APPENDIX 4E

PRELIMINARY FINAL REPORT IN RESPECT TO TREASURY WINE ESTATES LIMITED FOR THE YEAR ENDED 30 JUNE 2014 ABN 24 004 373 862

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

KEY INFORMATION	YEAR ENDED 30 JUNE 2014 $M	YEAR ENDED 30 JUNE 2013 $M	% CHANGE INCREASE/ (DECREASE)	AMOUNT INCREASE/ (DECREASE) $M
Revenue from ordinary activities	1,790.2	1,728.4	3.6%	61.8
Profit/(loss) attributable to members of Treasury Wine Estates Limited	(100.9)	47.2	(313.8)%	(148.1)
Earnings before interest, tax, SGARA and material items	184.6	216.2	(14.6)%	(31.6)

EARNINGS PER SHARE	YEAR ENDED 30 JUNE 2014 CENTS PER SHARE	YEAR ENDED 30 JUNE 2013 CENTS PER SHARE
Basic earnings per share	(15.6)	7.3
Basic earnings per share, adjusted to exclude SGARA, material items and $80.5 million tax consolidation benefit (refer note 5)	17.4	21.9

DIVIDENDS (DISTRIBUTIONS)	CENTS PER SHARE	FRANKING %
Final dividend – year ended 30 June 2014 (determined subsequent to balance date) (i),(ii)	7.0 cents	unfranked
Interim dividend – half year ended 31 December 2013	6.0 cents	unfranked
Final dividend – year ended 30 June 2013	7.0 cents	50%

(i) Non-resident withholding tax is payable on the unfranked component of this dividend as the conduit foreign income component for the period is declared to be nil.
(ii) The record date for determining an entitlement to receipt of the final dividend is Thursday 4 September 2014 and the Company expects to pay the dividend on Thursday 2 October 2014.
(iii) On 21 August 2014, Treasury Wine Estates Limited suspended the Dividend Reinvestment Plan.
(iv) For the profit commentary and any other information needed for an investor to make an informed assessment of TWE's results, refer to the related ASX announcement, dated 21 August 2014.

2. FINANCIAL STATEMENTS

Please refer to pages 2 through 58 of this report wherein the following are provided:

- Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2014
- Consolidated statement of financial position as at 30 June 2014
- Consolidated statement of changes in equity for the year ended 30 June 2014
- Consolidated statement of cash flows for the year ended 30 June 2014
- Notes to the consolidated financial statements

This report is based on a financial report which has been audited. The audit report, which is unmodified is included and will also be made available with the Company's Annual Report, which contains the Directors' Report (including the audited Remuneration Report) and the Directors' Declaration. These will all be issued as part of the Company's Annual Report which will be released in accordance with the *Corporations Act 2001.*

3. NET TANGIBLE ASSET BACKING

NET TANGIBLE ASSET BACKING PER ORDINARY SHARE	YEAR ENDED 30 JUNE 2014 $	YEAR ENDED 30 JUNE 2013 $
Net tangible asset backing per ordinary share	3.24	3.09

4. DETAILS IN RESPECT TO THE COMPANY'S ANNUAL GENERAL MEETING

The Annual General Meeting is currently scheduled to be held as follows:

Place: National Wine Centre of Australia, Corner of Botanic and Hackney Roads, Adelaide, South Australia, Australia
Time: 10.00am, Thursday 30 October 2014

5. FURTHER INFORMATION

Further information can be obtained from:

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 $M	2013[1] $M
Revenue	3	**1,790.2**	1,728.4
Cost of sales		**(1,209.5)**	(1,303.9)
Gross profit		**580.7**	424.5
Other income	3	**6.2**	9.5
Selling expenses		**(204.4)**	(182.1)
Marketing expenses		**(71.7)**	(70.9)
Administration expenses		**(105.6)**	(94.9)
Other expenses	3	**(424.6)**	(21.8)
Share of net profits of associates and joint ventures accounted for using the equity method		**–**	1.0
Profit/(loss) before tax and finance costs		**(219.4)**	65.3
Finance income		**1.5**	0.7
Finance costs		**(23.1)**	(15.1)
Net finance costs	3	**(21.6)**	(14.4)
Profit/(loss) before tax		**(241.0)**	50.9
Income tax benefit/(expense)	5	**138.6**	(3.3)
Net profit/(loss)		**(102.4)**	47.6
Net (profit)/loss attributable to non-controlling interests		**1.5**	(0.4)
Net profit/(loss) attributable to members of Treasury Wine Estates Limited		**(100.9)**	47.2
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges		**3.9**	(6.5)
Tax on cash flow hedges		**(1.5)**	1.8
Exchange difference on translation of foreign operations		**11.8**	106.4
Other comprehensive income for the year, net of tax		**14.2**	101.7
Total comprehensive income/(loss) for the year attributable to members of Treasury Wine Estates Limited		**(86.7)**	148.9
Non-controlling interests		**(1.5)**	0.4
Total comprehensive income/(loss) for the year		**(88.2)**	149.3

		CENTS PER SHARE	CENTS PER SHARE
Earnings per share for profit or loss attributable to the ordinary equity holders of the Company			
Basic	7	**(15.6)**	7.3
Diluted	7	**(15.6)**	7.2

1. Restated due to change in accounting policy as a result of the adoption of the revised AASB 9 *Financial Instruments,* which requires a retrospective application. Refer note 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 2014

	NOTE	2014 $M	2013[1] $M
Current assets			
Cash and cash equivalents	9	**52.0**	10.8
Receivables	10	**407.9**	457.1
Inventories	11	**707.1**	714.5
Current tax assets		**45.7**	0.1
Assets held for sale	13	**2.5**	2.5
Derivative financial assets	19	**3.1**	1.0
Total current assets		**1,218.3**	1,186.0
Non-current assets			
Receivables	10	**7.0**	3.8
Inventories	11	**525.2**	446.0
Investments	12	**2.0**	2.0
Derivative financial assets	19	**1.3**	0.2
Property, plant and equipment	14	**958.3**	1,024.4
Agricultural assets	15	**229.9**	227.1
Intangible assets	16	**747.1**	1,009.9
Deferred tax assets	5	**171.4**	228.8
Total non-current assets		**2,642.2**	2,942.2
Total assets		**3,860.5**	4,128.2
Current liabilities			
Payables	17	**449.8**	480.0
Borrowings	20	**0.8**	0.7
Current tax liabilities		**39.0**	–
Provisions	21	**86.5**	88.2
Derivative financial liabilities	19	**6.0**	4.3
Total current liabilities		**582.1**	573.2
Non-current liabilities			
Payables	17	**1.4**	–
Borrowings	20	**264.8**	224.3
Deferred tax liabilities	5	**159.6**	314.4
Provisions	21	**3.3**	3.7
Derivative financial liabilities	19	**0.5**	4.7
Total non-current liabilities		**429.6**	547.1
Total liabilities		**1,011.7**	1,120.3
Net assets		**2,848.8**	3,007.9
Equity			
Contributed equity	22	**3,051.4**	3,042.6
Reserves	23	**(222.4)**	(241.1)
Retained earnings		**17.2**	202.2
Total parent entity interest		**2,846.2**	3,003.7
Non-controlling interest		**2.6**	4.2
Total equity		**2,848.8**	3,007.9

1. Restated due to change in accounting policy as a result of the adoption of the revised AASB 9 *Financial Instruments,* which requires a retrospective application. Refer note 1.

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 2014

	CONTRIBUTED EQUITY $M	RETAINED EARNINGS[1] $M	CASH FLOW HEDGE RESERVE[1] $M	SHARE BASED PAYMENTS RESERVE $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	TOTAL $M	NON-CONTROLLING INTERESTS $M	TOTAL EQUITY $M
Balance at 30 June 2012	**3,042.2**	**239.1**	**(0.2)**	**6.8**	**(352.4)**	**2,935.5**	**3.8**	**2,939.3**
Profit for the year	–	47.2	–	–	–	47.2	0.4	47.6
Total other comprehensive income/(loss)	–	–	(4.7)	–	106.4	101.7	–	101.7
Total comprehensive income/(loss) for the year	**–**	**47.2**	**(4.7)**	**–**	**106.4**	**148.9**	**0.4**	**149.3**
Transactions with owners in their capacity as owners directly in equity								
Share-based payment expense	–	–	–	7.9	–	7.9	–	7.9
Purchase of own shares	(4.5)	–	–		–	(4.5)	–	(4.5)
Vested deferred shares and share rights[2]	4.9	–	–	(4.9)	–	–	–	–
Dividends to owners of the Company	–	(84.1)	–		–	(84.1)	–	(84.1)
Balance at 30 June 2013	**3,042.6**	**202.2**	**(4.9)**	**9.8**	**(246.0)**	**3,003.7**	**4.2**	**3,007.9**
Loss for the year	–	(100.9)	–	–	–	(100.9)	(1.5)	(102.4)
Total other comprehensive income	–	–	2.4	–	11.8	14.2	–	14.2
Total comprehensive (loss)/income for the year	**–**	**(100.9)**	**2.4**	**–**	**11.8**	**(86.7)**	**(1.5)**	**(88.2)**
Transactions with owners in their capacity as owners directly in equity								
Share-based payment expense	–	–	–	8.0	–	8.0	–	8.0
Issue of ordinary shares	8.1	–	–	–	–	8.1	–	8.1
Purchase of own shares	(2.8)	–	–	–	–	(2.8)	–	(2.8)
Vested deferred shares and share rights[2]	3.5	–	–	(3.5)	–	–	–	–
Dividends to owners of the Company	–	(84.1)	–	–	–	(84.1)	(0.1)	(84.2)
Balance at 30 June 2014	**3,051.4**	**17.2**	**(2.5)**	**14.3**	**(234.2)**	**2,846.2**	**2.6**	**2,848.8**

1. Restated due to change in accounting policy as a result of the adoption of the revised AASB 9 *Financial Instruments,* which requires a retrospective application. Refer note 1.
2. Represents vested share rights and restricted shares under the Group's Long-Term Incentive Program and Restricted Equity Plan which are held as treasury shares prior to vesting date.

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 2014

	NOTE	2014 $M INFLOWS/ (OUTFLOWS)	2013 $M INFLOWS/ (OUTFLOWS)
Cash flows from operating activities			
Receipts from customers[1]		**2,380.6**	2,270.8
Payments to suppliers, governments and employees[1]		**(2,215.2)**	(2,118.5)
Interest received		**1.5**	0.7
Borrowing costs paid		**(22.2)**	(15.4)
Income taxes refunded/(paid)		**36.7**	(23.2)
Other cash (payments)/receipts		**4.1**	(1.3)
Net cash flows from operating activities	28	**185.5**	113.1
Cash flows from investing activities			
Payments for property, plant, equipment and agricultural assets		**(98.4)**	(134.9)
Payments for intangible assets		**(13.9)**	(28.9)
Payments for subsidiaries, investments and other assets		**(0.1)**	(27.5)
Loans to other parties		**(0.8)**	(2.0)
Proceeds from sale of property, plant and equipment		**8.1**	2.2
Proceeds from sale of assets held for sale		**–**	1.1
Other cash receipts		**–**	1.4
Net cash flows from investing activities		**(105.1)**	(188.6)
Cash flows from financing activities			
Payments for on-market share purchase		**(1.1)**	(4.5)
Dividend payments		**(77.8)**	(84.1)
Proceeds from borrowings		**972.4**	750.3
Repayment of borrowings		**(931.5)**	(610.5)
Net cash flows from financing activities		**(38.0)**	51.2
Total cash flows from activities		**42.4**	(24.3)
Cash and cash equivalents at the beginning of the year		**10.8**	28.6
Effects of exchange rate changes on foreign currency cash flows and cash balances		**(1.2)**	6.5
Cash and cash equivalents at end of the year	9, 28	**52.0**	10.8

1. Incorporates a reclassification between receipts from customers and payments to suppliers, governments and employees in FY13 primarily to reflect how certain customer receipts are made.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 significant accounting policies adopted in preparing the consolidated financial statements of the Company and of its controlled entities (collectively 'the consolidated entity' or 'Group') are stated below to assist in a general understanding of this financial report. These policies have been consistently applied to all the years presented, unless otherwise stated.

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*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

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

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission (ASIC), relating to the rounding off of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest tenth of one million dollars.

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.

The financial report was authorised for issue by the Board of Directors on 21 August 2014. The directors have the power to amend and reissue the financial statements.

Principles of consolidation

The consolidated financial statements have been prepared for the consolidated entity comprising the Company, and all its controlled entities. Controlled entities are listed in note 30.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Where control of an entity is obtained during a financial year, its results are included in the statement of profit or loss and other comprehensive income from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

The financial reports of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Average exchange rates used in translating profit and loss items in 2014 are AUD$1 = USD 0.918 and GBP 0.565 (2013: USD 1.0274 and GBP 0.655). Year-end exchange rates used in translating financial position items in 2014 are AUD$1 = USD 0.942 and GBP 0.553 (2013: USD 0.928 and GBP 0.608).

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of the Company and its Australian subsidiaries. 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.

Transactions and balances

Intra-group balances and transactions arising from intra-group transactions are eliminated.

Transactions denominated in a foreign currency are initially recorded in the relevant functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, arising from those transactions, are retranslated at the exchange rates at the reporting date.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end are recognised in the statement of profit or loss and other comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. These amounts remain in equity until either the hedged transaction occurs or the disposal of the net investment, at which time they are recognised in the statement of profit or loss and other comprehensive income.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Translation differences on non-monetary items, such as equities, classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Foreign group companies

The results and financial position of the foreign group entities that have a functional currency different to Australian dollars are translated into the presentation currency of the Company (being Australian dollars) as follows:

(i) assets and liabilities are translated at the closing rate at the statement of financial position date;

(ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates for the period; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve in shareholders' equity.

Monetary items form part of a net investment in a foreign operation even if they are not denominated in the functional currency of the entity or the foreign operation.

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

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

Fair value measurement

The Group measures financial instruments, including derivatives and non-financial assets, such as agricultural assets, at fair value at each balance sheet date. In addition, fair values of financial instruments measured at amortised cost are disclosed in note 18.

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 at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) in the principal market for the asset or liability, or

(ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability 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 asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the 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.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as operating revenue are net of sales discounts and rebates, duties and taxes.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, and revenue can be reliably measured. The following specific recognition criteria must also be met before certain types of revenue are recognised.

Sale of goods

Revenue is recognised when the significant risk and rewards of ownership have passed to the buyer, the amount can be reliably measured, collectability of the related receivable is probable, and the associated costs are identifiable and can be measured reliably. Revenue is usually recognised when goods are despatched or when goods are delivered.

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.

Property

Revenue from the sale of properties is recognised when an executable contract becomes unconditional.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

Interest income
Revenue 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.

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

Dividends
Dividend revenue is recognised when the right to receive payment is established.

Borrowing costs
Borrowing costs are recognised as an expense when incurred. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset.

Acquisition of assets
The purchase method of accounting is used for all asset acquisitions regardless of whether equity instruments or other assets are required. Cost is measured as the fair value of cash, shares issued or liabilities undertaken at the date of acquisition. Costs directly attributable to the acquisition are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other costs are expensed when they are incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity. Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to its present value as at the date of acquisition.

Business combinations
The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Impairment of assets
At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. Where an indicator of impairment exists or when annual impairment testing for an asset is required, the Group makes a formal assessment of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written-down to its recoverable amount.

Recoverable amount of an individual asset or cash generating unit (CGU) is the greater of fair value less costs of disposal and value in use. For impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Such a reversal is recognised in the statement of profit or loss and other comprehensive income. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Impairment losses recognised for goodwill are prohibited from being reversed.

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.

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

Trade receivables

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

Credit terms are generally between 30–120 days depending on the nature of the transaction.

Collectability of trade receivables is reviewed on an ongoing basis. The carrying amount of trade receivables is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

Other receivables

Other debtors are initially recorded at fair value of the consideration received or receivable.

Other debtors are classified as current assets unless the debtor has an unconditional right to defer settlement of the debt for at least 12 months after balance date, in which case the debt is classified as a non-current asset.

