TREASURY
WINE ESTATES

ANNUAL REPORT 2017

ABOUT TWE

Treasury Wine Estates (TWE) is one of the world's largest publicly listed wine companies, with a rich heritage and diverse portfolio of outstanding wine brands and viticultural assets. The Company's commitment to delivering shareholder value is underpinned by its passion for crafting, marketing and selling quality wine for consumers, and building sustainable, long-term partnerships with customers, globally. TWE employs approximately 3,400 winemakers and viticulturists, as well as marketing, sales, distribution and support staff across four key regions, with wine sold in more than 100 countries around the world.

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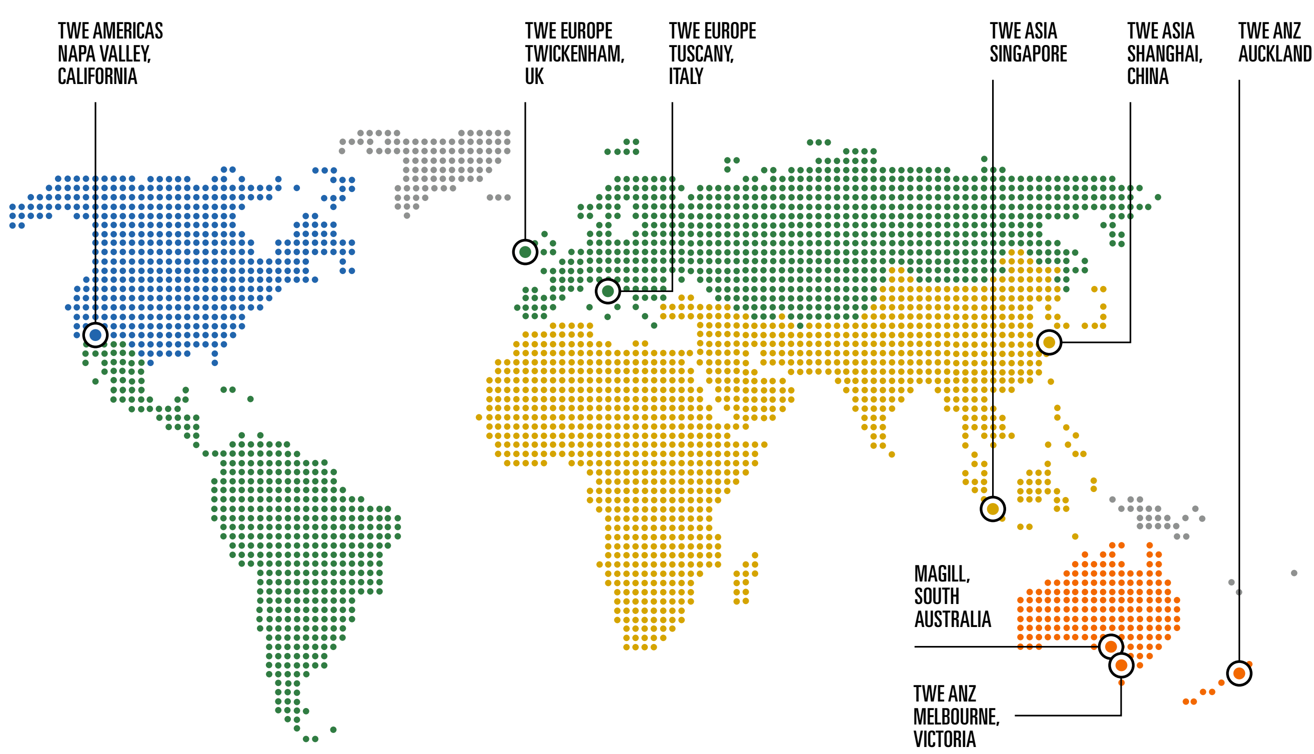
Forward looking statement disclaimer
This Report contains certain forward looking statements. Words such as 'expects', 'targets', 'likely', 'should', 'could', 'intend' and other similar expressions are intended to identify forward looking statements. Indicators of and guidance on future earnings and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

All currency referred to in this Annual Report is in Australian dollars, unless otherwise stated.

OUR LOCATIONS[1]



AUSTRALIA & NEW ZEALAND

AUSTRALIA

Corporate head office: Melbourne, Victoria[2]

75	8,828	8
vineyards	planted hectares	wineries

NEW ZEALAND

Country head office: Auckland

9	528	1
vineyards	planted hectares	winery

AMERICAS

US

Regional head office: Napa Valley, California

46	3,758	7
vineyards	planted hectares	wineries

EUROPE[3]

UK

Regional head office: Twickenham, Middlesex

ITALY

Country head office: Gabbiano, Tuscany

2	152	1
vineyards	planted hectares	winery

ASIA

SOUTH EAST ASIA

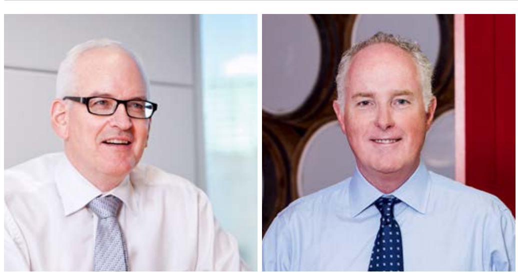
Regional head office: Singapore

NORTH ASIA

Regional head office: Shanghai, China

1. Information is current as at 30 June 2017.
2. TWE also has significant other operations across Australia.
3. Includes TWE's Latin American operations.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT



Dear Shareholders,

INTRODUCTION

Welcome to the 2017 Annual Report for Treasury Wine Estates Limited (TWE).

