Cash and cash equivalents	18.3	108.3	56.8	57.4	240.8
Loan receivable	0.9	–	–	–	0.9
Bank loans[1]	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)
Net debt	19.6	(488.6)	56.8	57.4	(354.8)
Other financial assets/(liabilities)					
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)
Net other assets/(liabilities)	(15.7)	(176.3)	21.2	29.2	(141.6)

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[1]		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[2]	**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.

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:

	2018 $M	2017 $M
Not past due	**432.1**	455.1
Past due 1–30 days	**28.3**	13.4
Past due 31–60 days	**3.2**	2.3
Past due 61 days+	**3.9**	3.7
Total	**467.5**	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.

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
Equity holding of 100% (F17: 100%)	
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

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	% OF HOLDING 2018	% OF HOLDING 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

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
Balance sheet		
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
Net assets	**3,438.5**	3,886.0
Shareholders' equity		
Issued capital	**3,240.5**	3,540.5
Share based payments reserve	**(9.4)**	25.8
Retained earnings	**207.4**	319.7
Total equity	**3,438.5**	3,886.0
Profit for the year	**91.4**	9.1
Total comprehensive income	**91.4**	9.1

(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[1] $M
Extract of the statement of profit or loss and other comprehensive income		
Profit before tax	**412.4**	267.1
Income tax expense	**(96.2)**	(75.2)
Net profit after tax	**316.2**	191.9
Retained earnings at beginning of the year	**(11.1)**	(18.4)
External dividends	**(203.7)**	(184.6)
Retained earnings at end of the year	**101.4**	(11.1)

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.

NOTE 29 – DEED OF CROSS GUARANTEE (CONTINUED)

	2018 $M	2017[1] $M
Statement of financial position		
Current assets		
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
Total current assets	**1,645.4**	1,531.4
Non-current assets		
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
Total non-current assets	**4,177.5**	4,090.0
Total assets	**5,822.9**	5,621.4
Current liabilities		
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
Total current liabilities	**2,204.3**	2,040.6
Non-current liabilities		
Borrowings	**263.0**	–
Deferred tax liabilities	**18.3**	21.6
Other non-current liabilities	**4.8**	4.1
Total non-current liabilities	**286.1**	25.7
Total liabilities	**2,490.4**	2,066.3
Net assets	**3,332.5**	3,555.1
Equity		
Contributed equity	**3,240.5**	3,540.5
Reserves	**(9.4)**	25.7
Retained earnings	**101.4**	(11.1)
Total equity	**3,332.5**	3,555.1

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
Total	**16,578,558**	18,109,390

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 *Corporations Act 2001*	**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
Total	**2,110,968**	2,108,005

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.

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	*Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
AASB 2016-2	*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*	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	*Revenue from Contracts with Customers*	1 January 2018
AASB 9	*Financial Instruments (December 2014)*	1 January 2018
AASB 2014-5	*Amendments to Australian Accounting Standards arising from AASB 15*	1 January 2018
AASB 2014-7	*Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*	1 January 2018
AASB 2015-8	*Amendments to Australian Accounting Standards – Effective Date of AASB 15*	1 January 2018
AASB 2016-3	*Amendments to Australian Accounting Standards – Clarifications to AASB 15*	1 January 2018
AASB 2016-5	*Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Interpretation 22	*Foreign Currency Transactions and Advance Consideration*	1 January 2018
Interpretation 23	*Uncertainty over Income Tax Treatments*	1 January 2019
AASB 2017-4	*Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*	1 January 2019
AASB 16	*Leases*	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.

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.

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.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2018

In the Directors' opinion:

(a) The financial statements and notes 1 to 32 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date.

(b) there are reasonable grounds to believe that Treasury Wine Estates Limited will be able to pay its debts as and when they become due and payable; and

(c) there are reasonable grounds to believe that members of the Closed Group identified in note 27 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee described in note 29.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

Paul Rayner
Chairman

Michael Clarke
Chief Executive Officer

29 August 2018

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent Auditor's Report

To the shareholders of Treasury Wine Estates Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Treasury Wine Estates Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2018;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

KPMG

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Valuation of inventory; and
- Recognition of discounts and rebates.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventory (total finished goods and work in progress inventory was $1,922.0 million)

Refer to Note 9 *Working Capital* of the Financial Report.