Subsequent measurement of other non-current debtors occurs at amortised cost, where the nominal value is discounted to present value, using the effective interest rate method over the expected period of settlement.

Inventories

Inventories of finished goods, raw materials and stores, and work in progress are valued at the lower of cost (using average or FIFO basis) and estimated net realisable value. Cost of manufactured goods is determined on a consistent basis, comprising raw materials, direct labour, 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.

Inventories of wine stocks have been classified between current and non-current based on sales projections for the ensuing year.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture rather than rights to its assets and obligations for its liabilities. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost, which includes transaction costs.

Under this method, the Group's share of profits or losses are recognised in the statement of profit or loss and other comprehensive income and its share of movements in reserves are recognised in the Group's other comprehensive income. The cumulative post acquisition changes in the Group's share of net assets of the associate or joint venture, less any impairment losses, are adjusted against the cost of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the investment, the Group does not recognise any further losses, unless it has an obligation on behalf of the associate or joint venture. Where there has been a change recognised directly in the associate's or joint venture's equity, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of profit or loss and other comprehensive income.

Unrealised gains and losses in transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures.

Non-controlling interest

For each business combination, the Group elects to measure any non-controlling interest in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

Financial assets

A financial asset is classified at fair value through profit or loss or fair value through other comprehensive income unless it meets the definition of amortised cost, in which case it will be classified as such. This classification is done on initial recognition where financial assets classified as amortised cost are measured at fair value and adjusted in respect of any transaction costs that are incremental and directly attributable to the acquisition of the instrument. All other financial assets are measured at fair value on initial recognition.

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

Fair value through profit or loss

Where a financial asset is classified and subsequently measured at fair value, gains and losses in the fair value are taken to the statement of profit or loss.

Fair value through other comprehensive income

A financial asset is classified and subsequently measured at fair value through other comprehensive income if it is an equity instrument and it is not 'held for trading'. Subsequent changes to fair value will be recognised in equity (through other comprehensive income). Any dividends will be recognised in the statement of profit or loss.

An asset is held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- Is a derivative (except for a derivative that is a financial guarantee contract).

Amortised cost

A financial asset is classified and subsequently measured at amortised cost only if the asset is held to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets carried at amortised cost

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 financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is revised. Any subsequent reversal of an impairment loss is recognised in the statement of profit or loss and other comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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, which 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. The derecognition of financial assets takes place when the rights to receive cash flow from the assets expire or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Derivative financial instruments

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 stated at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of forward exchange contracts and options are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as 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.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument and the hedged item or transaction together with 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 in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they continue to meet the risk management objective.

Forecast intra-group transactions qualify as a hedged item when the transaction is highly probable, not in the functional currency of the entity entering into the transaction and the foreign currency risk will affect the consolidated position. 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.

In relation to fair value hedges (interest rate swaps) which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value 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.

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for hedge accounting, 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 firm commitment results in the recognition of an asset or a liability, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount 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.

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.

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 so that the hedge ratio meets that used for risk management purposes.

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.

Leases

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as 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.

Where an asset is acquired by means of a finance lease, which effectively transfers to the Group substantially all the risks and benefits incidental to ownership of the leased item, costs are capitalised 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 apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of profit or loss and other comprehensive income.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The Group depreciates plant and equipment so that the assets are written-off over their estimated useful economic lives, using reducing balance or straight-line methods as appropriate. Lease premiums and leasehold improvements are written-off over the period of the lease or estimated useful economic life, whichever is the shorter.

Plant and equipment under construction is shown as ‘projects in progress’ at cost. The cost of construction includes the cost of materials used in construction, direct labour on the project, and an appropriate proportion of variable and fixed overheads.

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

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

These rates are consistent with rates used in the prior period. Residual values, useful lives and amortisation methods are reviewed annually and adjusted where applicable.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the period the asset is derecognised.

Intangible assets

Brand names

Acquired brand names are initially included in the financial statements at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The cost of acquired brand names is determined by reference to independent valuations performed on the acquisition of businesses. Internally generated brand names, excluding capitalised development costs, are not capitalised and expenditure is charged to profit or loss in the year in which the expenditure is incurred.

The useful lives of brand names are assessed to be either finite or indefinite. Brand names with a long-term strategic focus have indefinite lives and are not amortised. In certain circumstances where brand names have definite lives, the carrying amount of the applicable brand names are amortised over their expected useful lives (4 – 10 years) and the expense is taken to the statement of profit or loss and other comprehensive income.

Brand names are tested for impairment where an indicator of impairment exists, and in the case of indefinite life brand names the carrying value is tested for impairment as part of the annual testing of CGUs. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Expenditure incurred in developing, maintaining or enhancing brand names is written-off in the statement of profit or loss and other comprehensive income in the year in which it is incurred.

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill relates.

Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of the CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

IT development and software

Costs incurred in developing information technology (IT) products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised as intangible IT assets. Following initial recognition, IT assets are carried at cost less any accumulated amortisation. Costs incurred in developing IT assets include the cost of purchased software and labour used in the development of software, and software licenses and are amortised over the expected useful life of the intangible asset (2–4 years).

Agricultural assets

Agricultural assets comprise grape vines and olive trees. Both of these assets are measured at fair value less estimated point-of-sale costs, with changes in the fair value during the period recognised in the statement of profit or loss and other comprehensive income. Costs incurred in maintaining agricultural assets are recognised as expenses in the statement of profit or loss and other comprehensive income as incurred.

The 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.

Assets held for sale and discontinued operations

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Assets are not depreciated or amortised while they are classified as held for sale.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are initially recorded at fair value of the consideration received, net of issue costs directly associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. 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 in the event that the liabilities are derecognised.

Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or the Group.

Trade payables are normally settled within 65 days from the end of the month from which the invoice is received unless alternate terms have been agreed with the supplier.

Other financial liabilities

Other financial liabilities are classified at amortised cost except if they are held for trading or are derivative financial liabilities in which case it is classified as fair value through profit or loss where gains and losses in the fair value are taken to the statement of profit or loss.

Employee benefits

Wages, salaries, annual leave, bonuses and non-monetary benefits

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.

Liabilities for Short-Term Incentive Plan (STIP) rewards are recognised where there is a contractual or constructive obligation and accrued on an undiscounted basis.

Termination benefits

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.

Superannuation

Superannuation contributions are recognised as an employee benefit expense when they are due and payable.

Share-based payment transactions

The Group provides benefits to employees in the form of share-based payment awards, whereby employees render services in exchange for shares or performance rights over shares under the Group's Employee Share Plan. Information relating to this plan is set out in note 24.

The fair value of the 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. The non-market performance conditions do not impact the value of the non-market component of shares and performance rights. For the non-market components, the fair value is independently determined based on the share price less the present value of dividends. The impact of non-market conditions are taken into account in the expensing process.

Subsequent to grant date, and over the applicable vesting period, the fair value of the shares and performance rights is progressively recognised as an employee benefits expense with a corresponding increase in equity. The vesting period is the period over which all of the specified vesting conditions are to be satisfied. In the case of performance rights, vesting conditions require the achievement of certain performance hurdles and the completion of specified service periods, whilst in the case of share awards, the vesting condition relates to the completion of specified service periods only.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

Share-based payment transactions / continued

At each reporting date the Group revises its 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 takes this estimate into account. No expense is recognised for shares and performance rights that do not ultimately vest, except in the case of certain performance rights where vesting is conditional upon a market condition (such as TSR) and that market condition is not met.

Provisions

Provisions are recognised when a present obligation (legal, equitable or constructive) to make a future sacrifice of economic benefits to other entities arises as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, 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.

Restructuring

Liabilities arising directly from undertaking a restructuring program, not in connection with the acquisition of an entity or operations, are recognised when a detailed plan of the restructuring activity has been developed and implementation of the restructuring program as planned has commenced, by either entering into contracts to undertake the restructuring activities or making a detailed announcement such that affected parties are in no doubt the restructuring program will proceed.

Restructuring provisions are only recognised on acquisition when the provision is a recognised liability of the acquired entity at the time of acquisition.

The cost of restructuring provided is the estimated future cash flows, discounted at the appropriate rate which reflects the risks of the cash flows.

Onerous contracts

Provisions recognised in relation to onerous contracts are recognised where the unavoidable costs of meeting the obligations under these contracts exceed the benefits expected to be received. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Income tax

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

Deferred income tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

Deferred income tax assets and liabilities are measured at the local 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 applicable to the origin of the temporary differences) that have been enacted or substantively enacted at the reporting date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss and other comprehensive income.

No provision has been made for 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 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.

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 sale of that asset. Deferred tax assets are only booked where recovery of that asset is probable.

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 their own current and deferred tax amounts. 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.

Contributed equity

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

Earnings per share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares issued in relation to dilutive potential ordinary shares.

Operating segments

The Group has identified its operating segments based on the internal reports reviewed and used by the Chief Executive Officer (the chief operating decision-maker) in assessing performance and in determining the allocation of resources. These reports present a view of the business from a geographic perspective.

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.

The Group has identified the following reportable segments:

(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 distributes beer under licence.

(ii) Europe, Middle East and Africa (EMEA)
This segment is responsible for the manufacture, sale and marketing of wine within the EMEA region.

(iii) Americas
This segment is responsible for the manufacture, sale and marketing of wine within the Americas region.

(iv) Asia
This segment is responsible for the sale and marketing of wine within the Asia region.

Types of products and services

The Group's wine portfolio includes some of the world's leading Commercial, Masstige and Luxury wine brands such as Penfolds, Beringer, Lindeman's, Wolf Blass and Rosemount. The Group also distributes beer under licence in New Zealand and provides contract bottling services to third parties.

Accounting policies and intersegment transactions

The price of an intersegment transaction is set at an arm's length basis, which is eliminated on consolidation.

Corporate charges

Certain corporate shared service charges, except for net finance costs, are allocated to each business segment on a proportionate basis linked to segment revenue or head count depending on the nature of the charge to determine a segment result. Unallocated costs are reported in the Corporate segment. Net finance costs are not allocated to segments as the financing function of the Group is centralised through the Group's treasury function.

Segment loans payable and loans receivable

Segment loans are initially recognised at the consideration received excluding transaction costs. Intersegment loans receivable and payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates.

Other

It is the Group's policy that if items of revenue and expense are not allocated to operating segments, then any associated assets and liability are also not allocated to segments.

Major customers

The Group has two major customers whose revenues represent 13.6% (2013: 17.8%) and 9.5% (2013: 11.0%) of the Group's reported revenues. The customers are in the Americas and ANZ segments respectively.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share-based payments reserve. Share options exercised during the reporting period are satisfied with treasury shares.

Comparative information

Where necessary, comparative information has been adjusted to align with the presentation of the current period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

New Accounting Standards and Interpretations

The Group has adopted the following new and revised Accounting Standards issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations.

REFERENCE	TITLE
AASB 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to AASB 7.
AASB 10, AASB 127	Consolidated Financial Statements, Separate Financial Statements.
AASB 11, AASB 128	Joint Arrangements, Investments in Associates and Joint Ventures.
AASB 2011–7	Amendments to Australian Accounting Standards arising from the consolidation and joint arrangements standards.
AASB 12	Disclosure of interests in other entities.
AASB 13	Fair value measurement.
AASB 119	Employee benefits (revised 2011).
AASB 2011–4	Amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements.
AASB 9	Financial Instruments.
AASB 2012–5	Improvements to AASBs 2009–2011 Cycle.
AASB 2012–9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039.

Other than as outlined below, the adoption of these standards did not have a significant impact on the financial position or performance of the Group.

AASB 13 Fair value measurement

AASB 13 established a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when the Group is required to use fair value but provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition did not result in different fair values being determined for the relevant assets at 30 June 2014, however, it enhanced the disclosure requirements for those assets carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The impact to the Group includes additional disclosure in relation to assets measured at fair value. (Refer note 15.)

AASB 9 Financial Instruments

From 1 July 2013, the Group applied amendments to *AASB 9 Financial Instruments* for hedge accounting outlined in *AASB 2013–9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*.

The change in accounting policy altered the accounting for time value of qualifying hedging options. Under AASB 139, movements in time value of qualifying hedging options was required to be recognised in the statement of profit or loss. Under AASB 9, time value on qualifying hedging options is recognised in other comprehensive income. Under the AASB 9 transition rules, the changes are applied retrospectively for qualifying hedging options that existed at 1 July 2013. The following table outlines the impacts to prior periods.

	JUN 13 $M	IMPACT OF CHANGE $M	RESTATED JUN 13 $M
Statement of financial position (extract)			
Retained earnings	197.3	4.9	202.2
Reserves	(236.2)	(4.9)	(241.1)
Total equity	3,003.7	–	3,003.7
Statement of profit or loss and other comprehensive income (extract)			
Other expenses	(28.8)	7.0	(21.8)
Income tax benefit/(expense)	(1.2)	(2.1)	(3.3)
Net profit	42.7	4.9	47.6

There was no re-statement impact on the statement of cash flows. Earnings per share for profit attributable to members of Treasury Wine Estates for the year ended 30 June 2013 has increased by 0.8 cents.

The 30 June 2012 statement of financial position was not impacted by the retrospective application of this change in accounting policy.

Recently issued or amended accounting standards

Australian Accounting Standards and Interpretations relevant to the Group that have been issued or amended but are not yet effective and have not been early adopted by the Group for the financial year ended 30 June 2014 include:

AASB 2013–3	Amendments to the disclosure requirements in AASB 136 *Impairment of Assets;* which will require the Group to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

NOTE 2 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. These judgements, estimates 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 are:

Net realisable value of inventory

Inventories of finished goods, raw materials and stores, and work in progress are valued at lower of cost and estimated net realisable value. The period over which some wine inventories are converted from raw materials to finished goods can be a significant length of time. Net realisable value of inventory is determined using forecast demand and expected market prices at the time the wine is expected to be sold. Forecast demand and market prices can vary significantly over the holding period up to the likely date of sale and therefore involves estimating the most likely conditions at the expected point of sale.

Agriculture

The fair value of acquired vines is determined with reference to independent valuations of vineyards and the market price of purchased vines. Subsequent movements in the fair values of vines are determined through operational reviews or valuations of the vineyard portfolio, which identify, where applicable, any factors affecting the long-term viability and value of the vines.

Critical estimates are required in the identification of factors that have a long-term impact on the viability of the vines and in the measurement of the change in value such factors have on the valuation of vines.

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.

On forming the Australian tax-consolidated Group effective from 21 May 2011, the Company was required to reset the tax cost base of all of its assets based on relative market values. Management undertook a high level exercise as at 30 June 2011 to estimate the impact of the tax consolidation exercise on the recognised values of deferred tax balances in Australia. In the 2011 consolidated financial statements, the impact of tax consolidation was estimated as an increase in deferred tax liabilities of approximately $2.0 million based on available information and management's best estimates at the time.

During the financial year ended 30 June 2013, the Company commenced additional analysis to confirm the original estimates on the impact of the tax consolidation reset cost base rules given that the Australian Federal Government's potential changes to Australian tax laws, to apply to Demergers after 9 November 2010, had not been enacted since their original announcement date. In December 2013, the Australian Federal Government formally announced that the potential changes relating to Demergers would not proceed. During FY14, the Group completed the tax consolidation calculation and has recognised a deferred tax asset of $31.2 million (the balance at 30 June 2014 is $18.8 million). Additionally, during the period the Group received $49.3 million in cash as refunds. Consequently at 30 June 2014, $80.5 million of tax credits have been off-set against income tax expense for FY14.

NOTE 2 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES / CONTINUED

Impairment of assets

Consistent with the impairment accounting policy in note 1, Group assets become impaired when their carrying value exceeds their recoverable amount. Recoverable amount is the greater of fair value less costs to sell or value in use. In determining the recoverable amount, certain judgements and assumptions are made in the determination of likely net sale proceeds or in the determination of future cash flows. Specifically with respect to future cash flows, judgements are made in respect to the quantum of those future cash flows, the discount rates used to present value the cash flows, the royalty rate and exchange rates used.