Fiscal 2017 (F17) was another year of strong financial performance as we continue to transition from an agricultural company to a brand-led, high-performance organisation.

Underpinning this transition was our continued investment in our brand portfolios, our regional business models and our people, across all our regions.

Critical to our journey is the team we have in place. In F17, we significantly up-weighted the calibre of our Management team. We now have a strong blend of highly skilled and experienced fast moving consumer goods (FMCG) executives and wine experts.

This balance of skillsets is driving TWE into the next phase of growth and is building on our ability to deliver continued financial outperformance and value creation for shareholders.

STRATEGY

TWE's Vision and Strategy has remained consistent over the last three years. Over this time, the Company has been focused on:

- Consistently and sustainably building a high-performing organisation, upgrading the talent and raising the bar every single year;
- Building brands within portfolios and investing to continually strengthen those portfolios, one portfolio at a time;
- Prioritising regions and markets to strengthen our four regional business models and leverage this global network to optimise the allocation of wine across regions, drive apparent scarcity and therefore margin accretion;
- Building strategic customer and distributor partnerships in all our markets in order to embed long-term and sustainable relationships; and
- Simplifying our operating models, driving efficiencies and reducing costs.

OVERVIEW OF RESULTS AND F17

The F17 results are a testament to the disciplined and sustainable way in which the Company operates.

This way of working enables us to continually grow our EBITS[1], our EBITS margin and our Return on Capital Employed (ROCE).

In F17, TWE delivered EBITS of $455.1 million, representing growth of 36.2%. Our EBITS margin expanded 4.0 percentage points to 19.0% which saw us deliver our EBITS margin target of 'high-teens' three years ahead of our initial plan of F20.

From a regional perspective, we are delighted to report that, on a constant currency basis, all regions delivered double digit EBITS growth and EBITS margin accretion as we continued to execute the strategies outlined to all shareholders in detail at TWE's Inaugural Investor Day in March 2017.

Reported Earnings per Share was up 50.2% with both TWE's base business and the acquisition of Diageo Wine contributing to this growth.

TWE's focus on EBITS margin expansion underpinned solid ROCE accretion, up 2.3[2] percentage points to 11.6%; the highest return in TWE's history.

These outstanding results have been delivered despite the Company still selling through the short vintages dating back to 2014 and 2015. As a company, TWE is committed to delivering both absolute EBITS growth as well as margin accretion year on year, regardless of vintage variation.

TWE's Supply Chain Optimisation initiative has continued to deliver profitability improvements.

To ensure TWE is well positioned to satisfy growing global demand for its brand portfolios, the Company remains focused on investing in the supply of Luxury and Masstige fruit.

At the Company's Inaugural Investor Day, TWE announced Project Uplift II. This project will support margin accretion objectives by uplifting the supply of high-end wine produced under comparatively lower cost structures.

In F17, the Company completed the integration of the Diageo Wine business and commenced resetting the acquired brands for growth, involving:

- Withdrawal from unsustainable volume and customer arrangements;
- Integration of people and systems whilst removing excess cost;
- Integrating and consolidating Diageo Wine's supply network into TWE's supply model, realising the US$35 million run-rate cash synergies target, well ahead of TWE's initial plan of F20;
- Scaling-up marketing investment to drive depletions and clear the channel of old pack inventory; and
- Refreshing the look and feel of the acquired brand portfolio to stimulate customer and consumer reconnections; driving increased demand and improved price realisation.

TWE is now focused on rebuilding availability of the refreshed US brands with improved pricing and margin structures and is confident the acquisition will continue to deliver upside to both profitability and asset returns.

The introduction of TWE's new French portfolio, with the launch of Maison de Grand Esprit, represented a significant step forward for the Company and its 'portfolio approach' to growing brands, globally. Maison de Grand Esprit

1. Earnings before interest, tax, SGARA and material items (EBITS).
2. F16 ROCE restated from 9.6% to 9.3%, reflecting a change in accounting standards relating to Agricultural Assets.

includes three tiers of Luxury wines, created to disrupt the traditional French category through a new-world approach with multi-region sourcing showcasing the very best of France's wine regions – Bordeaux, Burgundy, Rhône and Provence – all under the one brand.

Having launched Maison de Grand Esprit in Paris in June 2017, TWE is delighted to announce that this brand will be on shelf in North Asia from November.

To complement TWE's own French brand, the Company also announced that it will exclusively distribute in China, Baron Philippe de Rothschild's portfolio of wines, led by Mouton Cadet from France and Escudo Rojo from Chile, effective January 2018.

TWE's wine portfolios span some of the world's leading old-world and new-world wine producing regions, including Australia, New Zealand, the US, Italy and France.

Shareholders should expect to see TWE continue to launch new virtual wine brands that are multi-regionally sourced from new countries-of-origin, as we continue to broaden our portfolios and position our Company as a truly global wine category manager.

BALANCE SHEET STRENGTH AND DIVIDEND

In F17, TWE demonstrated its commitment to act with financial discipline; maintaining Balance Sheet metrics consistent with an investment grade credit profile and paying shareholder dividends within its payout range of between 55–70% of Net Profit After Tax (pre-SGARA and material items) over a fiscal year.

In F17, TWE completed a restructure and refinance of its debt facilities, including the issue of US$150 million in US Private Placement (USPP) notes, improving the mix, spread, tenure and cost of the Company's committed debt facilities.

A further testament to the strength of the business and the Board and Management's confidence in TWE's future, is the announcement of an on-market share buy-back of up to $300 million in F18.