The key audit matter	How the matter was addressed in our audit

The valuation of inventories of finished goods and work in progress, is a key audit matter as we need to consider estimates and judgements made by the Group. These include inherently subjective judgements about forecast demand and estimated market sales prices at the time the wine is expected to be sold. We focus our work on assessing the judgments contained in the valuation models for:
• the period of time over which some harvested grapes are converted from work in progress to bottled wine ready for sale (the holding period) which can be a number of years depending on the varietal and type of wine;
• forecast demand and market sales prices, which can fluctuate significantly over the holding period and are influenced by the fundamentals of the global wine industry, including fluctuations in demand and supply and other factors that impact agricultural outputs. These factors influence the Group's determination of the most likely market conditions at the estimated date of sale. A key indicator for at-risk inventory values, including finished goods and work in progress in the holding period, is the identification of current slow moving and obsolete inventories. These can signal changes in consumer demand patterns or potential over-supply issues which may impact forecast prices; and
	Our procedures included:
	• testing key controls designed by the Group to identify slow moving and obsolete inventories (including wine held by third party distributors and retailers), which if existing, may indicate valuation issues with work in progress and finished goods;
	• testing year-end inventory valuation models, in particular the identification and valuation of work in progress and finished goods considered to be 'at risk' (i.e. where the costs may potentially exceed the estimated net realisable value at the time of sale). We used our knowledge from the Group's identification of slow moving and obsolete inventories and underlying documentation such as forecast sales plans, inventory holding reports (including wine held by third party distributors and retailers), and committed future supply contracts. For a sample of 'at risk' inventory we:
	  ◦ evaluated the proposed inventory value against the trends from the underlying documentation for consistency;
	  ◦ assessed the reasonableness of management's action plans in place to mitigate the risk and enable sale of potential at risk inventory above cost;
	• comparing, by product grade, inventory volumes in significant markets to both recent and forecasted sales data to identify slow

• of particular interest to us when auditing the valuation of inventory were the implications of the Group making changes to their US Route to Market, which included certain finished goods that were sold to distributors being returned to the group.	moving and potentially 'at risk' inventories, and assessing the computation of write-downs of inventory to net realisable value. The population utilised for this procedure included finished goods returned to the group as part of the changes to their US Route to market that remained unsold as at 30 June 2018; • attending cycle counts and / or year-end stock takes in significant locations, which included observing the process of identifying slow moving and potentially obsolete inventory; • comparing the estimated net realisable value of slow moving inventories identified in prior periods to actual sales outcomes subsequently achieved, to assess the historical accuracy of the Group's forecasting process; and • assessing the Group's inventory valuation methodologies and the Group's disclosures in respect of inventory valuation against the requirements of relevant accounting standards.

Recognition of discounts and rebates (Net sales revenue, which is net of trade discounts and volume rebates, was $2,429.0 million)

Refer to Note 3 *Revenue* of the Financial Report.

The key audit matter	How the matter was addressed in our audit

The Group's policy is to record net sales revenue at the time goods are shipped to customers based on the price specified in the sales agreement, net of any estimated discount or rebate. In some cases, the discount or rebate will not be finally determined or paid until the inventory is depleted from the customer's warehouse, which may be some time after the Group's sale date to their customer. Sales agreement terms and historical trends are used by the Group to estimate the discounts. The impact of any one-off events, such as the US Route to Market change during the year, are considered by the Group in the estimation of the accrual.
 	
At year end, the Group estimates and accrues amounts for discounts and rebates they consider have been incurred and not yet paid. The Group's estimation of these amounts at the year-end is considered a key audit matter due to the
	Our procedures included:
	• considering the appropriateness of the Group's accounting policy for the recognition and measurement of net sales revenue, including the policy for recording discounts and rebates, by assessing compliance with applicable accounting standards;
	• testing the estimation of discounts and rebates accruals. We used underlying documentation such as customer agreements, shipment and depletion data, claims for discounts and rebates along with cash payments made. We evaluated the estimate, for a sample of customers, by:
	    • checking amounts to the agreements; and
	    • analysing sales and depletion to date, and depletion programs expected to