Useful life of intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite. Brand names that have indefinite lives are not amortised. The Group uses judgement in determining whether an individual brand will have a finite life or an indefinite life. In making this determination, management 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 3 – REVENUE, INCOME AND EXPENSES

	2014 $M	2013 $M
Revenue		
Net sales revenue*	**1,680.5**	1,656.5
Other revenue	**109.7**	71.9
Total revenue	**1,790.2**	1,728.4
Other income		
Insurance settlement receipts	**1.9**	–
Other contract and litigation settlement receipts	**2.2**	–
Fair value adjustment to investment	–	7.9
IT contract settlement receipt	–	1.1
Net profit on disposal of property, plant and equipment and agricultural assets	**2.1**	0.5
Total other income	**6.2**	9.5
Other expenses		
Amortisation of intangible assets	**(7.1)**	(4.5)
Impairment of non-current assets:		
Property, plant and equipment (note 14)	**(72.6)**	–
Intangible assets (note 16)	**(272.6)**	–
Restructuring and redundancy costs (note 21)	**(35.0)**	(6.9)
Net agriculture valuation movement (note 15)	**(19.5)**	3.8
Other miscellaneous	**(17.8)**	(14.2)
Total other expenses	**(424.6)**	(21.8)
Finance income	**1.5**	0.7
Finance costs	**(23.1)**	(15.1)
Net finance cost	**(21.6)**	**(14.4)**
Other disclosures		
Depreciation of property, plant and equipment	**(78.6)**	(72.3)
Reversal of impairment/(impairment allowance) for doubtful debts	**0.6**	(2.1)
Inventory obsolescence reversed/(raised)	**3.9**	(82.7)
Rental expense relating to operating leases	**(47.5)**	(50.3)
Net foreign exchange gains/(losses)	**1.0**	(5.3)

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

NOTE 4 – MATERIAL ITEMS

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

	2014 $M	2013 $M
Individually material items included in profit/(loss) before income tax:		
Impairment of indefinite life brands and goodwill[1]	**(233.5)**	–
Loss on derecognition of IT assets[1]	**(39.1)**	–
Write-down of property, plant and equipment[1]	**(72.6)**	–
Inventory (write-down)/release of write-down to net realisable value arising during the current period[2]	**4.7**	(82.4)
Special depletion allowance[3,4]	**(21.9)**	(38.1)
Net distributor inventory destruction provision[3]	**21.9**	(33.8)
Onerous contract commitments[5]	**(5.6)**	–
Restructuring and redundancy costs[6]	**(35.0)**	(6.9)
Deferred lease liability adjustment	**(3.4)**	–
Fair value adjustment to investments and other assets	–	7.9
Lease termination costs	–	(2.5)
IT contract settlement receipt	–	1.1
Total material items (before tax)	**(384.5)**	(154.7)
Tax effect of material items	**103.9**	57.5
Total material items (after tax)	**(280.6)**	(97.2)

FY14

1. The Group has recognised an impairment charge against goodwill and other non-current assets. The impairment reflects the combination of historical prices paid for pre-demerger acquisitions and the decline in market growth rates for Commercial wine globally; and relates to the Company's Commercial brands ($228.2 million), Goodwill ($5.3 million), IT assets ($39.1 million) and Property, plant and equipment ($72.6 million). Additional detail of the impairments are included in notes 14 and 16.
2. The Group continues to address inventory net realisable value (NRV) for the excess aged and deteriorating inventory identified in the prior period by working with US distribution partners. As a result of favourable outcomes of the loss mitigation programs on certain inventory items in FY14, a net $4.7 million of the provision has been released.
3. Due to the United States Government shut-down in October 2013 which delayed the ability to destroy inventory held by distributors, the Group reacted by modifying its approach and opted to deplete certain inventory that had previously been earmarked for destruction. As a result, the distributor inventory destruction provision has been reduced and the special depletion allowance increased through profit and loss by $21.9 million.
4. The special depletion allowance ($51.8 million (2013: $38.1 million)) is included in other payables and accruals. The utilisation of the allowance is subject to a number of factors including the ongoing negotiation of depletion programs with distributors or retailers as well as the timing of appropriate promotional periods during the year. The balance at FY14 is reflective of these factors.
5. The Group recognised $5.6 million largely relating to onerous supplier contracts relating to contractual inventory purchase commitments for wine already considered to be in surplus and subject to an NRV provision.
6. Relates to redundancy and contract break costs in relation to the Group's rationalisation and restructure program.

FY13

In FY13, $154.3 million of provisions were raised relating to the destruction of aged and obsolete inventory at distributors, the acceleration of depletions with additional investment in discounts and rebates and a write-down of inventory to net realisable value.

These material items were disclosed in the financial statements as outlined below:

MATERIAL ITEM	STATEMENT OF FINANCIAL POSITION	STATEMENT OF PROFIT OR LOSS	2014 $M	2013 $M
Discounts and rebates on distributor inventory destruction	Payables	Net sales revenue	**(3.2)**	5.8
Special depletion allowance	Payables	Net sales revenue	**(21.9)**	(38.1)
Net inventory write down to NRV	Inventories	Cost of sales	**4.7**	(82.4)
Gross distributor inventory destruction	Provisions	Cost of sales	**25.1**	(39.6)
Restructuring and redundancy costs	Provisions	Other expenses	**(35.0)**	(6.9)
Onerous contract commitments	Provisions	Other expenses	**(5.6)**	–
Impairment of indefinite life brands and goodwill	Intangible assets	Other expenses	**(233.5)**	–
Impairment of IT development costs	Intangible assets	Other expenses	**(39.1)**	–
Write-down of property, plant and equipment	Property, plant and equipment	Other expenses	**(72.6)**	–
Deferred lease liability adjustment	Payables	Other expenses	**(3.4)**	–
Lease termination costs	Provisions	Other expenses	–	(2.5)
Fair value adjustment to investments and other assets	Goodwill	Other income	–	7.9
IT contract settlement receipt	Provisions	Other income	–	1.1
			(384.5)	(154.7)

NOTE 5 – INCOME TAX

	2014 $M	2013[1] $M
The major components of income tax expense/(benefit) are:		
Current income tax	**(40.8)**	30.9
Deferred income tax	**(97.8)**	(27.6)
Total tax expense/(benefit)	**(138.6)**	3.3
Deferred income tax expense included in the income tax expense comprises:		
Decrease/(Increase) in deferred tax assets	**54.3**	(23.3)
(Decrease)/Increase in deferred tax liabilities	**(152.1)**	(4.3)
Deferred income tax	**(97.8)**	(27.6)

The amount of income tax expense as shown in the 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:

	2014 $M	2013[1] $M
Profit/(Loss) before tax excluding material items	**143.5**	205.6
Material items before tax	**(384.5)**	(154.7)
Profit/(Loss) before tax	**(241.0)**	50.9
Prima facie income tax expense/(benefit) attributable to profit from operations calculated at the rate of 30% (2012: 30%) tax effect of:	**(72.3)**	15.3
Non-taxable income and profits, net of non-deductible expenditure	**1.0**	(0.3)
Impairment of non-current assets	**27.9**	–
Other deductible items	**(0.7)**	(0.8)
Tax losses recognised	**(4.7)**	(2.3)
Change in tax rate	**0.5**	(1.1)
Foreign tax rate differential	**(11.9)**	(8.9)
Other	**4.3**	2.3
Over provisions in previous years	**(2.2)**	(0.9)
Tax cost base reset – tax consolidation project	**(80.5)**	–
Total tax expense/(benefit)	**(138.6)**	3.3
Income tax expense/(benefit) on operations	**(34.7)**	60.8
Income tax benefit attributable to material items	**(103.9)**	(57.5)
Income tax expense/(benefit)	**(138.6)**	3.3

1. Restated due to change in accounting policy as a result of the adoption of the revised AASB 9 *Financial Instruments,* which requires a retrospective application. Refer note 1.

	2014 $M	2013 $M
Deferred income tax relates to the following:		
Movement in deferred tax assets:		
Opening balance	**228.8**	189.4
Credited/(charged) to the profit or loss	**(54.3)**	23.3
Foreign currency translation	**(1.5)**	12.8
Other	**(1.6)**	3.3
Closing balance	**171.4**	228.8
Movement in deferred tax liabilities:		
Opening balance	**314.4**	293.2
(Credited)/charged to the profit or loss	**(152.1)**	(4.3)
Business acquisitions	–	3.7
Foreign currency translation	**(2.7)**	21.9
Other	–	(0.1)
Closing balance	**159.6**	314.4
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 or credited to equity:		
Current tax – recognised directly in equity	**(0.4)**	2.6
Net deferred – tax recognised directly in equity	**0.4**	5.7
Total current and deferred tax recognised directly in equity	–	8.3

Deferred tax asset

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 $103.2 million (2013: $97.5 million).

These benefits will be realised only if and to the extent that:

- The Group derives future assessable income of a nature and amount sufficient to enable the benefit from the deduction to be realised;
- The consolidated entity continues to comply with the conditions for deductibility imposed by tax laws of various countries; and
- Any further changes in the tax laws of a relevant country do not adversely affect the ability of the consolidated entity to realise the benefits of the deductions.

The Group has carry forward capital tax losses in Australia and the United Kingdom. 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 United Kingdom prior to any utilisation of the capital losses.

NOTE 5 – INCOME TAX / CONTINUED

	2014 $M	2013 $M
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Inventory (net of net realisable value)	**43.8**	23.3
Property, plant and equipment	**2.0**	1.2
Accruals	**12.9**	18.8
Provisions	**25.4**	96.1
Foreign exchange	**1.4**	0.4
Tax losses	**78.8**	70.4
Other	**7.1**	18.6
Total deferred tax assets	**171.4**	228.8
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Inventory	–	59.3
Property, plant and equipment	**81.1**	115.0
Intangibles	**76.0**	133.2
Foreign exchange	**1.0**	1.0
Other	**1.5**	5.9
Total deferred tax liabilities	**159.6**	314.4

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.

Tax consolidation project

On forming the Australian tax-consolidated group effective from 21 May 2011, the Australian Tax Consolidated Group (ATCG) was required to reset the tax cost base of all of its assets based on relative market values. The ATCG undertook a high level exercise as at 30 June 2011, to estimate the impact of the tax consolidation exercise on the recognised values of deferred tax balances in Australia. In the 2011 consolidated financial statements, the impact of tax consolidation was estimated as an increase in deferred tax liabilities of approximately $2.0 million based on available information and management's best estimates at the time.

During FY13, the Group commenced additional analysis to confirm the original estimates on the impact of the tax consolidation reset cost base rules given that the Australian Federal Government's potential changes to Australian tax laws, to apply to Demergers after 9 November 2010, had not been enacted since their original announcement date. In December 2013 the Australian Federal Government formally announced that the potential changes relating to demergers would not proceed. During FY14, the Group completed the tax consolidation calculation and has recognised a deferred tax asset of $31.2 million (the balance at 30 June 2014 is $18.8 million). Additionally, during the period the Group received $49.3 million in cash as refunds. Consequently at 30 June 2014, $80.5 million of tax credits have been offset against income tax expense for the FY14 financial year.

Franking credits

The ATCG has nil (2013: $17.9 million) franking credits available for subsequent reporting periods.

Due to the outcomes of the tax consolidation project, the ATCG received tax refunds during FY14 resulting in the ATCG's franking account being in deficit at 30 June 2014. Consequently, the ATCG is due to pay $31.4 million in Franking Deficits Tax (FDT) to the Australian Taxation Office on 31 July 2014. As FDT is effectively a prepayment of tax and is able to be used to offset future tax liabilities of the ATCG, the Group has recognised the $31.4 million FDT as both a current income tax receivable and current tax payable as at 30 June 2014.

NOTE 6 – SEGMENT RESULTS

	ANZ $M	AMERICAS $M	ASIA $M	EMEA $M	INTERSEGMENT ELIMINATION $M	TOTAL SEGMENT $M	UNALLOCATED/ CORPORATE $M	CONSOLIDATED $M
2014								
Total revenue comprises:								
Net sales revenue	**562.2**	**731.9**	**137.6**	**273.9**	**–**	**1,705.6**	**–**	**1,705.6**
Other revenue	**90.3**	**16.0**	**–**	**0.7**	**–**	**107.0**	**2.7**	**109.7**
Intersegment revenue	**328.5**	**3.1**	**–**	**24.1**	**(355.7)**	**–**	**–**	**–**
Material items*	**–**	**(25.1)**	**–**	**–**	**–**	**(25.1)**	**–**	**(25.1)**
Total segment revenue (excl other income/interest)	**981.0**	**725.9**	**137.6**	**298.7**	**(355.7)**	**1,787.5**	**2.7**	**1,790.2**
Management EBITS	**75.1**	**74.9**	**47.7**	**29.1**	**–**	**226.8**	**(42.2)**	**184.6**
SGARA loss	**(18.0)**	**(1.5)**	**–**	**–**	**–**	**(19.5)**	**–**	**(19.5)**
Material items	**(57.3)**	**(218.4)**	**(0.3)**	**(58.5)**	**–**	**(334.5)**	**(50.0)**	**(384.5)**
– Impairment of non-current assets	(47.7)	(201.8)	–	(56.6)	–	(306.1)	(39.1)	(345.2)
– Other material items	(9.6)	(16.6)	(0.3)	(1.9)	–	(28.4)	(10.9)	(39.3)
Management EBIT	**(0.2)**	**(145.0)**	**47.4**	**(29.4)**	**–**	**(127.2)**	**(92.2)**	**(219.4)**
Net finance income/(costs)								**(21.6)**
Consolidated profit/(loss) before tax								**(241.0)**
Depreciation of property, plant and equipment	**49.5**	**25.4**	**0.1**	**1.9**	**–**	**76.9**	**1.7**	**78.6**
Amortisation of intangible assets	**0.2**	**–**	**–**	**–**	**–**	**0.2**	**6.9**	**7.1**
Capital expenditure	**82.1**	**16.3**	**0.4**	**2.2**	**–**	**101.0**	**15.6**	**116.6**
Segment assets (excl intersegment assets)	**2,111.0**	**1,113.0**	**57.1**	**265.2**	**–**	**3,546.3**	**314.2**	**3,860.5**
Segment liabilities (excl intersegment liabilities)	**236.9**	**195.3**	**11.2**	**58.1**	**–**	**501.5**	**510.2**	**1,011.7**
2013								
Total revenue comprises:								
Net sales revenue	600.8	704.0	135.4	248.5	–	1,688.7	–	1,688.7
Other revenue	68.1	0.7	–	0.9	–	69.7	2.2	71.9
Intersegment revenue	310.7	4.0	–	21.1	(335.8)	–	–	–
Material items*	–	(32.2)	–	–	–	(32.2)	–	(32.2)
Total segment revenue (excl other income/interest)	979.6	676.5	135.4	270.5	(335.8)	1,726.2	2.2	1,728.4
Management EBITS	110.1	66.8	54.5	16.0	–	247.4	(31.2)	216.2
SGARA profit	1.8	2.0	–	–	–	3.8	–	3.8
Material items	(6.8)	(146.1)	–	–	–	(152.9)	(1.8)	(154.7)
Management EBIT	105.1	(77.3)	54.5	16.0	–	98.3	(33.0)	65.3
Net finance income/(costs)								(14.4)
Consolidated profit before tax								50.9
Depreciation of property, plant and equipment	47.6	21.7	–	1.6	–	70.9	1.4	72.3
Amortisation of intangible assets	0.2	–	–	–	–	0.2	4.3	4.5
Share of profit of associates and joint ventures	1.0	–	–	–	–	1.0	–	1.0
Capital expenditure	122.9	26.5	0.4	1.6	–	151.4	28.9	180.3
Segment assets (excl intersegment assets)	2,077.9	1,378.0	45.6	313.6	–	3,815.1	313.1	4,128.2
Segment liabilities (excl intersegment liabilities)	246.3	221.3	10.7	59.0	–	537.3	583.0	1,120.3

* Material items associated with net sales revenue is included in the total material items reported in note 4.