The buy-back program will complement the Company's capital management framework. The Board and Management consider it important to optimise TWE's cash and debt position to constantly deliver shareholder value. TWE's decision to buy back shares will not come at the expense of future potential inorganic and value accretive opportunities.

Given the Company's strong F17 result, TWE is pleased to declare a final dividend of 13 cents per share, 50% franked, bringing the total dividend for F17 to 26 cents per share, up 6 cents per share on prior year.

CORPORATE RESPONSIBILITY

TWE continues to focus its Corporate Responsibility (CR) program on three strategic priorities: Responsible Consumption, Sustainable Sourcing and Volunteering and Community.

The CR program's progress and strategic direction is overseen by the Company's Global CR Council, which is chaired by the Chief Executive Officer (CEO) and includes senior members of the Company from across all regions and functions.

In F17, TWE took steps to ensure that the Company builds on and retains its commitment to the United Nations Global Compact (UNGC) principles relating to human rights, labour, the environment and anti-corruption.

These activities also extend to TWE's suppliers. TWE's Responsible Procurement Code is a prerequisite for all new suppliers and is being rolled out to existing suppliers globally. In F18, an Environmental, Social and Governance (ESG) risk framework will be applied to ensure a closer review of suppliers from higher ESG risk countries and industries.

TWE will continue to actively participate in public policy discussions related to CR and the UNGC principles to which it is committed.

THANKS AND CONCLUSION

TWE will continue to execute on its strategy to become a truly brand-led, high-performance organisation.

In F18, we will continue to strengthen our regional business models, our brands and our teams whilst targeting the delivery of robust growth in every region. Every action we take in F18 will be to ensure that our four regions are set up to truly accelerate growth in F19 and beyond as the increased supply of high-end wine, which is already on our Balance Sheet, becomes available for sale.

Delivering revenue growth and margin accretion over time remains a priority, supported by our investments in building closer, more efficient and strategic partnerships with customers and by positioning TWE as the wine supplier of choice across multiple brand portfolios and countries-of-origin.

Our transformation to date would not be possible without the capability and commitment of the TWE team to deliver meaningful change and consistent financial performance. We would like to thank our people for their ongoing focus, belief, trust and collaboration.

Finally, two of our non-executive directors, Lyndsey Cattermole and Peter Hearl, will be retiring from the Board during F18. Mrs Cattermole has been a member of the Board since the Company's demerger from Foster's Group Limited in May 2011, where she had been a director since 1999, bringing a depth of knowledge of the business as well as information technology experience enabling her to be an important and active member of the Board and Board Committees during her six and a half years as a director of TWE. Mr Hearl has been a member of the Board since February 2012, and has played a valuable role, including as Chairman of the Human Resources Committee for a period and as a member of the Audit and Risk Committee, bringing strong international perspectives to the Board. We would like to thank both directors for their significant contribution to TWE's growth during their tenure on the Board.

As always, we wish to thank you, our shareholders, for your ongoing investment, support and belief in this great Company.

Kind regards,

Paul Rayner
Chairman

Michael Clarke
Chief Executive Officer

BRAND HIGHLIGHTS

A collaboration with respected French glassmaker, Saint-Louis

PENFOLDS

Handcrafted, diamond-cut crystal decanters were designed exclusively for the 2012 Penfolds Grange, which was awarded 100 points by Andrew Caillard MW, reinforcing the continued, outstanding quality of this Australian icon.

100 POINTS

TWE's distinctive collection of 90+ wines launched globally

90+ CLUB

TWE's 90+ Club showcases collections of TWE wines that have received 90+ scores from influential wine publications. This versatile, global program drives greater awareness and purchase of TWE's Luxury wine portfolio.

Innovative temperature sensitive chill check labels

MATUA

In the US, Matua launched innovative, thermographic labels that change colour as the bottle is chilled to indicate optimal drinking temperature – a unique expression of Matua's 'Ingeniously Fresh' campaign.

Harnessing the power of storytelling through new brand Samuel Wynn & Co

SAMUEL WYNN & CO

Samuel Wynn & Co is a major innovation launched to strengthen engagement with millennials and drive category growth. Part of TWE's Masstige portfolio, the new brand builds on momentum gained through innovations that challenge wine category tradition.

19 Crimes reaches 1 million cases

19 CRIMES

19 Crimes became one of TWE's fastest growing brands, reaching 1 million cases* globally, as a result of continued innovation and focus in the US, along with successful expansion across new markets.

* 9LE

MAISON DE GRAND ESPRIT
法国葡萄酒传奇新篇章
LE VIN FRANÇAIS
RÉINVENTÉ

Introducing a unique French portfolio, Maison de Grand Esprit

MAISON DE GRAND ESPRIT

Maison de Grand Esprit combines old-world winemaking techniques with a new-world sourcing model. Challenging conventions of the French wine category, this consumer-led approach brings simplicity and accessibility to the sought-after French wine category.

Sterling Vineyards now polished with premium appeal

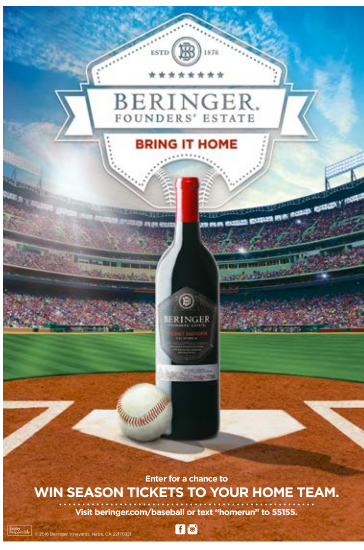
STERLING VINEYARDS

Sterling Vineyards has been reinvented with striking new packaging and a new creative campaign – Always Polished, Never Dull – reflecting the premium status of this iconic brand.