significance of Group judgements applied and the number of unique customer arrangements they relate to. For example, the Group's judgement is required to estimate the accrual where discounts and rebates are dependent on customers achieving annual sales targets and the performance year does not align to the Group's financial year. Additional audit effort was applied to the implications of the Group's change to their US Route to Market during the year. As part of this, new customers and distributors needed to be set up in the Group's discounts and rebates processes.	take place in future periods against sales budgets, depletion plans and actual claims, to assess the estimate of discounts and rebates incurred but not yet paid. • testing key controls in significant jurisdictions for calculating, reviewing and approving discounts and rebates; • challenging the nature and quantum of the amounts recorded by reference to historical sales, rebates paid and discounts paid. We also tested, on a sample basis, the nature and level of such amounts back to contractually agreed terms; • assessing the accuracy of the accrual in previous years in order to challenge the Group's current year estimation processes; • performing an analysis of the impact of the US Route to Market change on the underlying accrual, by using the reduction in the level of distributor inventory on hand in key States to analyse the reduction in the portion of the accrual relating to those States; and • considering the Group's disclosures with respect to revenue, discounts and rebates accruals against accounting standard requirements.

Other Information

Other Information is financial and non-financial information in Treasury Wine Estates Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

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

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Treasury Wine Estates Limited for the year ended 30 June 2018, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 44 to 63 of the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Paul J McDonald

Paul J McDonald
Partner
Melbourne
29 August 2018

DETAILS OF SHAREHOLDERS, SHAREHOLDINGS AND TOP 20 SHAREHOLDERS

DETAILS OF SHAREHOLDERS AND SHAREHOLDINGS

Holding of securities

LISTED SECURITIES 8 AUGUST 2018	NO. OF HOLDERS	NO. OF SHARES	% HELD BY TOP 20
Fully paid ordinary shares	61,725	718,663,546	88.40

SIZE OF HOLDING	NUMBER
1 – 1,000	43,183
1,001 – 5,000	16,371
5,001 – 10,000	1,465
10,001 – 100,000	649
100,001 and over	57
Total	61,725

As at 8 August 2018, the number of shareholders holding less than a marketable parcel of $500 worth of shares, based on the closing market price on that date of $18.05 per share, is 396.

TWENTY LARGEST SHAREHOLDERS – 8 AUGUST 2018

RANK	SHAREHOLDER	NO. OF FULLY PAID ORDINARY SHARES	% OF FULLY PAID ORDINARY SHARES
1.	HSBC Custody Nominees (Australia) Limited	309,956,854	43.13
2.	J P Morgan Nominees Australia Limited	185,741,864	25.85
3.	Citicorp Nominees Pty Limited	59,422,152	8.27
4.	National Nominees Limited	27,483,300	3.82
5.	BNP Paribas Noms Pty Ltd <DRP>	14,905,734	2.07
6.	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	11,261,977	1.57
7.	Australian Foundation Investment Company Limited	5,450,000	0.76
8.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	4,032,638	0.56
9.	CPU Share Plans Pty Ltd <LTP Unallocated A/C>	2,727,407	0.38
10.	AMP Life Limited	2,460,710	0.34
11.	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	1,889,974	0.26
12.	National Nominees Limited <N A/C>	1,639,000	0.23
13.	HSBC Custody Nominees (Australia) Limited – GSCO ECA	1,568,851	0.22
14.	HSBC Custody Nominees (Australia) Limited – A/C 2	1,329,818	0.19
15.	Merrill Lynch (Australia) Nominees Pty Limited	1,282,097	0.18
16.	Milton Corporation Limited	1,194,085	0.17
17.	BNP Paribas Nominees Pty Ltd <Agency Lending Collateral>	901,500	0.13
18.	HSBC Custody Nominees (Australia) Limited	711,600	0.10
19.	National Nominees Limited <DB A/C>	671,559	0.09
20.	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd DRP	592,573	0.08
Total		**635,223,693**	**88.40**

SUBSTANTIAL SHAREHOLDERS – 8 AUGUST 2018

The following shareholders have declared a relevant interest in the number of voting shares at the date of giving the notice under Part 6C.1 of the Corporations Act.

INSTITUTION	INTEREST (% OF ISC)
The Capital Group Companies	8.0
Blackrock Group	5.3
Wellington Management Group	5.2

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Thursday 18 October 2018. Full details are contained in the Company's Notice of Meeting provided to shareholders and available on the Company's website prior to the meeting.

VOTING RIGHTS

Shareholders are encouraged to attend the Annual General Meeting; however, when this is not possible, they can use the proxy form by which they can express their views.