Intersegment revenue as disclosed in the FY13 financial statements has been restated to reflect the elimination of internal revenue within individual segments (no impact to EBITS).

NOTE 6 – SEGMENT RESULTS / CONTINUED

Management EBITS

The Chief Executive Officer assesses the financial performance of each segment by analysing the segment's result on a measure of management EBITS. Management EBITS is defined as profit from continuing operations excluding the effect of net finance costs, tax, material items and the net profit effects of fair valuing agricultural assets (SGARA). Corporate charges are allocated to each segment on a proportionate basis linked to segment revenue or head count depending on the nature of the charge.

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. As the segment performance is measured based on EBITS, tax assets and liabilities, which by their nature do not contribute towards EBITS, are not allocated to operating segments.

NOTE 7 – EARNINGS PER SHARE (EPS)

	2014 CENTS PER SHARE	2013[1] CENTS PER SHARE
Basic EPS		
Basic EPS (cents) based on net profit attributable to members of Treasury Wine Estates Limited	**(15.6)**	7.3
Diluted EPS		
Diluted EPS (cents) based on net profit attributable to members of Treasury Wine Estates Limited	**(15.6)**	7.2

	NUMBER	NUMBER
Weighted average number of shares		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS (in thousands)	**647,912**	647,227
Effect of potentially dilutive securities		
Deferred shares (in thousands)	–	(8,560)
Weighted average number of ordinary shares on issue used in the calculation of diluted EPS (in thousands)	**647,912**	655,787

Earnings per share

Under AASB 133, basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares outstanding during the period plus the dilutive effect of restricted shares and share options outstanding during the period. There are 6,312,157 share rights or share options that are not included in the calculation of diluted earnings per share because they are not dilutive for FY14. These share options and share rights could potentially dilute basic earnings per share in future periods.

	$M	$M
Earnings reconciliation		
Basic and diluted EPS		
Net (loss) profit	**(102.4)**	47.6
Net (profit)/loss attributable to non-controlling interests	**1.5**	(0.4)
Net (loss) profit attributable to members of Treasury Wine Estates Limited used in calculating basic and diluted EPS	**(100.9)**	47.2

1. Restated due to change in accounting policy as a result of the adoption of the revised AASB 9 *Financial Instruments,* which requires a retrospective application. Refer note 1.

NOTE 8 – DIVIDENDS

	2014 $M	2013 $M
Dividends declared and paid during the year on ordinary shares:		
Final dividend for 2013 of 7.0 cents per share (2012: 7.0 cents)	**45.3**	45.3
Interim dividend for 2014 of 6.0 cents per share (2013: 6.0 cents)	**38.8**	38.8
	84.1	84.1
Dividends declared after balance date		
Since the end of the financial year, the directors declared a final dividend of 7 cents per share (2013: 7.0 cents) unfranked (2013: unfranked). This dividend has not been recognised as a liability in the financial statements at year end	45.5	45.3

Details in relation to franking credits is included in note 5.

NOTE 9 – CASH AND CASH EQUIVALENTS

	2014 $M	2013 $M
Cash at bank and on hand	**52.0**	10.8
Total cash and cash equivalents	**52.0**	10.8

NOTE 10 – RECEIVABLES

	2014 $M	2013 $M
Current		
Trade receivables	**363.7**	422.6
Impairment allowance for doubtful debts	**(1.0)**	(3.0)
Other receivables	**24.7**	17.7
Prepayments	**20.5**	19.8
Total current receivables	**407.9**	457.1
Non-current		
Other receivables	**6.7**	3.8
Prepayments and deferred expenses	**0.3**	–
Total non-current receivables	**7.0**	3.8

The Group has entered into an uncommitted non-recourse arrangement to sell certain domestic and international receivables from time-to-time in exchange for cash. Australian Accounting Standards require the receivables under this arrangement to be derecognised and not included in the carrying value of accounts receivable at 30 June 2014 (refer note 20).

NOTE 10 – RECEIVABLES / CONTINUED

Foreign exchange transaction disclosures

Total trade and other receivables balances, net of the impairment allowance for doubtful debts at the reporting date, were denominated in the following currencies.

ALL BALANCES TRANSLATED TO AUD	AUD $M	USD $M	GBP $M	OTHER $M	TOTAL $M
2014					
Trade receivables (net of the impairment allowance for doubtful debts)	**203.7**	**76.7**	**21.9**	**60.4**	**362.7**
Other receivables	**9.8**	**16.3**	**–**	**5.3**	**31.4**
Total receivables	**213.5**	**93.0**	**21.9**	**65.7**	**394.1**
2013					
Trade receivables (net of the impairment allowance for doubtful debts)	190.1	153.5	39.7	36.3	419.6
Other receivables	13.0	4.4	0.8	3.3	21.5
Total receivables	203.1	157.9	40.5	39.6	441.1

Credit risk

The group's credit managers are responsible for the ongoing review and application of the Accounts Receivable Credit Policy within the business. The credit quality of individual receivables is assessed prior to offering credit terms and monitored on a regular basis. Each customer is assigned a risk profile that reflects an assessment of the risk associated with supplying goods on credit. The profile is based upon the measurable risk indicators for dishonoured payments, adverse information and average days late together with the securities held in terms of credit applications and guarantees.

All prospective accounts are required to complete a credit application and if from a proprietary limited company, 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 and are subject to provisions for doubtful debts after assessing the balance for recoverability.

The ageing of the consolidated Group trade receivables net of the impairment allowance for doubtful debts is outlined below:

AGEING OF TRADE RECEIVABLES NET OF THE IMPAIRMENT ALLOWANCE FOR DOUBTFUL DEBTS	2014 $M	2013 $M
Not past due	**328.7**	364.2
Past due 1–30 days	**18.4**	32.8
Past due 31–60 days	**3.0**	5.9
Past due 61 days+	**12.6**	16.7
Total	**362.7**	419.6
Comprising		
Current	**362.7**	419.6

Trade receivables have been aged according to their original due date in the above analysis. Terms may be extended on a temporary basis to support promotional activity. This may only occur with the approval of finance management.

The past due receivables that are not subject to an allowance for impaired doubtful debts comprise customers who have a good debt history and are considered recoverable. Past due receivables are monitored via monthly reviews and collection activity conducted from aged trial balances. Where debt cannot be recovered, it is escalated from the credit representative to the credit manager to initiate recovery action.

There is no collateral held as security against the receivables above.

As at 30 June 2014, the amount of the allowance for impaired doubtful debts was $1.0 million (2013: $3.0 million). The movement in the allowance is as follows:

MOVEMENT IN THE IMPAIRMENT ALLOWANCE FOR DOUBTFUL DEBTS	2014 $M	2013 $M
Opening balance	**(3.0)**	(1.0)
Allowance (raised)/released	**0.6**	(2.1)
Less amounts used	**1.6**	0.1
Foreign exchange differences	**(0.2)**	–
Closing balance	**(1.0)**	(3.0)

NOTE 11 – INVENTORIES

	2014 $M	2013 $M
Current		
Raw materials and stores	**26.2**	22.9
Work in progress	**401.0**	404.6
Finished goods	**279.9**	287.0
Total current inventories	**707.1**	714.5
Non-current		
Work in progress	**458.0**	398.2
Finished goods	**67.2**	47.8
Total non-current inventories	**525.2**	446.0
Total inventories	**1,232.3**	1,160.5

Inventories recognised as an expense during the year and included in cost of sales amounted to $608.2 million (2013: $719.4 million).

In 2014, the write-down of inventories to net realisable value amounted to $10.7 million (2013: $84.7 million). The reversal of write-downs amounted to $11.5 million (2013: $2.0 million). The write-down and reversals are included in cost of sales.

NOTE 12 – INVESTMENTS

The Group has interests in a number of individually immaterial associates. The carrying value of these associates is shown in the following table.

	2014 $M	2013 $M
Investments accounted for using the equity method	**2.0**	2.0
Total investments	**2.0**	2.0

Investments in associates and joint venture partnerships are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the entity holding the ownership interest. The entities are primarily involved in, or have been involved in the production, marketing and distribution activities of the Group.

			OWNERSHIP INTEREST	
NAME OF ENTITY	COUNTRY OF INCORPORATION	REPORTING DATE	2014 %	2013 %
Trebuchet Logistics Pty. Ltd.	Australia	31 December	**49.99**	49.99
Fiddlesticks LLC	United States of America	31 December	**50.0**	50.0

NOTE 13 – ASSETS HELD FOR SALE

	2014 $M	2013 $M
Assets		
Production and distribution facilities	**2.5**	2.5
Total assets classified as held for sale	**2.5**	2.5

Assets held for sale include Australian vineyards and wineries.

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

	2014 $M	2013 $M
Land		
At cost	**299.0**	306.3
Freehold buildings and improvements		
At cost	**362.5**	357.9
Accumulated depreciation and impairment	**(163.9)**	(142.3)
	198.6	215.6
Leasehold buildings and improvements		
At cost	**57.6**	56.7
Accumulated depreciation and impairment	**(42.6)**	(31.0)
	15.0	25.7
Plant and equipment		
At cost	**1,208.1**	1,166.4
Accumulated depreciation and impairment	**(808.3)**	(736.7)
Projects in progress at cost	**45.9**	47.1
	445.7	476.8
Total property, plant and equipment	**958.3**	1,024.4

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous year are set out below.

	LAND		FREEHOLD BUILDINGS		LEASEHOLD BUILDINGS		PLANT AND EQUIPMENT		TOTAL	
	2014 $M	2013 $M	2014 $M	2013 $M	2014 $M	2013 $M	2014 $M	2013 $M	2014 $M	2013 $M
Carrying amount at start of year	**306.3**	280.8	**215.6**	202.3	**25.7**	20.4	**476.8**	427.5	**1,024.4**	931.0
Additions	**6.9**	11.6	**7.1**	4.0	**1.8**	6.2	**70.6**	92.6	**86.4**	114.4
Business acquisition	–	1.1	–	4.7	–	–	–	18.2	–	24.0
Disposals	**(2.7)**	(0.3)	**(0.9)**	–	**(0.1)**	–	**(1.7)**	(1.4)	**(5.4)**	(1.7)
Impairment	**(10.7)**	–	**(17.8)**	–	**(8.8)**	–	**(35.3)**	–	**(72.6)**	–
Depreciation expense	–	–	**(6.1)**	(6.0)	**(3.5)**	(2.3)	**(69.0)**	(63.9)	**(78.6)**	(72.2)
Transfer	–	0.5	–	2.1	–	–	**1.9**	(8.7)	**1.9**	(6.1)
Foreign currency translation	**(0.8)**	12.6	**0.7**	8.5	**(0.1)**	1.4	**2.4**	12.5	**2.2**	35.0
Carrying amount at end of year	**299.0**	306.3	**198.6**	215.6	**15.0**	25.7	**445.7**	476.8	**958.3**	1,024.4

Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that an asset's carrying value may not be recoverable. For the purposes of impairment testing, an asset's recoverable amount is determined as being the higher of its value in use and fair value less costs to sell. For FY14, recoverable amount was based on fair values as determined by independent valuations. In determining fair value, the price that would be received if the asset was sold in an orderly transaction between market participants using the asset for its highest and best use was considered.

When there is an indicator of impairment of non-current assets within an operating segment containing goodwill or indefinite life intangible assets, the Group tests the non-current assets for impairment first and recognises any impairment loss on the non-current assets before testing the operating segment containing the goodwill or indefinite life brands for impairment.

Primarily as a result of a decline in Commercial growth rates, the Group impaired $26.0 million (2013: nil) of property, plant and equipment during the period as the assets' carrying values exceeded their respective recoverable amounts. These assets are included in the ANZ segment. Additionally, $46.6 million (2013: nil) of assets were impaired within the Americas CGU as part of the CGU impairment test. Refer note 16.

The impairment charges have been included within the 'other expenses' line item in the statement of profit or loss.

NOTE 15 – AGRICULTURAL ASSETS

	2014 $M	2013 $M
Agricultural assets	**229.9**	227.1
Total agricultural assets	**229.9**	227.1

Agricultural assets mainly comprise grape vines, with a minor holding of olive trees.

The Group has total owned vineyard resources of around 10,781 hectares (2013: 10,511 hectares). These vineyards provide the Group with access to some of Australia's highest quality super premium fruit from regions such as the Barossa Valley in central South Australia, Coonawarra in south-eastern South Australia and the Hunter Valley in New South Wales. Other Australian vineyards are also located in the Clare Valley, Eden Valley, Great Western, Heathcote, Langhorne Creek, Limestone Coast, McLaren Vale, Margaret River, Mornington Peninsula, Mudgee, Murray Valley, Padthaway, Robe and the Yarra Valley. The Group also holds vineyards in North America (mainly Napa Valley and Sonoma County), Italy and New Zealand.

The geographic spread of the vineyard holdings not only provides the Group with a diversity of premium fruit styles, but also reduces viticultural risk.

Of the total land area under vine, around 1,997 hectares (2013: 1,966 hectares) are under lease arrangements. The Group also has around seven hectares (2013: seven hectares) of olive groves in Tuscany, a region of Italy.

During the fiscal year, the Group owned and leased vineyards yielded 72,902 tonnes of grapes (2013: 89,441 tonnes). Northern Hemisphere harvest of vines normally occurs in September–October, with Southern Hemisphere harvest around March–April.

The Company is exposed to financial risks arising from agricultural factors beyond the Company's control such as pests, disease, rainfall and extreme weather conditions. The financial risks are managed by operating a flexible grape sourcing model, and sourcing fruit from a variety of geographic locations and sources, such as own grown, leased and contracted supply.

NOTE 15 – AGRICULTURAL ASSETS / CONTINUED

Fair value measurement

Vines and grapes are measured at fair value, less estimated point-of-sale costs, with changes in fair value included in the statement of profit or loss and other comprehensive income in the period in which it arises. The fair value of acquired vines is determined with reference to independent valuations of vineyards and the market price of purchased vines (rootlings). Subsequent movements in the fair value of vines is determined through operational reviews of the vineyard portfolio which identify, where applicable, any factors affecting the long-term viability and value of the vines. The fair value of harvested grapes is determined by reference to the weighted district average of grape prices for each region for the current vintage. Harvested grapes are included within inventories (work in progress). Annual prices for grapes will vary with the grade quality of grapes produced in each particular region.

In accordance with the Group's accounting policies, the fair value measurement for agricultural assets has been categorised as a Level 2 fair value based on the inputs to the valuation techniques used. For grapes, these techniques include inputs such as the estimation of the yields per hectare, harvest costs and the market price of grapes. For vines, reference is made to independent valuations in determining the fair value of the related assets.

The estimated fair value adjustment would increase/(decrease) if:

- Yields 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).

The measurement basis for vines and grapes as prescribed by AASB 141 *Agriculture* has resulted in a net loss before tax of $19.5 million (2013: net gain before tax of $3.8 million) comprising a decrement in vines valuation of $11.3 million (2013: nil) and loss on grape valuation of $8.2 million (2013: $3.8 million gain) being recognised and included within inventories.

Reconciliations

Reconciliations of the carrying amount of agricultural assets at the beginning and end of the current and previous year are set out below.

	2014 $M	2013 $M
Carrying amount at start of year	**227.1**	195.6
Acquisitions	**13.3**	19.5
Disposal	**(0.6)**	–
Fair value increment/(decrement) included in 'net agricultural valuation movement' (note 3)	**(11.3)**	–
Transfer	**0.8**	4.2
Foreign currency translation	**0.6**	7.8
Carrying amount at end of year	**229.9**	227.1

NOTE 16 – INTANGIBLE ASSETS

	2014 $M	2013 $M
Brand names and licences		
At cost	**1,093.4**	1,099.9
Accumulated amortisation and impairment	**(404.6)**	(179.2)
	688.8	920.7
IT development costs		
IT development at cost	**22.4**	52.7
Projects in progress at cost	**13.0**	4.9
Accumulated amortisation	**(13.4)**	(6.3)
	22.0	51.3
Goodwill		
At cost	**661.5**	657.3
Accumulated impairment	**(625.2)**	(619.4)
	36.3	37.9
Total intangible assets	**747.1**	1,009.9

Reconciliations

Reconciliations of the carrying amount of intangibles at the beginning and end of the current and previous year are set out below.