Beringer Founders' Estate brings it home to the ball game

BERINGER

Beringer Founders' Estate joined forces with a number of Major League Baseball teams to launch the 'Bring it Home' campaign, one of the largest marketing partnerships in the US.



New Wolf Blass partnership strengthens global sporting platform

WOLF BLASS

Wolf Blass became the Official Wine Partner of English Premier League's Manchester City Football Club. This new partnership, which has been leveraged across multiple regions, complements successful, ongoing Wolf Blass sponsorships, including the Australian Football League.

OPERATING AND FINANCIAL REVIEW

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

The following Operating and Financial Review contains details of the significant changes in TWE's state of affairs that occurred during the year ended 30 June 2017.

TWE's business activities

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

TWE's strategy is to transition from a regionally focused, agricultural company to a brand-led, high-performance organisation.

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

TWE employs approximately 3,400 winemakers, viticulturists, and marketing, sales, distribution and support staff across the globe.

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

TWE continues to be focused on four regional segments:

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

Effective 12 September 2016, the Company appointed Linnsey Caya as Chief Legal Officer and Global General Counsel, based in Napa. Separately, Fiona Last was appointed Company Secretary, based in Southbank, effective 1 September 2016.

On 14 February 2017, Gunther Burghardt was appointed as TWE's Chief Financial Officer (CFO), based in Napa.

On 9 May 2017, the Company announced meaningful changes to a number of roles and responsibilities within its Executive Leadership Team to continue to drive the positive transformation of TWE into its growth phase, globally.

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

Robert Foye, formerly President and Managing Director Asia and Europe, was appointed Chief Operating Officer, overseeing all major operating units across TWE's global business, and, from 1 January 2018 will assume the role of President North America and Latin America.

Following the successful completion of his two-year assignment in the US, TWE's current President Americas, Bob Spooner, will assume the role of General Manager Global Strategic Initiatives, Systems and Processes, effective 1 January 2018.

With the successful optimisation and regionalisation of TWE's Supply Function, the Company's Director, Global Supply Chain and Industry Affairs, Tim Ford, added oversight of Europe, South East Asia, Middle East and Africa to his responsibilities, effective 9 May 2017.

These appointments demonstrate the flexibility and depth of TWE's global talent pool at the executive leadership level, strengthening the Company's ability to deliver continued financial outperformance and value creation for shareholders.

Effective 1 July 2017, the management and financial reporting of TWE's Latin American operations was transitioned from TWE's European segment into the Company's Americas region. Given TWE's Americas region is now positioned for growth after an 18-month reset period, Management considers the retransition of Latin America to the Americas region as appropriate.

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

TWE's business model

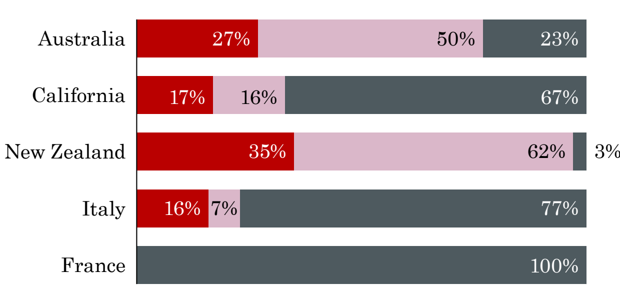
TWE is a vertically integrated wine business with three principal activities:

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

Grape growing and sourcing

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

Figure 1: TWE's regional sourcing model



- TWE owned/leased vineyards
- Grower contracts
- Third party produced wine

TWE continues to take proactive steps to de-risk its global sourcing model by embedding flexibility and diversification across geographic regions, varietals and price segments.

By embedding a diversified sourcing model, TWE is more adaptable to grape and wine pricing fluctuations through periods of grape shortages and surpluses as well as changes in consumer and customer preferences.

TWE owns and leases 9,356 planted hectares of vineyards in Australia and New Zealand and is the custodian of some of the most sought-after viticultural assets in renowned winemaking regions, including the Barossa Valley and Coonawarra in Australia, and Marlborough in New Zealand.

The Company also owns and/or operates 3,758 planted hectares in key viticultural regions in California, including Napa Valley, Sonoma County, Lake County and Central Coast.

As part of TWE's ongoing strategy to optimise its inventory holdings and reduce production overhead costs per unit across Luxury, Masstige and Commercial segments, the Company continues to pursue opportunities to consolidate, rationalise and/or divest production assets that are surplus to the Company's production requirements.

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

TWE also supplements annual intakes and manages input costs through additional sourcing from other wine producing nations such as South Africa, Chile and Argentina.

Wine production

TWE owns world-class wine production and packaging facilities:

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

Marketing, selling and distribution of TWE wine

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

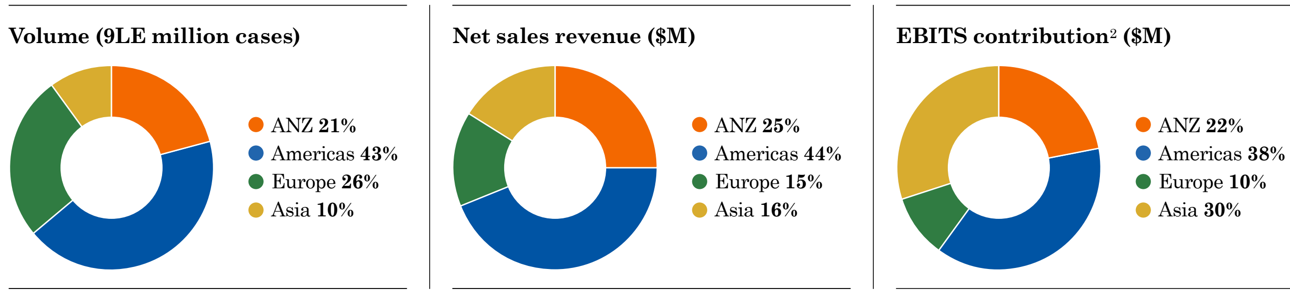
TWE generates its revenues and profits from the production, marketing and sale of its portfolios of branded wine.