Shareholders may also lodge a proxy electronically either via www.investorvote.com.au using the details printed on their personalised proxy form or www.tweglobal.com (in the AGM section under the Investors menu) or www.intermediaryonline.com for custodian voting (subscribers only).

Every shareholder present personally or by proxy, attorney or representative has, on a poll, one vote for each fully paid share held.

SECURITIES EXCHANGE LISTING

Treasury Wine Estates Limited shares are listed on the Australian Securities Exchange under the code 'TWE'.

Treasury Wine Estates Limited ordinary shares are traded in the US in the form of American Depositary Receipts (ADR) issued by The Bank of New York Mellon as Depositary.

SHARE BUY-BACK

During the financial year ended 30 June 2018, Treasury Wine Estates acquired shares under an on-market share buy-back program for a total consideration of $300 million. 19,471,487 shares were bought back and cancelled resulting in a reduction of fully paid shares on issue.

SHARE REGISTER AND OTHER ENQUIRIES

If you have any questions in relation to your shareholding, share transfers or dividends, please contact our share registry:

Computershare Investor Services Pty Limited Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067 Australia

Telephone: 1800 158 360
International: +61 3 9415 4208
Facsimile: +61 3 9473 2500
For faxing Proxy Forms only: +61 3 9473 2555
(outside Australia) or 1800 783 447 (within Australia)
Website: www.investorcentre.com/contact

Please include your securityholder reference number (SRN) or holder identification number (HIN) in all correspondence to the share registry. For enquiries relating to the operations of the Company, please contact the Investor Relations team on:

Telephone: +61 3 8533 3000
Facsimile: +61 3 9690 5196
Email: investors@tweglobal.com
Website: www.tweglobal.com
Address: 58–82 Queensbridge Street
Southbank Victoria 3006 Australia

ADR Depositary and Transfer Agent:
BNY Mellon Shareholder Services
462 South 4th Street, Suite 1600
Louisville KY 40202
United States
Postal address: PO Box 505000
Louisville KY 40233 – 5000
United States
Telephone: +1 (201) 680 6825 (1888 269 2377 – toll free)

ELECTRONIC COMMUNICATIONS

The Company has an online share registry facility where shareholders can:

- check their current and previous holding balances;
- update their address details;
- update their bank details;
- review their dividend history;
- confirm whether they have lodged a TFN/ABN exemption;
- elect to receive communications and Company information electronically and change their Annual Report election;
- download commonly used forms; and
- elect to receive email notification when dividend statements and issuer sponsored holding statements are available to view online.

To access the online share registry, log on to www.tweglobal.com, go to the Shareholder Information section located under the Investors menu and click the 'online share registry' icon. For security and privacy reasons, shareholders will be required to verify their identity before they can view their records.

TAX FILE NUMBERS, AUSTRALIAN BUSINESS NUMBERS OR EXEMPTIONS

Australian taxpayers who do not provide details of their tax file number will have dividends subjected to the top marginal personal tax rate plus Medicare levy (if applicable). It may be in the interests of shareholders to ensure that tax file numbers have been supplied to the share registry. Shareholders may request a form from the share registry or submit their details via the online share registry.

CHANGE OF ADDRESS

It is important for shareholders to notify the share registry of any change of address. As a security measure, the previous address should also be quoted as well as your securityholder reference number (SRN). Shareholders may access the online share registry to submit their details or download a personalised change of address form.

SHAREHOLDER WINE OFFER – CELLARDOOR.CO

Shareholders have the opportunity to purchase the Company's wines through Cellardoor.co.

Cellardoor.co is an exclusive members-only wine community for shareholders, friends and family of Treasury Wine Estates. The virtual cellar door offers a range of wines across the Treasury Wine Estates portfolio. Members of Cellardoor.co have access to award winning wines, exclusive pricing and member-only events.

Shareholders can register for Cellardoor.co by calling 1300 846 863 or by visiting https://cellardoor.co/shareholders2018. Information about Cellardoor.co is also included in the welcome letter provided to new shareholders.

TREASURY WINE ESTATES LIMITED

ABN 24 004 373 862

COMPANY SECRETARY

Fiona Last LLB (Hons), B.Com, FGIA

REGISTERED OFFICE

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TREASURY
WINE ESTATES

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