	BRAND NAMES AND LICENCES		IT DEVELOPMENT COSTS		GOODWILL		TOTAL	
	2014 $M	2013 $M	2014 $M	2013 $M	2014 $M	2013 $M	2014 $M	2013 $M
Carrying amount at start of year	**920.7**	892.9	**51.3**	35.0	**37.9**	4.7	**1,009.9**	932.6
Additions	–	–	**16.9**	18.9	–	–	**16.9**	18.9
Business acquisitions	–	–	–	–	–	30.8	–	30.8
Impairment/write-off	**(228.2)**	–	**(39.1)**	–	**(5.3)**	–	**(272.6)**	–
Amortisation expense	–	–	**(7.1)**	(4.5)	–	–	**(7.1)**	(4.5)
Transfer	–	–	–	1.9	–	–	–	1.9
Foreign currency translation	**(3.7)**	27.8	–	–	**3.7**	2.4	–	30.2
Carrying amount at end of year	**688.8**	920.7	**22.0**	51.3	**36.3**	37.9	**747.1**	1,009.9

16.1 IT Development costs

As part of the rationalisation and restructure of the organisation, a strategic review of information technology infrastructure has resulted in a write-off of $39.1 million of assets.

16.2 Recoverable amount of cash generating units (CGUs)

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level.

The Group's CGUs have been determined as being:

- Americas
- Europe, Middle East and Africa (EMEA)
- Australia and New Zealand (ANZ)

The allocation of the Group's intangible assets (other than IT assets) across the three CGUs is as follows:

	AMERICAS		EMEA		ANZ		TOTAL	
	2014 $M	2013 $M	2014 $M	2013 $M	2014 $M	2013 $M	2014 $M	2013 $M
Carrying amount of goodwill	–	–	–	5.2	**36.3**	32.7	**36.3**	37.9
Carrying amount of indefinite life brand names	**204.7**	364.2	**2.9**	2.8	**481.2**	553.7	**688.8**	920.7

NOTE 16 – INTANGIBLE ASSETS / CONTINUED

16.2 Recoverable amount of cash generating units (CGUs) / continued

For the purposes of testing for impairment, the carrying amount of each individual CGU's net assets has been compared to their recoverable amount, with the recoverable amount being calculated as the higher of fair value less costs of disposal and value in use.

The recoverable amount of goodwill is calculated as part of the CGU including the attributed goodwill. The recoverable amounts of other assets contained within the CGUs have been determined using the assets' fair value less costs of disposal by reference to independent valuations for tangible assets and discounted cash flows using the relief from royalty methodology for brands.

Primarily as a result of a decline in Commercial growth rates, the carrying value of net assets within the Americas and EMEA CGUs exceeded their respective recoverable amounts; therefore the Group has recognised impairments for these CGUs. The impairments have been allocated first to goodwill, then to the individual assets within the CGUs on a pro-rata basis by calculating the individual assets' recoverable amounts.

Americas

Within the Americas CGU an impairment of $201.8 million was recognised as a result of the CGU's recoverable amount test. The impairment was allocated to property, plant and equipment ($46.6 million) and indefinite life brands ($155.2 million).

EMEA

The Group impaired $5.3 million of goodwill within the EMEA CGU as a result of the CGU recoverable amount test.

ANZ

The recoverable amount of the ANZ CGU was assessed to significantly exceed the carrying value of its net assets based on a value in use discounted cash flow methodology.

In the prior period, the recoverable amount for all CGUs was determined based on the respective CGUs value in use. The recoverable amount was in excess of the carrying values and no CGUs were impaired at FY13.

16.3 Goodwill and indefinite life brands

Goodwill and indefinite life brand names have been allocated to individual CGUs according to business segment and country of operation. This is consistent with the prior period.

Goodwill

The Group has goodwill of $36.3 million (2013: 37.9 million) which is tested for impairment annually as part of the CGU recoverable amount impairment test for ANZ. The recoverable amount of net assets in the ANZ CGU was determined to be in excess of the carrying value and accordingly no goodwill impairment was evident in the current or comparative period.

As part of the EMEA CGU recoverable amount impairment test, the Group impaired $5.3 million of goodwill. The impairment was due to a revised medium-term outlook influenced in part by reduced market demand.

Indefinite life brands

Brand names with a carrying value of $688.8 million (2013: $920.7 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.

As part of the Americas CGU recoverable amount impairment test, the Group impaired $155.2 million (2013: nil) of brands (refer note 16.2).

As part a review of indefinite life brands, the Group determined that individual asset impairment indicators existed for commercially aligned brands within the ANZ portfolio caused by adverse market conditions within the Commercial market sector. Accordingly, the Group has recognised an impairment of $73.0 million in relation to these brands (2013: nil). The recoverable amounts of the brands were based on their fair value less costs of disposal determined using a relief from royalty methodology using assumptions detailed in note 16.4.

16.4 Key assumptions and sensitivities used in determining recoverable amounts

The recoverable amounts are sensitive to a number of assumptions, which are discussed in turn below.

Discount rate

The Group applies post-tax discount rates 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 following pre-tax discount rates were used in the respective impairment tests:

	2014	**2013**
ANZ	**13.1%**	13.5%
Americas	**13.0%**	12.8%
EMEA	**13.5%**	13.5%

Cash flows

Cash flows are based on the most recent financial plans approved by the Board. For each CGU, the cash flow projections for a five-year period have been determined based on expectations about future performance. Key assumptions in the cash flows include sales volume growth, costs of sales, costs of doing business and foreign exchange rates. The 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 expectations about future vintage costs. This is consistent with the prior period.

Long-term growth rate

Cash flows beyond a five-year period are extrapolated using a growth rate of 3% (2013: 3%). The growth rate does not exceed the long-term growth rate for the business in which the CGU operates and is consistent with the assumption a market participant would make.

Exchange rates

The applicable regional discount rates have been applied to the local currency cash flows in determining the fair values of each brand. Most foreign currency cash flows are denominated in USD and GBP. The present value of each region's cash flows have been converted to the currency in which the brand is held at the spot rate at the date of the impairment test where any brand is sold in more than one region.

Royalty rates

As part of the determination of an individual brand's fair value less costs of disposal, appropriate royalty rates have been determined by considering the brand's history and future expected performance. Factors such as the profitability of the brand, market share, brand recognition and general conditions in the industry have also been considered in determining an appropriate royalty rate for each brand. Consideration is also given to the industry norms relating to royalty rates by analysing market derived data for comparable brands and by determining the notional royalty payments as a percentage of the divisional earnings before interest and taxation generated by the region in which the brand names are used. Net royalty rates applied range between 0% and 12%.

NOTE 16 – INTANGIBLE ASSETS / CONTINUED

Impact of possible changes in key assumptions

Any variation in the key assumptions used to determine the recoverable amounts would result in a change in the assessed recoverable amount. If the variation in assumption had a negative impact on the recoverable amount, it could indicate a requirement for additional impairment to non-current assets.

It is estimated that changes in the key assumptions would have the following approximate impact on the recoverable amount of the Americas CGU:

CHANGE TO RECOVERABLE AMOUNT	AMERICAS $M
Reasonably possible change in assumption	
0.5% increase in discount rate	**(13.0)**
5% decrease in net sales revenue	**(8.8)**
0.5% decrease in long-term growth rate	**(10.7)**
1.0% decrease in relief from royalty rate	**(34.7)**

None of the sensitivities in the table above, applied either in isolation or in aggregate to the ANZ CGU and EMEA CGU, would cause the CGUs carrying value of net assets to exceed their respective recoverable amounts.

The sensitivities above assume that the specific assumption moves in isolation, while all other assumptions are held constant.

There have been no reversals of impairment losses recognised during the year.

NOTE 17 – PAYABLES

	2014 $M	2013 $M
Current		
Trade payables	**157.2**	188.6
Other payables and accruals	**292.6**	291.4
Total current payables	**449.8**	480.0
Non-current		
Other payables and accruals	**1.4**	–
Total non-current payables	**1.4**	–

Trade payables are normally settled within 65 days (2013: 60 days) from the date of invoice unless alternative terms have been agreed by the supplier and do not incur interest expense. Other payables and accruals are settled when they become due and payable.

Foreign exchange transaction disclosures

Trade payables and other payables and accruals at the reporting date were denominated in the following currencies.

ALL BALANCES TRANSLATED TO AUD	AUD $M	USD $M	GBP $M	OTHER $M	TOTAL $M
2014					
Trade payables	**83.2**	**42.8**	**10.5**	**20.7**	**157.2**
Other payables and accruals	**131.0**	**121.5**	**22.4**	**19.1**	**294.0**
Total payables	**214.2**	**164.3**	**32.9**	**39.8**	**451.2**
2013					
Trade payables	105.6	56.3	12.2	14.5	188.6
Other payables and accruals	137.3	115.9	21.4	16.8	291.4
Total payables	242.9	172.2	33.6	31.3	480.0

NOTE 18 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital structure and financial risk management framework

The centralised Group Treasury function is delegated operational responsibility by the Group's Board for the identification and management of the Group's financial risks in accordance with the Group Treasury Policy, which sets out the Group's financial risk management policies with respect to risk tolerance, internal controls (including segregation of duties), organisational relationships, functions, delegated authority levels, management of foreign currency, interest rate and counterparty credit exposures, and the reporting of exposures. The Group Treasury Policy is reviewed at least annually and approved by the Group's Board of Directors.

The key financial risks covered by the Group Treasury Policy are:

- liquidity risk;
- interest rate risk;
- foreign exchange risk; and
- counterparty credit risk.

The following table summarises the Group's assessment of how these risks impact the Group's financial assets and liabilities (a cross represents exposure to risk):

	NOTE	LIQUIDITY	INTEREST RATE	FOREIGN EXCHANGE	CREDIT
Borrowings	20	×	×	×	×
Receivables	10		×	×	×
Other financial assets				×	×
Payables	17	×		×	
Derivative financial assets and liabilities	19		×	×	×

The Group's specific risk management objectives in relation to each of the above financial risks are summarised below.

(a) Liquidity risk

The Group's approach to managing liquidity is to ensure the maintenance, at all times, of an appropriate minimum level of liquidity, comprising committed, unused bank facilities and cash resources, to meet the Group's financial obligations as and when they fall due.

Group Treasury manages liquidity risk by maintaining sufficient cash reserves, banking facilities and standby borrowing facilities of various maturities and by monitoring forecast and actual cash flows. At reporting date, the standby arrangements and unused credit facilities of the Group are as follows:

	2014 $M	2013 $M
Committed arrangements/facilities available to TWE Group:		
Arrangements to provide standby funds and/or support facilities	**830.9**	500.0
Amounts utilised	**(265.4)**	(225.1)
Amount of credit unused	**565.5**	274.9

NOTE 18 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES / CONTINUED

(a) Liquidity risk / continued

The Group is in compliance with all undertakings under its various financing arrangements. Unutilised facilities total $565.5 million (2013: $274.9 million), which mature beyond 12 months of balance date. Details of the Group's borrowings are included in note 20.

In managing liquidity risk, the Group will have regard to its ability and cost of access to alternative funding sources for short-term to medium-term refinancing requirements, core assets and working capital funding requirements.

The following tables analyse the maturities of the Group's financial liabilities, net and gross settled derivative financial instruments based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	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
2014							
Non-derivative financial liabilities							
Bank loans*	**2.1**	**2.1**	**3.6**	**0.6**	**–**	**8.4**	**(2.2)**
Other loans	**–**	**2.2**	**0.2**	**–**	**–**	**2.4**	**2.4**
US Private Placement Notes	**4.6**	**4.6**	**9.2**	**27.6**	**306.5**	**352.5**	**265.4**
Trade payables	**157.2**	**–**	**–**	**–**	**–**	**157.2**	**157.2**
Other payables and accruals	**292.6**	**–**	**–**	**–**	**–**	**292.6**	**292.6**
Derivative financial liabilities							
Foreign exchange contracts	**2.2**	**3.8**	**0.5**	**–**	**–**	**6.5**	**6.5**
Interest rate swaps**	**(1.2)**	**(1.1)**	**(1.7)**	**0.3**	**4.3**	**0.6**	**–**
Total financial liabilities	**457.5**	**11.6**	**11.8**	**28.5**	**310.8**	**820.2**	**721.9**

	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
2013							
Non-derivative financial liabilities							
Bank loans*	5.1	4.8	8.3	232.0	–	250.2	223.8
Other loans	–	1.0	0.2	–	–	1.2	1.2
Trade payables	188.6	–	–	–	–	188.6	188.6
Other payables and accruals	291.4	–	–	–	–	291.4	291.4
Derivative financial liabilities							
Foreign exchange contracts	2.9	1.4	4.2	0.5	–	9.0	9.0
Total financial liabilities	488.0	7.2	12.7	232.5	–	740.4	714.0

* Loans are stated net of capitalised facility borrowing costs in these tables. At reporting date, the balance of the bank loans is nil and the carrying amount of ($2.2 million) reflects capitalised facility borrowing costs which are amortised over the facility period. The contractual terms of the facilities include an annual unutilised facility fee for any unutilised portion.

** Contractual amounts for the interest rate swaps are the net amounts for pay floating and receive fixed interest. The carrying value at FY14 is less than $50,000.

The Group's financial liabilities represent trade and other payables and accruals and amounts payable to controlled entities. Trade and other payables are due within six months or less.

(b) Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns to shareholders and to provide benefits to other stakeholders. Management also aims to maintain an optimal capital and funding structure that optimises the cost of capital available to the Group over the long-term.

The key objectives include:

- Maintaining a credit profile and the requisite financial metrics that secures access to alternative funding sources with a spread of maturity dates and sufficient undrawn committed facility capacity; and
- Optimising over the long-term, and to the extent practicable, the weighted average cost of capital to reduce the cost of capital to the Group while maintaining financial flexibility.

In order to maximise the capital structure, management 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 in line with the strategic objectives and operating plans of the Group.

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; and
- A total net indebtedness to earnings before interest, tax, depreciation, amortisation and self-generating and regenerating assets ratio.

(c) Interest rate risk

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

The Group's approach to interest rate risk management is predicated on ensuring that forecast future sensitivity of earnings from interest rate volatility is within tolerable limits. Under this framework, the Group's interest rate exposure may be managed using derivative financial instruments, which includes interest rate swaps, interest rate options and forward rate agreements. As the basis of interest rate risk is the same for the hedged items as it is for the hedge instrument, a 1:1 hedge ratio is implemented. Counterparty credit risk and USD LIBOR volatility have been identified as potential sources of hedge ineffectiveness.

Details of interest rate swaps at reporting date are outlined in note 19.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

	2014 $M	2013 $M
Financial assets		
Cash and cash equivalents	**52.0**	10.8
Other loans	**3.2**	3.3
Total assets	**55.2**	14.1
Financial liabilities		
Bank loans	–	225.1
US Private Placement Notes*	**159.2**	–
Total liabilities	**159.2**	225.1

* The Group has entered into interest rate swap contracts to swap $106.2 million (US$100.0 million) US Private Placement Notes from fixed rate to floating rate. Included within this balance is $106.2 million in relation to debt, which has been swapped from fixed to floating (refer note 20).

NOTE 18 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES / CONTINUED

(c) Interest rate risk / continued

The following sensitivity analysis shows the impact by currency denomination if the consolidated Group's weighted average floating interest rates had changed from the year-end rates of 1.73% (2013: 3.34%) with all other variables held constant.

	SENSITIVITY ASSUMPTION		PRE-TAX IMPACT ON PROFIT			
	2014	2013	2014		2013	
CURRENCY			– $M	+ $M	– $M	+ $M
United States Dollar	**+/–25bp**	+/–25bp	**(0.5)**	**0.5**	0.3	(0.3)
Australian Dollar	**+/–25bp**	+/–25bp	**(0.1)**	**0.1**	0.2	(0.2)
Great Britain Pound	**+/–25bp**	+/–25bp	**0.1**	**(0.1)**	–	–

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.