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

Consequently, TWE's improving profitability is increasingly being driven by high-growth Luxury and Masstige segments.

Figure 2 shows the volume, net sales revenue (NSR) and earnings before interest, tax, SGARA and material items (EBITS) contribution by region in F17.

Figure 2: TWE's business performance by region in F17



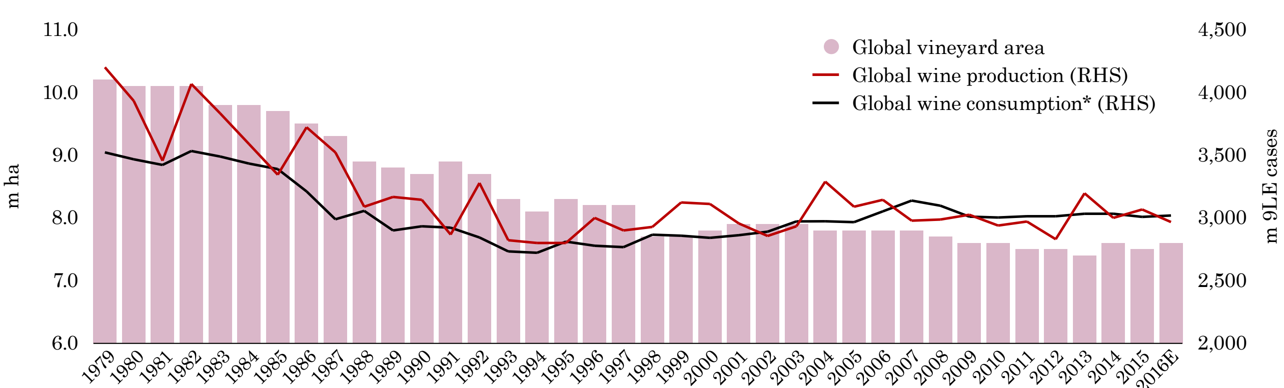
Global industry overview

Global wine production and consumption

With long-term global wine supply and demand largely in balance and with a stabilisation of global area under vine, wine industry fundamentals continue to remain highly attractive.

Led by growth in wine consumption in emerging and large alcohol consuming regions, notably China and the US, global wine consumption is forecast to have exceeded global wine production in 2016.

Figure 3: Global wine production and consumption[3]



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

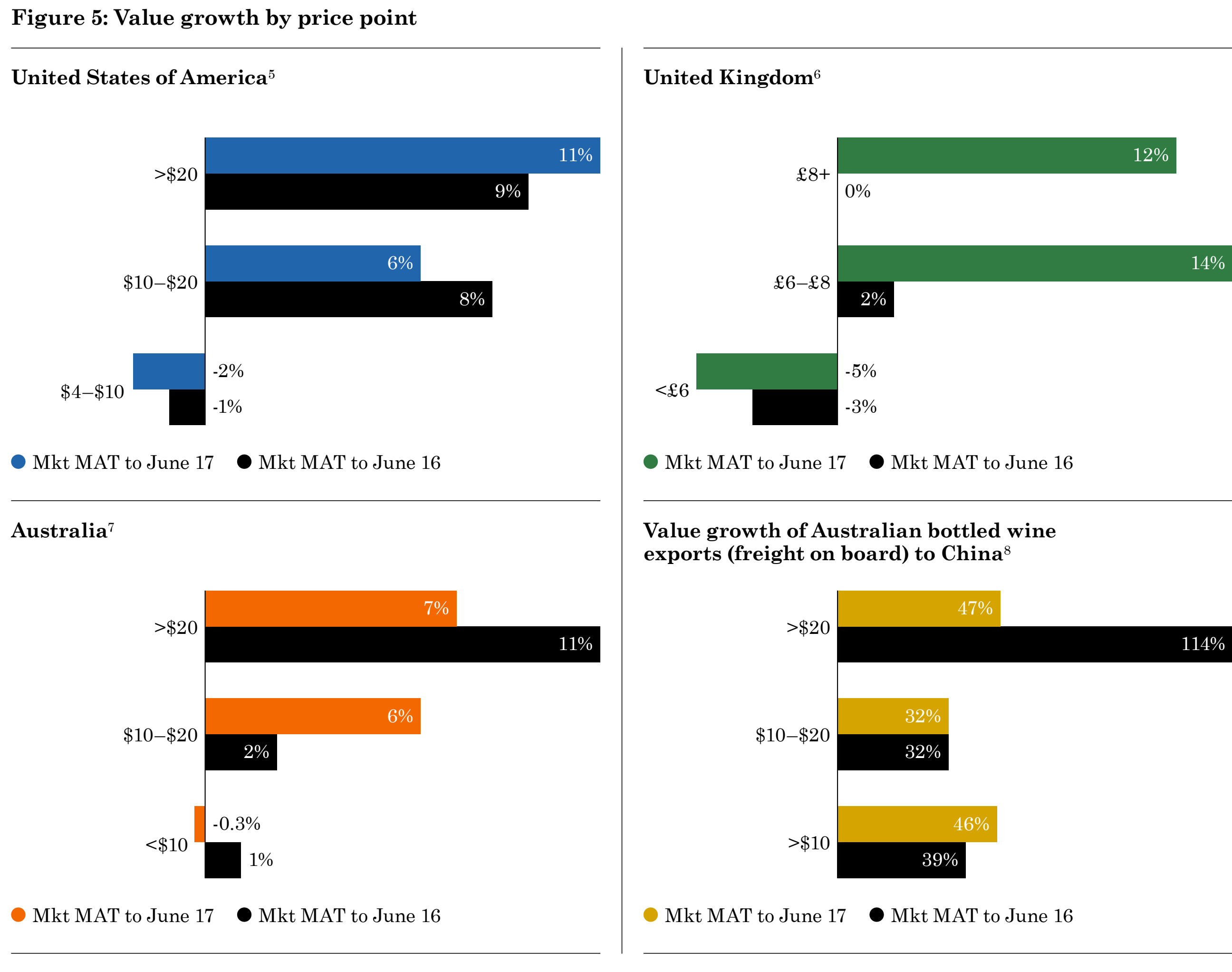
2. Excludes corporate costs of $43.1 million.
3. International Organisation of Vine and Wine (OIV).