(d) Foreign exchange 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 currencies other than the respective functional currencies of the controlled entities; 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), Canadian Dollar (CAD), Great British Pound (GBP), Euro (EUR), New Zealand Dollar (NZD), Singapore Dollar (SGD), Swedish Krona (SEK) and Norwegian Krone (NOK).

The receivable and payable balances, as denominated in their respective currencies, are presented in notes 10 and 17 respectively.

The focus of the Group's foreign exchange risk management activities is on its transactional foreign exchange exposures relating to the export of Australian produced wine into key overseas markets. Under the Board approved framework the most price sensitive exports for the upcoming vintage, based on highly probable forecast exposures, are hedged for a period of up to three years using primarily foreign exchange options (including collar transactions). In implementing the framework, Group Treasury will have regard to the underlying currency net cash flows of the Group, comprising operating, investing and financing cash flows. As the basis of foreign currency risk is the same for the hedged items as it is for the hedge instrument, a 1:1 hedge ratio is implemented. Counterparty credit risk has been identified as a potential source of hedge ineffectiveness.

Details of foreign exchange options and forward exchange contracts at reporting date are outlined in note 19.

Net debt, at the reporting date was denominated in the following currencies:

ALL BALANCES TRANSLATED TO AUD	AUD $M	USD $M	GBP $M	OTHER $M	TOTAL $M
2014					
Cash and cash equivalents/(overdraft)	**18.3**	**32.1**	**(7.9)**	**9.5**	**52.0**
Loan receivable	**4.2**	–	–	–	**4.2**
Bank loans	**1.1**	**1.1**	–	–	**2.2**
US Private Placement Notes	–	**(265.4)**	–	–	**(265.4)**
Other loan payable	**(2.2)**	–	**(0.2)**	–	**(2.4)**
Net debt	**21.4**	**(232.2)**	**(8.1)**	**9.5**	**(209.4)**
2013					
Cash and cash equivalents	3.9	0.6	(2.9)	9.2	10.8
Loan receivable	3.3	–	–	–	3.3
Bank loans	(85.0)	(138.8)	–	–	(223.8)
Other loan payable	(1.0)	–	(0.2)	–	(1.2)
Net debt	(78.8)	(138.2)	(3.1)	9.2	(210.9)

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

	SENSITIVITY ASSUMPTION*		PRE-TAX IMPACT ON PROFIT				IMPACT ON EQUITY			
	2014	2013	2014		2013		2014		2013	
CURRENCY			+	–	+	–	+	–	+	–
United States Dollar	**7.9%**	12.1%	**(0.5)**	**0.6**	6.3	(8.9)	**(62.5)**	**74.0**	(105.4)	134.5
Great Britain Pound	**7.5%**	10.8%	**(0.3)**	**0.3**	9.5	(8.7)	**(7.4)**	**8.3**	(9.3)	11.6
Euro	**7.5%**	11.1%	**(2.0)**	**2.4**	(2.8)	3.5	**(1.7)**	**2.0**	(2.5)	3.1
Canadian Dollar	**6.8%**	9.4%	**(1.3)**	**1.5**	(2.1)	2.5	**0.0**	**0.0**	0.0	0.0
New Zealand Dollar	**5.7%**	7.0%	**0.0**	**0.0**	0.0	0.0	**(6.2)**	**7.0**	(7.6)	8.7

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

(e) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, and derivative instruments (including financial guarantees). Credit risk for financial assets that have been recognised in the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts. The maximum counterparty credit risk exposure at 30 June in respect of derivative financial instruments was $1.1 million (2013: $1.2 million) and in respect to cash and other investments was nil (2013: nil).

The Group's counterparty credit risk management philosophy is to limit its 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.

Group Treasury, in managing the Group's counterparty credit risk, has regard to the credit opinions on counterparties from two reputable credit rating agencies, with counterparty credit limits set by reference to the lower of the two ratings.

NOTE 18 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES / CONTINUED

(f) Fair values

The fair values of cash and cash equivalents, financial assets, and financial liabilities in respect of bank loans, US Private Placement Notes and derivatives approximate their carrying value. 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 used to hedge interest rate and foreign exchange risks 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.

The valuation of derivative financial assets and liabilities detailed below 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.

The carrying amount and fair values of financial assets and financial liabilities of the Group at reporting date are:

	2014 CARRYING AMOUNT $M	2013 CARRYING AMOUNT $M	2014 FAIR VALUE $M	2013 FAIR VALUE $M
Cash and deposits	**52.0**	10.8	**52.0**	10.8
Loans and receivables				
Trade receivables	**362.7**	419.6	**362.7**	419.6
Other receivables	**27.2**	18.2	**27.2**	18.2
Interest rate swaps	*	–	*	–
Loan receivable	**4.2**	3.3	**4.2**	3.3
Financial assets designated as hedged items				
Foreign exchange contracts	**4.4**	1.2	**4.4**	1.2
Total financial assets	**450.5**	453.1	**450.5**	453.1
Financial liabilities at amortised cost				
Payables	**449.8**	480.0	**449.8**	480.0
Bank loans	–	223.8	–	223.8
US Private Placement Notes	**265.4**	–	**268.3**	–
Interest rate swaps	*	–	*	–
Other loans	**2.4**	1.2	**2.4**	1.2
Financial liabilities designated as hedged items				
Foreign exchange contracts	**6.5**	9.0	**6.5**	9.0
Total financial liabilities	**724.1**	714.0	**727.0**	714.0

* Less than $50,000.

Bank loans represent loans denominated in USD and AUD.

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

NOTE 19 – DERIVATIVE FINANCIAL INSTRUMENTS

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurement by level of the following fair value measurement hierarchy:

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group only holds Level 2 derivative financial instruments as outlined below:

	2014 $M	2013 $M
Financial assets		
Current foreign exchange contracts		
FX swap contracts	*	1.0
FX option contracts	**3.1**	–
Non-current foreign exchange contracts		
FX option contracts	**1.3**	0.2
Interest rate swaps	*	–
Financial liabilities		
Current foreign exchange contracts		
FX swap contracts	*	2.2
FX option contracts	**6.0**	2.1
Non-current foreign exchange contracts		
FX option contracts	**0.5**	4.7
Interest rate swaps	*	–

* Less than $50,000.

The fair value of the interest rate swap is negligible.

The fair values of forward exchange contracts, options, and interest rate swaps are determined using the applicable market rates and curves at the end of the reporting period.

The US Private Placement Notes are denominated in USD. At reporting date there were $671.7 million (Australian Dollar equivalent) net face value of outstanding foreign exchange contracts at contract rates (2013: $509.4 million) and interest rate swaps of $106.2 million (2013: nil).

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposures to fluctuations in foreign exchange rates and interest rates in accordance with the Group's financial risk management policies.

NOTE 19 – DERIVATIVE FINANCIAL INSTRUMENTS / CONTINUED

Hedging of foreign exchange risk and interest rate risk

The Group utilises hedging instruments in relation to interest rate and foreign exchange risk. Profile of timing over the next five years, nominal amount and average price of the hedge instruments is disclosed in the following table:

	2015 $M	2016 $M	2017 $M	2018 $M	2019 $M
2014					
Cash flow hedges					
Foreign exchange risk					
Options – AUD/USD					
Notional amount	**71.8**	**36.6**	**3.6**	–	–
Strike rate – call (purchased)	**0.98**	**0.95**	**0.91**	–	–
Strike rate – put (sold)	**0.86**	**0.77**	**0.70**	–	–
Options – AUD/GBP					
Notional amount	**74.7**	**57.6**	**15.4**		
Strike price – call (purchased)	**0.62**	**0.61**	**0.56**	–	–
Strike price – put (sold)	**0.56**	**0.49**	**0.46**	–	–
2013					
Cash flow hedges					
Foreign exchange risk					
Options – AUD/USD					
Notional amount	70.5	4.1	–	–	–
Strike rate – call (purchased)	1.05	1.06	–	–	–
Strike rate – put (sold)	0.87	0.84	–	–	–
Options – AUD/GBP					
Notional amount	83.8	13.4	–	–	–
Strike price – call (purchased)	0.66	0.67	–	–	–
Strike price – put (sold)	0.55	0.52	–	–	–
2014					
Fair value hedges					
Interest rate risk					
Interest rate swaps					
Notional amount	**106.2**	**106.2**	**106.2**	**106.2**	**106.2**

The interest rate swap is a pay floating receive fixed throughout the term of the US Private Placement Notes which mature in December 2023. The Group did not have fair value hedges in FY13.

The impact of hedging instruments and hedged items designated in hedging relationships as of 30 June 2014 on the statement of financial position is shown in the following tables:

Hedge instruments:

	NOTIONAL AMOUNT $M	CARRYING AMOUNT ASSET $M	CARRYING AMOUNT LIABILITY $M	CHANGE IN FAIR VALUE USED FOR MEASURING INEFFECTIVENESS $M	AMOUNT RECLASSIFIED FROM HEDGE RESERVE TO PROFIT OR LOSS $M	LINE ITEM IN PROFIT OR LOSS	LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHERE HEDGING INSTRUMENT IS LOCATED
Cash flow hedges							
Foreign exchange risk on foreign currency option							
2014	**259.7**	**4.4**	**6.5**	–	**(1.9)**	**Cost of sales**	**Derivative financial asset/liability**
2013	171.8	0.2	6.8	–	0.1	Cost of sales	Derivative financial asset/liability
Fair value hedge – interest rate swaps							
Interest rate risk							
2014	**106.2**	–	–	–	–	–	**Borrowings**

There was no ineffectiveness on the above hedges during the period.

Hedged items:

		CARRYING AMOUNT ASSET $M	CARRYING AMOUNT LIABILITY $M	ACCUMULATED FAIR VALUE ADJUSTMENTS ASSET $M	ACCUMULATED FAIR VALUE ADJUSTMENTS LIABILITY $M	CASH FLOW HEDGE RESERVE $M	LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHERE HEDGED ITEM IS INCLUDED	CHANGE IN FAIR VALUE USED FOR MEASURING INEFFECTIVENESS FOR THE PERIOD
Cash flow hedges								
Foreign exchange risk on forecast wine export								
2014		*	*	*	*	**(3.1)**	*	–
2013		*	*	*	*	(7.0)	*	–
Fair value hedge								
Interest rate risk								
US Private Placement Notes	**2014**	–	**106.2**	–	–	**N/A**	**Borrowings**	–

* Hedges of forecast transactions therefore not yet recognised by the Group.

The Group did not have interest rate swaps during FY13.

The following table shows the movements in the cash flow hedge reserve associated with hedging of transactional foreign currency:

	2014 $M	2013 $M
Cash flow hedge reserve – opening	**(4.9)**	0.5
Amount recognised in equity during the year (change in fair value)[1]	**4.9**	(5.4)
Amount released to profit or loss during the year	**(2.5)**	–
Cash flow hedge reserve – closing	**(2.5)**	(4.9)

1. Including the effect of the change in accounting policy – refer note 1.

Master netting agreement

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have a current legally enforceable right to offset recognised amounts because the right to offset is enforceable only on the occurrence of future events such as default on the bank loans or other credit events.

NOTE 19 – DERIVATIVE FINANCIAL INSTRUMENTS / CONTINUED

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	GROSS AND NET AMOUNTS OF FINANCIAL INSTRUMENT	RELATED FINANCIAL INSTRUMENT THAT IS NOT OFFSET	NET AMOUNT
2014			
Financial assets			
Foreign currency option contracts used for hedging	**4.4**	**(4.4)**	**–**
Other forward foreign currency contracts	*	*	*
Interest rate swaps used for hedging	*	*	*
Financial liability			
Foreign currency option contracts used for hedging	**(6.5)**	**4.2**	**(2.3)**
2013			
Financial assets			
Foreign currency option contracts used for hedging	0.2	(0.2)	–
Other forward foreign currency contracts	*	*	*
Financial liability			
Foreign currency option contracts used for hedging	(6.8)	0.2	(6.6)
Other forward foreign currency contracts	(1.1)	*	1.1

* Less than $50,000.

NOTE 20 – BORROWINGS

	2014 $M	2013 $M
Current		
Other	**0.8**	0.7
Total current borrowings	**0.8**	0.7
Non-current		
Unsecured	**264.6**	224.1
Other	**0.2**	0.2
Total non current borrowings	**264.8**	224.3
Total net borrowings consist of:		
Current	**0.8**	0.7
Non-current	**264.8**	224.3
Total gross borrowings	**265.6**	225.0

Details of major arrangements

US Private Placement Notes

On 16 December 2013, the Group issued US Private Placement Notes of US$250.0 million, with maturity in seven-year (US$75.0 million), 10-year (US$125.0 million) and 12-year (US$50.0 million) tranches. The carrying value at 30 June 2014 is $265.4 million. The Group has entered into an interest rate swap with a notional value of $106.2 million. The interest rate swap is a pay floating receive fixed. Refer note 19.

Receivable purchasing agreement

The Group has entered into uncommitted, non-recourse receivable purchasing agreements to sell certain domestic and international receivables, from time-to-time, to unrelated entities in exchange for cash. As at 30 June 2014, the Group had sold receivable balances equivalent to $107.9 million (2013: $122.6 million) in exchange for cash.

Syndicated revolving term debt facility

On 8 August 2013, the Group entered a new committed syndicated revolving term debt facility, totalling US$250.0 million, with US$170.0 million maturing in August 2016 and US$80.0 million maturing in August 2018. At 30 June 2014, the Group had not drawn-down on the facility.

Financial guarantees

The Company has financial guarantees to banks and other financiers of $266.0 million (2013: $225.5 million) and to other persons of $26.1 million (2013: $30.5 million) that could be called upon at any time in the event of a breach of the Group's financial obligations. The Company does not expect any payments will eventuate under these financial guarantees as the Company and the Group are expected to meet their respective obligations to the beneficiaries of these guarantees.

NOTE 21 – PROVISIONS

	2014 $M	2013 $M
Current		
Employee entitlements	**37.4**	37.3
Other	**49.1**	50.9
Total current provisions	**86.5**	88.2
Non-current		
Employee entitlements	**3.3**	3.7
Total non-current provisions	**3.3**	3.7

Other provisions

	ONEROUS CONTRACTS $M	RESTRUCTURING $M	DISTRIBUTOR INVENTORY AND OTHER $M	TOTAL $M
2014				
Carrying amount at start of year	**6.7**	–	**44.2**	**50.9**
Charged/(credited) to profit or loss	**4.4**	**35.0**	**(24.4)**	**15.0**
Payments	**(2.2)**	**(3.0)**	**(11.3)**	**(16.5)**
Foreign currency translation	–	–	**(0.3)**	**(0.3)**
Carrying amount at end of year	**8.9**	**32.0**	**8.2**	**49.1**
2013				
Carrying amount at start of year	12.6	0.1	1.6	14.3
Charged/(credited) to profit or loss	4.1	–	42.9	47.0
Payments	(10.1)	(0.1)	(1.1)	(11.3)
Foreign currency translation	0.1	–	0.8	0.9
Carrying amount at end of year	6.7	–	44.2	50.9

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.

Restructuring provision balance comprises costs associated with the Group rationalisation and restructure program as detailed in note 4.

The distributor inventory and other provision includes estimated costs to be incurred in destroying excess inventory holdings as detailed in note 4. During the year, $25.1 million of the provision was released as the Group modified its approach to dealing with certain excess inventory by depleting it under the special depletion allowance program. Costs accrued for under this program are included in Other payables and accruals (note 17).

NOTE 22 – CONTRIBUTED EQUITY

	2014 $M	2013 $M
Issued and paid-up capital		
649,427,560 (2013: 647,227,144) ordinary shares, fully paid	**3,055.6**	3,047.5
Treasury shares held	**(4.2)**	(4.9)
	3,051.4	3,042.6
Ordinary share capital at the beginning of the period	**3,047.5**	3,047.5
Shares issued:		
1,710,804 (2013: nil) shares in accordance with the Dividend Reinvestment Plan	**6.3**	–
489,612 (2013: nil) shares in accordance with the Long-Term Incentive Plan	**1.8**	–
Total movements in ordinary share capital	**8.1**	–
Ordinary share capital at the end of the period	**3,055.6**	3,047.5

The shares have no par value.