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

COUNTRY	CAGR (2015 – 2020F)
China	11.1%
New Zealand	3.5%
Canada	3.0%
Italy	2.9%
Australia	2.0%
Japan	1.7%
US	1.4%
UK	(0.9)%

Growth in consumer demand continues to remain strong at the Luxury and Masstige price point segments in TWE's key markets.

Figure 5: Value growth by price point

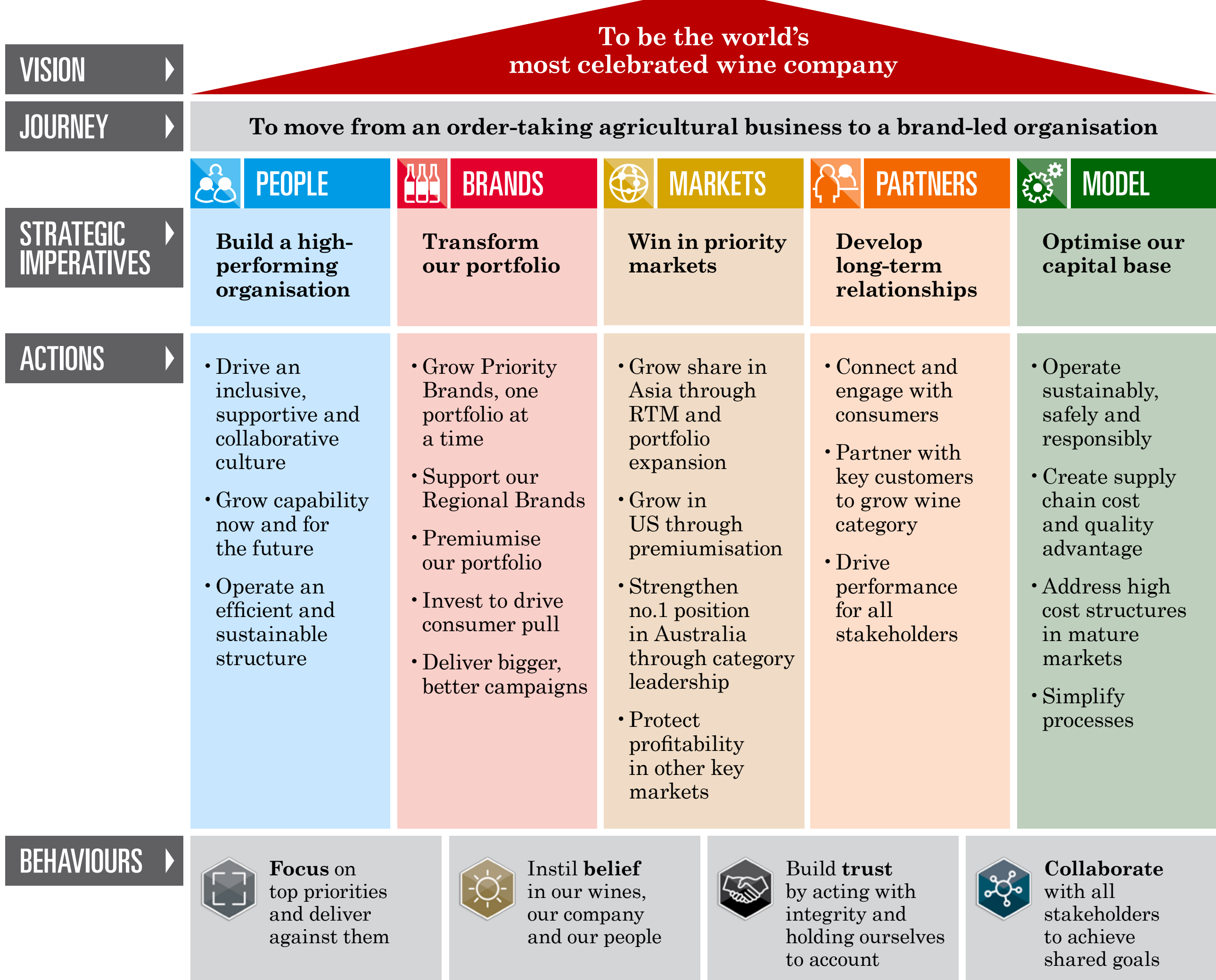


4. Euromonitor International 2016, still light grape wine only.
5. IRI Market Advantage, Total Wine Category $4+ Table excluding premium box, Total US – Multi Outlet + Liquor, 52 weeks ending 2 July 2017.
6. Nielsen, Total Coverage, Total Still Light Wine exc British, 52 weeks ending 15 July 2017 (750mL bottled still wine only).
7. Aztec Sales Data | Off-premise Channel Only | Bottled wine only excluding fortified wine | Unweighted MAT to June 2017. Adjusting for TWE's route to market change, TWE estimates the following value growth rates <$10: -1%, $10–$20: +5% and >$20 +6%.
8. Wine Australia MAT to June 2017.

TWE VISION AND STRATEGY

TWE's Vision and Strategy has remained consistent over the last three years and is set out in Figure 6 below:

Figure 6: TWE's Vision and Strategy



STRATEGIC IMPERATIVE	PROGRESS AGAINST INITIATIVE IN F17
PEOPLE **Build a high-performing organisation** • Drive an inclusive, supportive and collaborative culture • Grow capability now and for the future • Operate an efficient and sustainable structure	In F17, TWE achieved the following: • Expanded TWE's Leadership Framework with the launch of TWE's Inclusive Leadership program across functions and regions; • Supported the diversity agenda with the launch of a global female development program, TWEforShe; • Significantly invested in growing capability and development of TWE's high performers with more leaders across the Company participating in an extensive, nine-month personal development program, Veraison, bringing the total number of participants to date to 65; • Strengthened functional capability with the launch of the Global Sales Academy and Global Marketing Academy; and • Continued to focus on reducing cost and complexity within TWE's regional business models to support sustainable future growth.
BRANDS **Transform our portfolio** • Grow Priority Brands, one portfolio at a time • Support our Regional Brands • Premiumise our portfolio • Invest to drive consumer pull • Deliver bigger, better campaigns	In F17, TWE achieved the following: • Continued to pursue a 'portfolio strategy' to grow brands globally, one portfolio at a time; • Successfully launched TWE's French portfolio under the brand Maison de Grand Esprit in June 2017; • Secured exclusive rights to import and distribute in China, Baron Philippe de Rothschild's portfolio of wines, led by Mouton Cadet and Escudo Rojo from Chile, effective January 2018; • Expanded distribution and availability of TWE's Australian Regional Gems portfolio, supported by insight-led innovation across a number of Gem brands, including T'Gallant, Seppelt and St. Huberts; • Premiumised TWE's global portfolio mix with the sale of TWE's Non-Priority Commercial (NPC) brand portfolio in the US in July 2016; • Continued to enhance TWE's premiumisation strategy with Luxury and Masstige NSR per case growing ahead of Commercial in F17; and • Continued to prioritise the allocation of consumer marketing investment on a portfolio by portfolio basis, notably TWE's US and French portfolios.
MARKETS **Win in priority markets** • Grow share in Asia through RTM and portfolio expansion • Grow in US through premiumisation • Strengthen no.1 position in Australia through category leadership • Protect profitability in other key markets	In F17, TWE achieved the following: • Prioritised regions and markets to strengthen TWE's four regional business models and leverage this global network to optimise the allocation of wine across regions, drive apparent scarcity and therefore margin accretion; • Enhanced routes-to-market in TWE's key markets to drive greater focus and more direct customer partnerships, notably in Australia, Japan and China; • Leveraged third party distributors to facilitate increased market coverage whilst delivering cost efficiencies in New Zealand and Canada; • Integration of the acquired Diageo Wine business supporting EBITS margin uplift in F17, largely driven by premiumised portfolio; • Launched two of the top five new product developments (NPD) in Australia, supporting TWE's increased value market share from 21% to 22%[1]; the region continues to target market share of 25%; and • Europe delivered on its double digit EBITS margin target.

1. Aztec Sales Data \| Bottled Wine Only \| Australian Liquor Weighted \| Scan MAT to 16 July 2017.

STRATEGIC IMPERATIVE	PROGRESS AGAINST INITIATIVE IN F17
PARTNERS **Develop long-term relationships** • Connect and engage with consumers • Partner with key customers to grow wine category • Drive performance for all stakeholders	In F17, TWE achieved the following: • Increased consumer connections with brands via localised global marketing campaigns, e.g. Wolf Blass 'Year of the Rooster' (North Asia) and Wolf Blass 'Here's to the Chase' (Australia) campaigns; • Investment in TWE's cellar door assets in Napa and Sonoma County; driving outstanding consumer experiences on-site and creating brand lovers across the world; • Strengthened partnerships with wholesale and retail customers in all regions supported by joint business plans and programs to unlock and create mutual value and margin growth for customers and TWE; • Increased TWE's relevance and influence with fewer, bigger distributor partners in the US, driving performance and value creation for both TWE and distributor partners; • Leveraged TWE's global sales capability to build closer and stronger partnerships with national retail accounts in the US; and • Partnered with grape growers across TWE's principal growing regions to share best practice viticultural insights and expertise to uplift vineyard yields.
MODEL **Optimise our capital base** • Operate sustainably, safely and responsibly • Create supply chain cost and quality advantage • Address high cost structures in mature markets • Simplify processes	In F17, TWE achieved the following: • Launched Destination Zero Harm, a behavioural-led safety culture program with the objective of zero harm across the Company; • Realised US$35 million run-rate cash synergies target from Diageo Wine acquisition, well ahead of initial plan of F20; • Delivered an incremental $39 million of cost of goods sold (COGS) savings from its Supply Chain Optimisation initiative in F17, bringing total cumulative savings to $80 million; • Invested in building sustainable supply of high-end wine produced under comparatively lower cost structures with the launch of Project Uplift II across TWE's sourcing regions; • Completed rollout of harmonised upgrades to TWE's global Enterprise Resource Planning (ERP) systems, enhancing controls processes to support the delivery of long-term sustainable results; incremental amortisation cost of $10 million expected in F18 and beyond; • Completed a restructure and refinance of TWE's debt facilities, including the issue of US$150 million in US Private Placement (USPP) notes; and • Announced an on-market share buy-back of up to $300 million in F18 to optimise TWE's cash and debt position to deliver shareholder value.