(a) 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.

(b) Treasury shares

Included within ordinary fully paid shares are 1.0 million (2013: 1.2 million) shares which are available to satisfy any entitlements that vest under the Group's Employee Equity Plans. Details in respect to the Group's Employee Equity Plans are set out in note 24.

NOTE 23 – RESERVES

	NOTE	2014 $M	2013 $M
Cash flow hedge reserve	(a)	**(2.5)**	(4.9)
Share-based payments reserve	(b)	**14.3**	9.8
Foreign currency translation reserve	(c)	**(234.2)**	(246.0)
Total reserves		**(222.4)**	(241.1)

Nature and purpose of reserves

(a) Cash flow hedge reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be effective.

(b) Share-based payment reserve

This reserve records the value of shares under the Group's Long-Term Incentive Plan and Restricted Equity Plan offered to employees as part of their remuneration. Refer to note 24 for further details of this plan.

(c) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities within the Group are taken to the foreign currency translation reserve, as described in the accounting policy note 1.

NOTE 24 – EMPLOYEE EQUITY PLANS

As at 30 June 2014, the Group has the share-based payment arrangements outlined in this note. Further details of the equity arrangements are included in the Directors' Report.

The Group operates a Short-Term Incentive Plan (STIP) Deferred Share Plan which mandates that one-third of an executive's STIP award that vests is delivered in the form of Deferred Equity, with the remainder delivered in the form of cash.

The Group operates the following equity plans:

- Short-Term Incentive Plan (STIP) Deferred Share Plan;
- Long-Term Incentive Plan (LTIP); and
- Restricted Equity Plan (REP).

STIP Deferred Share Plan

Under the STIP Deferred Share Plan, one-third of a participant's STIP award that vests is delivered in the form of Deferred Equity (Restricted Shares or Deferred Share Rights). The Deferred Equity is subject to a mandatory two-year disposal restriction period and continued employment with the Group. Participants are entitled to dividends and to exercise their voting rights attached to the Restricted Shares during the restriction period. Holders of Deferred Share Rights are not entitled to dividends or voting rights.

If the executive is dismissed for cause, tenders his/her resignation, is terminated for performance reasons (as determined by the Board) or commits an act that the Board deems to result in forfeiture, then any Restricted Equity will generally be forfeited.

LTIP

Under the LTIP, eligible participants receive a grant of Performance Rights, which entitles participants to receive shares in the Company (shares) at no cost to them at the end of the performance period subject to the achievement of performance conditions. No dividends are payable to participants prior to vesting.

For the 2014 and 2013 awards, Performance Rights are subject to dual performance measures with equal weighting over a performance period of three years. The performance measures are relative Total Shareholder Return (TSR) and earnings per share (EPS) compound annual growth rate (CAGR). These measures also applied to the 2012 awards.

For the 2011 awards, two offers of one-off Demerger Performance Rights were granted to participants to create immediate alignment with shareholder interests and drive performance during the period post-demerger. Dual performance measures with equal weighting apply (TSR CAGR and Return on Capital Employed (ROCE) CAGR).

If an executive ceases employment before the end of the performance period, unvested Performance Rights will generally lapse.

In exceptional circumstances (such as death, disability or redundancy), the Board, at its discretion, may determine that a portion of the award vests having regard to performance and time lapsed to date of cessation (or that an equivalent cash payment be made).

REP

Under the REP, eligible participants receive a grant of Restricted Shares or Deferred Share Rights (Restricted Equity awards) at no cost to them that are subject to a restriction period. Restricted Equity awards are subject to forfeiture if the participant resigns from the Group prior to the conclusion of the restriction period applicable to the offer. Participants are entitled to dividends and to exercise their voting rights attached to the Restricted Shares during the restriction period (to the extent they hold Restricted Shares only; not applicable to Deferred Share Rights).

Awards under the REP are in the form of the following:

- Demerger Restricted Shares: in 2011 two offers of one-off Demerger Restricted Shares were granted to eligible participants to create immediate alignment with shareholder interest, drive performance during the period post-demerger and for the purposes of retention.
- Restricted Equity awards: these awards (in the form of Restricted Shares or Deferred Share Rights) are made to compensate employees for foregoing equity compensation in their previous organisation, as a sign-on award and/or as a retention incentive.

Fair value of awards

The grant date fair value of the LTIP Performance Rights granted during the year ended 30 June 2014 is detailed below. The TSR component is valued using a Monte-Carlo simulation. The valuation model uses standard option pricing inputs, including the term of the award, share price at grant date, exercise price, expected annual dividend yield, expected risk-free interest rate for the performance period and expected share price volatility.

For the EPS component of the LTIP awards, a likely vesting outcome taking into account the performance hurdle is considered when determining the fair value. The fair value is derived from the current share price less the present value of dividends. The likely vesting outcome reflects the performance to date against targets.

NOTE 24 – EMPLOYEE EQUITY PLANS / CONTINUED

PLAN	GRANT DATE	EXPIRY DATE	BALANCE START OF YEAR NO.	GRANTED DURING YEAR NO.	FORFEITED DURING YEAR NO.	EXERCISED DURING YEAR NO.
FY14 STIP Deferred Shares						
FY11 STIP	15-Sep-11	14-Sep-13	517,915	–	6,083	511,832
FY12 STIP	14-Sep-12	13-Sep-14	338,974	–	42,706	–
LTIP						
FY11 LTIP Offer 2 – TSR	06-Jun-11	30-Sep-13	354,152	–	122,514	231,638
FY11 LTIP Offer 2 – ROCE	06-Jun-11	30-Sep-13	358,215	–	358,215	–
FY12 LTIP (CEO) – TSR	25-Nov-11	30-Jun-14	393,586	–	393,586	–
FY12 LTIP (CEO) – EPS	25-Nov-11	30-Jun-14	393,586	–	393,586	–
FY12 LTIP – TSR	13-Apr-12	30-Jun-14	2,593,735	–	933,741	1,659,994
FY12 LTIP – EPS	13-Apr-12	30-Jun-14	2,574,759	–	2,574,759	–
FY13 LTIP – TSR	22-Nov-12	30-Jun-15	1,569,073	–	436,703	–
FY13 LTIP – EPS	22-Nov-12	30-Jun-15	1,569,073	–	436,702	–
FY12 LTIP – TSR	28-Jun-13	30-Jun-14	54,813	–	16,444	38,369
FY12 LTIP – EPS	28-Jun-13	30-Jun-14	54,813	–	–	54,813
FY14 LTIP – TSR	16-Dec-13	30-Jun-16	–	588,809	45,506	–
FY14 LTIP – EPS	16-Dec-13	30-Jun-16	–	588,792	45,505	–
FY14 LTIP – TSR	28-Feb-14	30-Jun-16	–	364,494	12,139	–
FY14 LTIP – EPS	28-Feb-14	30-Jun-16	–	364,490	12,139	–
REP						
Demerger	03-Jun-11	05-May-14	297,442	–	33,974	263,468
Targeted	29-Aug-11	30-Jun-14	18,493	–	–	18,493
Targeted	03-Feb-12	03-Feb-14	46,089	–	–	46,089
Targeted	23-Nov-12	23-Nov-15	11,942	–	–	5,971
Targeted	08-Mar-13	08-Mar-16	4,469	–	–	–
Targeted	26-Aug-13	26-Aug-15	–	7,433	–	–
Targeted	26-Aug-13	26-Aug-16	–	4,248	–	–
Targeted	26-Aug-13	26-Aug-17	–	7,433	–	–
Targeted	18-Dec-13	18-Dec-15	–	266,058	–	–
Targeted	18-Dec-13	18-Dec-16	–	20,741	–	–
Targeted	18-Dec-13	18-Dec-17	–	20,742	–	–
Targeted	28-Feb-14	28-Feb-15	–	1,855	–	–
Targeted	28-Feb-14	28-Feb-16	–	14,722	–	–
Targeted	28-Feb-14	28-Feb-17	–	293,620	–	–
Targeted	28-Feb-14	28-Feb-18	–	2,106	–	–
Targeted	30-Apr-14	01-Jul-17	–	1,595,187	–	–
Targeted	16-May-14	01-Jul-17	–	65,553	–	–
			11,151,129	4,206,283	5,864,302	2,830,667

BALANCE END OF YEAR NO.	GRANT DATE SHARE PRICE $	FAIR VALUE ESTIMATE AT GRANT DATE $	EXPECTED DIVIDEND YIELD %	EXPECTED SHARE PRICE VOLATILITY %	RISK-FREE INTEREST RATE %
–	3.36	N/A	N/A	N/A	N/A
296,268	4.78	N/A	N/A	N/A	N/A
–	3.46	0.86	3.5	20.0	4.9
–	3.46	3.22	3.5	20.0	4.9
–	3.76	2.61	3.5	33.0	3.0
–	3.76	3.43	3.5	33.0	3.0
–	4.35	3.21	3.1	30.0	3.3
–	4.35	4.06	3.1	30.0	3.3
1,132,370	5.16	3.35	3.2	28.0	2.7
1,132,371	5.16	4.75	3.2	28.0	2.7
–	5.82	5.33	2.8	25.0	2.8
–	5.82	5.66	2.8	25.0	2.8
543,303	4.61	1.54	2.5	29.0	2.8
543,287	4.61	4.33	2.5	29.0	2.8
352,355	3.87	0.71	2.6	31.0	2.7
352,351	3.87	3.64	2.6	31.0	2.7
–	3.42	N/A	N/A	N/A	N/A
–	3.24	N/A	N/A	N/A	N/A
–	3.48	N/A	N/A	N/A	N/A
5,971	5.02	N/A	N/A	N/A	N/A
4,469	5.59	N/A	N/A	N/A	N/A
7,433	4.69	N/A	N/A	N/A	N/A
4,248	4.69	N/A	N/A	N/A	N/A
7,433	4.69	N/A	N/A	N/A	N/A
266,058	4.57	N/A	N/A	N/A	N/A
20,741	4.57	N/A	N/A	N/A	N/A
20,742	4.57	N/A	N/A	N/A	N/A
1,855	3.87	N/A	N/A	N/A	N/A
14,722	3.87	N/A	N/A	N/A	N/A
293,620	3.87	N/A	N/A	N/A	N/A
2,106	3.87	N/A	N/A	N/A	N/A
1,595,187	3.81	N/A	N/A	N/A	N/A
65,553	4.08	N/A	N/A	N/A	N/A
6,662,443					

NOTE 24 – EMPLOYEE EQUITY PLANS / CONTINUED

PLAN	GRANT DATE	EXPIRY DATE	BALANCE START OF YEAR NO.	GRANTED DURING YEAR NO.	FORFEITED DURING YEAR NO.	EXERCISED DURING YEAR NO.
FY13						
STIP Deferred Shares						
FY11 STIP	15-Sep-11	14-Sep-13	591,558	–	25,808	47,835
FY12 STIP	14-Sep-12	14-Sep-14	–	396,191	–	57,217
LTIP						
FY11 LTIP Offer 1 – TSR	06-Jun-11	30-Sep-12	418,844	–	8,117	410,727
FY11 LTIP Offer 1 – ROCE	06-Jun-11	30-Sep-12	418,844	–	418,844	–
FY11 LTIP Offer 2 – TSR	06-Jun-11	30-Sep-13	403,446	–	49,294	–
FY11 LTIP Offer 2 – ROCE	06-Jun-11	30-Sep-13	403,446	–	45,231	–
FY12 LTIP (CEO) – TSR	25-Nov-11	30-Jun-14	393,586	–	–	–
FY12 LTIP (CEO) – EPS	25-Nov-11	30-Jun-14	393,586	–	–	–
FY12 LTIP – TSR	13-Apr-12	30-Jun-14	3,250,734	–	656,999	–
FY12 LTIP – EPS	13-Apr-12	30-Jun-14	3,250,734	–	675,975	–
FY13 LTIP – TSR	22-Nov-12	30-Jun-15	–	1,752,675	183,602	–
FY13 LTIP – EPS	22-Nov-12	30-Jun-15	–	1,752,675	183,602	–
FY12 LTIP – TSR	28-Jun-13	30-Jun-14	–	54,813	–	–
FY12 LTIP – EPS	28-Jun-13	30-Jun-14	–	54,813	–	–
REP						
Demerger	03-Jun-11	05-May-14	702,828	–	–	405,386
Targeted	29-Aug-11	30-Jun-14	18,493	–	–	–
Targeted	03-Feb-12	03-Feb-14	92,178	–	–	46,089
Targeted	01-Jun-12	01-Jun-15	4,512	–	4,512	–
Targeted	23-Nov-12	23-Nov-15	–	11,942	–	–
Targeted	08-Mar-13	08-Mar-16	–	4,469	–	–
			10,342,789	4,027,578	2,251,984	967,254

BALANCE END OF YEAR NO.	GRANT DATE SHARE PRICE $	FAIR VALUE ESTIMATE AT GRANT DATE $	EXPECTED DIVIDEND YIELD %	EXPECTED SHARE PRICE VOLATILITY %	RISK-FREE INTEREST RATE %
517,915	3.36	N/A	N/A	N/A	N/A
338,974	4.78	N/A	N/A	N/A	N/A
–	3.46	1.09	3.5	20.0	4.8
–	3.46	3.33	3.5	20.0	4.8
354,152	3.46	0.86	3.5	20.0	4.9
358,215	3.46	3.22	3.5	20.0	4.9
393,586	3.76	2.61	3.5	33.0	3.0
393,586	3.76	3.43	3.5	33.0	3.0
2,593,735	4.35	3.21	3.1	30.0	3.3
2,574,759	4.35	4.06	3.1	30.0	3.3
1,569,073	5.16	3.35	3.2	28.0	2.7
1,569,073	5.16	4.75	3.2	28.0	2.7
54,813	5.82	5.33	2.8	25.0	2.8
54,813	5.82	5.66	2.8	25.0	2.8
297,442	3.42	N/A	N/A	N/A	N/A
18,493	3.24	N/A	N/A	N/A	N/A
46,089	3.48	N/A	N/A	N/A	N/A
–	4.43	N/A	N/A	N/A	N/A
11,942	5.02	N/A	N/A	N/A	N/A
4,469	5.59	N/A	N/A	N/A	N/A
11,151,129					

NOTE 25 – EMPLOYEE BENEFITS

	2014 $M	2013 $M
The aggregate amount of employee benefits is comprised of:		
Accrued wages, salaries and on-costs	**18.9**	12.8
Provisions (current)	**37.4**	37.3
Provisions (non-current)	**3.3**	3.7
Total employee benefits	**59.6**	53.8

The aggregate of the employee entitlement provision is $40.7 million (2013: $41.0 million). Employee benefits incurred during the year were $308.4 million (2013: $283.3 million).

NOTE 26 – REMUNERATION OF AUDITORS

	2014 $	2013 $
During the year, the following fees were paid or payable for services provided by the auditor of the Company, and its related practices:		
Audit and review of financial statements and other audit work under the Corporations Act 2001 (KPMG Australia):	**680,000**	–
Overseas KPMG firms	**646,324**	–
Audit and review services	**1,326,324**	–
Other non-audit services	**353,020**	–
	1,679,344	–
Audit and review of financial statements and other audit work under the Corporations Act 2001 (PwC Australia):	–	1,298,000
Associated PwC firms	–	814,000
Audit and review services	–	2,112,000
Other non-audit services	–	100,000
	–	2,212,000

The Group employs its statutory auditor KPMG (2013: PricewaterhouseCoopers) 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 2014, KPMG earned fees in respect to the provision of advisory and taxation services which were provided prior to their appointment as the Group's statutory auditor. (2013: PricewaterhouseCoopers earned fees in respect to the provision of taxation and advisory services).

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 for 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.

NOTE 27 – COMMITMENTS

	2014 $M	2013 $M
Leases		
Non-cancellable operating leases		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
under 1 year	**44.1**	41.8
between 1 year and 5 years	**121.2**	90.1
over 5 years	**108.4**	69.0
Total lease commitments	**273.7**	200.9
Capital expenditure and other commitments		
The following expenditure has been contracted but not provided for in the financial statements:		
Capital expenditure	**13.0**	7.2

The Group leases property under operating leases expiring from one to 17 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated.

NOTE 28 – NOTES TO THE CASH FLOW STATEMENT

	2014 $M	2013[1] $M
Cash at bank and on hand (note 9)	**52.0**	10.8
Reconciliation of net cash flows from operating activities to profit/(loss) after income tax		
Profit/(loss) for the year	**(102.4)**	47.6
Depreciation and amortisation	**85.7**	76.8
Contributions from associates	**–**	(1.0)
Profit on disposal of non-current assets	**(2.1)**	(0.5)
Valuation (increment)/decrement on agricultural assets	**19.5**	(3.8)
Revaluation assets held for sale and investments	**–**	(7.9)
Asset impairment charges	**345.2**	–
Share-based payments expense	**8.0**	7.9
Unrealised net foreign exchange differences	**0.1**	(0.5)
Net cash provided by operating activities before change in assets and liabilities	**354.0**	118.6
Change in working capital and tax balances, net of effects from acquisition/disposal of controlled entities*		
Receivables	**54.4**	2.6
Inventories	**(76.9)**	(41.4)
Derivative financial assets/liabilities	**(1.8)**	9.1
Payables	**(40.3)**	12.0
Net tax balances	**(101.9)**	(19.9)
Provisions	**(2.0)**	32.1
Net cash flows from operating activities	**185.5**	113.1

1. Restated due to change in accounting policy as a result of the adoption of the revised AASB 9 *Financial Instruments,* which requires a retrospective application. Refer note 1.

* Comparative information has been adjusted to align with the presentation of the current period. The effect of foreign exchange is now attributed to each line item within working capital.

NOTE 29 – RELATED PARTY DISCLOSURES

Ownership interests in related parties
All material ownership interests in related parties are disclosed in note 30 to the financial statements.

Parent entity
The ultimate parent entity within the Group 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
Transactions between the Company and related parties to the Group during the current year included:

	2014 $'000	2013 $'000
Loans to related parties:		
Opening balance	**2,229**	–
Loans advanced	**800**	2,000
Interest charged	**151**	229
	3,180	2,229

Key management personnel compensation:
The following table shows the compensation paid or payable to key management personnel of the Company and Group.

	2014 $	2013 $
Short-term employee benefits	**4,321,635**	4,963,192
Post-employment benefits	**166,025**	151,806
Share-based payments	**722,930**	2,434,527
Termination benefits	**1,329,287**	660,389
Total	**6,539,877**	8,209,914

NOTE 30 – CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1.

ENTITY	NOTES	COUNTRY OF INCORPORATION	EQUITY HOLDING 2014 %	EQUITY HOLDING 2013 %
Aldershot Nominees Pty. Ltd.*		Australia	**100**	100
B Seppelt & Sons Limited*		Australia	**100**	100
Beringer Blass Distribution S.R.L.		Italy	**100**	100
Beringer Blass Italia S.R.L.		Italy	**100**	100
Beringer Blass Wine Estates Chile Limitada		Chile	**100**	100
Beringer Blass Wine Estates Limited		UK	**100**	100
Beringer Blass Wines Pty. Ltd.*		Australia	**100**	100
Bilyara Vineyards Pty. Ltd.*		Australia	**100**	100
Cellarmaster Wines (UK) Limited		UK	**100**	100
Cellarmaster Wines Holdings (UK) Limited		UK	**100**	100
Coldstream Australasia Limited*		Australia	**100**	100
Cuppa Cup Vineyards Pty. Ltd.		Australia	**100**	100
Devil's Lair Pty. Ltd.		Australia	**100**	100
Ewines Pty. Ltd.		Australia	**100**	100
FBL Holdings Limited		UK	**100**	100
Graymoor Estate Joint Venture		Australia	**48.8**	48.8

ENTITY	NOTES	COUNTRY OF INCORPORATION	EQUITY HOLDING 2014 %	EQUITY HOLDING 2013 %
Graymoor Estate Pty. Ltd.		Australia	**48.8**	48.8
Graymoor Estate Unit Trust		Australia	**48.8**	48.8
Greg Norman Estates Joint Venture		Australia	**70**	70
Il Cavaliere del Castello di Gabbiano S.r.l.		Italy	**100**	100
Interbev Pty. Ltd.*		Australia	**100**	100
Invin Wines Pty. Ltd.		Australia	**100**	100
Island Cooler Pty. Ltd.		Australia	**100**	100
James Herrick Wines Limited		UK	**100**	100
Leo Buring Pty. Ltd.		Australia	**100**	100
Lindeman (Holdings) Limited*		Australia	**100**	100
Lindemans Wines Pty. Ltd.		Australia	**100**	100
Mag Wines Pty. Ltd.		Australia	**100**	100
Majorca Pty. Ltd.*		Australia	**100**	100
MBL Packaging Pty. Ltd.		Australia	**100**	100
Mildara Holdings Pty. Ltd.*		Australia	**100**	100
North America Packaging (Pacific Rim) Corporation		USA	**100**	100
North Para Environment Control Pty. Ltd.		Australia	**69.9**	69.9
Penfolds Wines Pty. Ltd.		Australia	**100**	100
Premium Land, Inc.		USA	**100**	100
Rapaura Vintners Limited	(a)	New Zealand	**–**	100
Raust International Investments BV		Netherlands	**100**	100
RH Wines Pty. Ltd.		Australia	**100**	100
Robertsons Well Pty. Ltd.		Australia	**100**	100
Robertsons Well Unit Trust		Australia	**100**	100
Rosemount Estates Pty. Ltd.		Australia	**100**	100
Rothbury Wines Pty. Ltd.*		Australia	**100**	100
Roxburgh Vineyards Pty. Ltd.		Australia	**100**	100
SCA 605 Pty. Ltd.		Australia	**100**	100
SCW 905 Limited*		Australia	**100**	100
Seaview Wynn Pty. Ltd.*		Australia	**100**	100
Selion Pty. Ltd.		Australia	**100**	100
Southcorp Australia Pty. Ltd.*		Australia	**100**	100
Southcorp Brands Pty. Ltd.*		Australia	**100**	100
Southcorp International Investments Pty. Ltd.*		Australia	**100**	100
Southcorp Limited*		Australia	**100**	100
Southcorp NZ Pty. Ltd.*		Australia	**100**	100
Southcorp Whitegoods Pty. Ltd.		Australia	**100**	100
Southcorp Wines Asia Pty. Ltd.		Australia	**100**	100
Southcorp Wines Europe Limited		UK	**100**	100
Southcorp Wines NZ Limited		New Zealand	**100**	100
Southcorp Wines Pty. Ltd.*		Australia	**100**	100
Southcorp XUK Limited		UK	**100**	100
T'Gallant Winemakers Pty. Ltd.		Australia	**100**	100
The New Zealand Wine Club Limited		UK	**100**	100
The Rothbury Estate Pty. Ltd.*		Australia	**100**	100
Tolley Scott & Tolley Limited*		Australia	**100**	100
Treasury Americas Inc		USA	**100**	100
Treasury Wine Brands Pty Limited		Australia	**100**	100
Treasury Wine Estates (China) Holding Co Pty Ltd*		Australia	**100**	100
Treasury Wine Estates Shanghai Co Ltd.		China	**100**	100
Treasury Wine Estates (Matua) Limited	(a)	New Zealand	**100**	100
Treasury Wine Estates (NZ) Holding Co. Pty. Ltd.*		Australia	**100**	100
Treasury Wine Estates (NZ) Limited		New Zealand	**100**	100

NOTE 30 – CONTROLLED ENTITIES / CONTINUED

ENTITY	NOTES	COUNTRY OF INCORPORATION	EQUITY HOLDING 2014 %	2013 %
Treasury Wine Estates Asia (SEA) Pte Limited		Singapore	**100**	100
Treasury Wine Estates (UK) Holding Co. Pty. Ltd.*		Australia	**100**	100
Treasury Wine Estates Americas Company		USA	**100**	100
Treasury Wine Estates Asia Pty. Ltd.		Australia	**100**	100
Treasury Wine Estates Australia Limited*		Australia	**100**	100
Treasury Wine Estates Barossa Vineyards Pty. Ltd.		Australia	**100**	100
Treasury Wine Estates Canada, Inc.		Canada	**100**	100
Treasury Wine Estates Denmark ApS		Denmark	**100**	100
Treasury Wine Estates EMEA Limited		UK	**100**	100
Treasury Wine Estates Finland Oy		Finland	**100**	100
Treasury Wine Estates Group Pty Limited		Australia	**100**	100
Treasury Wine Estates HK Limited		China	**100**	100
Treasury Wine Estates Holdings Inc.		USA	**100**	100
Treasury Wine Estates Japan KK	(b)	Japan	**100**	–
Treasury Wine Estates Limited*		Australia	**100**	100
Treasury Wine Estates Netherlands B.V		Netherlands	**100**	100
Treasury Wine Estates Norway AS		Norway	**100**	100
Treasury Wine Estates (Shanghai) Co Trading Limited	(c)	China	**100**	–
Treasury Wine Estates Sweden AB		Sweden	**100**	100
Treasury Wine Estates UK Brands Limited		UK	**100**	100
Treasury Wine Estates Vintners Limited*		Australia	**100**	100
TWE Finance (Aust) Limited*		Australia	**100**	100
TWE Finance (UK) Limited		UK	**100**	100
TWE Insurance Company Pte. Ltd.		Singapore	**100**	100
TWE Share Plans Pty. Ltd.		Australia	**100**	100
TWE US Finance Co.		USA	**100**	100
VEA Pty. Ltd.		Australia	**100**	100
Wolf Blass Wines Pty. Ltd.*		Australia	**100**	100
Woodley Wines Pty. Ltd.		Australia	**100**	100
Wynn Winegrowers Pty. Ltd.		Australia	**100**	100
Wynns Coonawarra Estate Pty. Ltd.		Australia	**100**	100

* Entity is a member of the Closed Group under the Deed of Cross Guarantee (refer to note 31) and relieved from the requirement to prepare audited financial statements by ASIC Class Order (98/1418).

Notes

(a) On 1 July 2013, Rapaura Vintners Limited was amalgamated into Treasury Wine Estates (Matua) Limited under the name Treasury Wine Estates (Matua) Limited.
(b) Incorporated on 26 February 2014.
(c) Incorporated on 25 March 2014.

NOTE 31 – DEED OF CROSS GUARANTEE

Under the terms of ASIC Class Order 98/1418, 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 30.

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 2014 are set out on the following page.

	2014 $M	2013 $M
Extract of the statement of profit or loss and other comprehensive income		
Profit/(loss) before tax	**(129.3)**	97.3
Income tax expense	**75.7**	(32.6)
Net profit after tax	**(53.6)**	64.7
Retained earnings at beginning of the year	**152.7**	172.1
External dividends	**(84.1)**	(84.1)
Retained earnings at end of the year	**15.0**	152.7
Statement of financial position		
Current assets		
Cash and cash equivalents	**10.4**	1.5
Receivables	**1,344.4**	1,336.4
Inventories	**315.5**	375.6
Current tax assets	–	3.8
Assets held for sale	**2.5**	2.5
Derivative financial assets	**9.1**	3.1
Total current assets	**1,681.9**	1,722.9
Non-current assets		
Receivables	**6.8**	3.9
Inventories	**403.4**	305.8
Other financial assets	**2,737.0**	2,852.1
Derivative financial assets	**1.8**	4.9
Property, plant and equipment	**485.1**	492.9
Agricultural assets	**90.2**	83.6
Intangible assets	**386.2**	437.2
Retirement benefit assets	–	0.5
Deferred tax assets	**55.0**	43.0
Total non-current assets	**4,165.5**	4,223.9
Total assets	**5,847.4**	5,946.8
Current liabilities		
Payables	**213.1**	234.2
Borrowings	**2,465.9**	2,333.5
Current tax liabilities	**5.6**	–
Provisions	**55.5**	38.8
Derivative financial liabilities	**9.1**	4.3
Total current liabilities	**2,749.2**	2,610.8
Non-current liabilities		
Borrowings	–	85.0
Deferred tax liabilities	**8.1**	32.4
Provisions	**3.3**	3.7
Derivative financial liabilities	**1.8**	4.9
Total non-current liabilities	**13.2**	126.0
Total liabilities	**2,762.4**	2,736.8
Net assets	**3,085.0**	3,210.0
Equity		
Contributed equity	**3,055.7**	3,047.5
Reserves	**14.3**	9.8
Retained earnings	**15.0**	152.7
Total equity	**3,085.0**	3,210.0

NOTE 32 – PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2014 $M	2013 $M
Balance sheet		
Current assets	**5,714.9**	5,633.6
Total assets	**7,582.9**	7,501.5
Current liabilities	**4,466.9**	4,391.0
Total liabilities	**4,466.9**	4,391.0
Net assets	**3,116.0**	3,110.5
Shareholders' equity		
Issued capital	**3,055.7**	3,047.5
Share-based payments reserve	**14.3**	9.8
Retained earnings	**46.0**	53.2
Total equity	**3,116.0**	3,110.5
Profit for the year	**77.0**	71.0
Total comprehensive income	**77.0**	71.0

(b) Class Action

Refer to note 33.

(c) Financial guarantees

The Company has financial guarantees to banks and other financiers of $266.0 million (2013: $225.5 million) and to other persons of $26.1 million (2013: $30.5 million) that could be called upon at any time in the event of a breach of the Group's financial obligations. The Company does not expect any payments will eventuate under these financial guarantees as the Company and Group are expected to meet their respective obligations to the beneficiaries of these guarantees.

NOTE 33 – CLASS ACTION

In November 2013, Melbourne City Investments Pty Ltd commenced an action in the Victorian Supreme Court for unspecified damages on behalf of shareholders who held shares on 15 July 2013 and 22 August 2013. The class action alleges that the Company misled the market and breached its obligations of continuous disclosure in respect of its US operations.

On 2 July 2014, Brian Jones, represented by Maurice Blackburn, commenced an action in the Federal Court of Australia, New South Wales for unspecified damages on behalf of shareholders who obtained shares in the Company between 17 August 2012 and 15 July 2013. The class action alleges that the Company engaged in misleading and deceptive conduct and breached its obligations of continuous disclosure in respect of its US operations.

The Company strongly denies any and all allegations made against it through class action litigation and intends to vigorously defend itself in the relevant legal proceedings.

The Company does not presently know the size of the claims, nor can it based on the information currently available quantify any potential financial exposure arising from those ligation proceedings. No provision has been recognised at 30 June 2014 in respect of this matter.

NOTE 34 – SUBSEQUENT EVENTS

Offer to purchase

On 4 August 2014, the Board of Treasury Wine Estates Limited announced that it has received a revised indicative, non-binding and conditional proposal to acquire all of the shares of TWE at a price of $5.20 cash per share on behalf of funds managed by Kohlberg Kravis Roberts and Co. L.P. ('KKR') and Rhône Capital L.L.C. ('Rhône') by way of a scheme of arrangement. The Board of TWE, together with its advisors, has concluded, based on the revised proposal, that it is in the interests of its shareholders to engage further with KKR and Rhône. Therefore, subject to the negotiation of an appropriate confidentiality agreement, KKR and Rhône have been granted the opportunity to conduct non-exclusive due diligence.

On 12 August 2014, the Board announced that it had received a competing offer under similar terms to that of the KKR and Rhône offer from another global private equity investor and had granted the opportunity for due diligence.

Other than the above offers and the potential class action referred to in note 33 there are no matters or circumstances which have arisen since 30 June 2014 which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs in subsequent financial periods.

Independent auditor's report to the members of Treasury Wine Estates Limited

Report on the financial report

We have audited the accompanying financial report of Treasury Wine Estates Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, 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 ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

KPMG

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Treasury Wine Estates Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Paul J McDonald

Paul J McDonald
Partner

Melbourne

21 August 2014