FUTURE PROSPECTS

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

- Continuing to transition the business from an agricultural company to a brand-led, high-performance organisation;
- Ongoing focus on premiumising TWE's portfolio, supported by TWE's non-current inventory of Luxury and Masstige wine;
- Continuing to launch new, virtual wine brands that are multi-regionally sourced from new countries-of-origin, as the Company positions itself as a truly global wine category manager;
- Leveraging global expertise to invest in sales and marketing capability in TWE's key growth regions – North Asia and the US;
- TWE is on track to deliver at least $100 million of run-rate COGS savings from its Supply Chain Optimisation initiative before F20;
- Acquisition of Diageo Wine business expected to continue to enhance both ROCE and EBITS margin as improved financial results and synergies are delivered;
- TWE targets financial metrics that are consistent with an investment grade credit profile. TWE's Balance Sheet provides the Company with the flexibility to pursue value accretive opportunities for shareholders;
- TWE will execute an on-market share buy-back of up to $300 million in F18;
- In F18, Maintenance and Replacement capital expenditure is not expected to exceed $120 million; and remaining planned capital expenditure for Diageo Wine integration of circa $32 million is expected to be deployed;
- Continued EBITS growth and EBITS margin accretion targeted in F18, ahead of acceleration in F19 and beyond, underpinned by increased supply of premium wine and continued execution momentum; and
- TWE remains committed to a journey of margin accretion that over time delivers an EBITS margin of 25%.

Material business risks

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

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

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

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

PROFIT REPORT

Financial Performance

A$M (UNLESS OTHERWISE STATED)	F17	REPORTED CURRENCY F16	REPORTED CURRENCY CHANGE	CONSTANT CURRENCY F16	CONSTANT CURRENCY CHANGE
Volume (m 9LE cases)	36.4	33.6	8.5%	33.6	8.5%
Net sales revenue	2,401.7	2,232.6	7.6%	2,158.5	11.3%
NSR per case ($)	65.96	66.50	(0.8)%	64.29	2.6%
Other Revenue	132.5	110.7	19.7%	110.0	20.5%
Cost of goods sold	(1,568.3)	(1,516.1)	(3.4)%	(1,472.3)	(6.5)%
Cost of goods sold per case ($)	43.07	45.16	4.6%	43.85	1.8%
Gross profit	965.9	827.2	16.8%	796.2	21.3%
Gross profit margin (% of NSR)	40.2%	37.1%	8.4%	36.9%	8.9%
Cost of doing business	(510.8)	(493.0)	(3.6)%	(478.4)	(6.8)%
Cost of doing business margin (% of NSR)	21.3%	22.1%	0.8ppts	22.2%	0.9ppts
EBITS	**455.1**	**334.2**	**36.2%**	**317.8**	**43.2%**
EBITS margin (%)	19.0%	15.0%	4.0ppts	14.7%	4.3ppts
SGARA	(5.7)	(11.0)	48.2%	(10.5)	45.7%
EBIT	**449.4**	**323.2**	**39.0%**	**307.3**	**46.2%**
Net finance costs	(27.1)	(21.2)	(27.8)%	(21.2)	(27.8)%
Tax expense	(130.4)	(90.5)	(44.1)%	(89.6)	(45.5)%
Net profit after tax (before material items)	**291.9**	**211.5**	**38.0%**	**196.5**	**48.5%**
Material items (after tax)	(22.0)	(38.1)	42.3%	(36.3)	39.4%
Non-controlling interests	(0.8)	(0.1)	NM*	(0.1)	NM*
Net profit after tax	**269.1**	**173.3**	**55.3%**	**160.1**	**68.1%**
Reported EPS (A¢)	36.5	24.3	50.2%	22.4	62.9%
Net profit after tax (before material items and SGARA)	**293.4**	**217.4**	**35.0%**	**201.9**	**45.3%**
EPS (before material items and SGARA) (A¢)	39.8	30.5	30.5%	28.3	40.6%
Average no. of shares (m)	736.8	713.7		713.7	
Dividend (A¢)	26.0	20.0			

* Not meaningful.

Financial headlines[1,2,3]

- Net Sales Revenue (NSR) up 8% on a reported currency basis and up 11% on a constant currency basis
- EBITS of $455.1 million, up 36% on a reported currency basis and 43% on a constant currency basis
- 4.0ppts EBITS margin accretion on a reported currency basis to 19%
- Strong uplift in NPAT, Reported EPS and EPS (before material items and SGARA)
- Robust cash conversion at 84%; within guidance range
- Net debt[4]/EBITDAS, adjusted for operating leases of 1.5x and interest cover 17.9x[5]

Business headlines

- Double digit EBITS growth and EBITS margin accretion delivered by all regions on a constant currency basis
- High-teens EBITS margin target delivered; three years ahead of initial plan of F20
- Margin accretion driven by portfolio premiumisation, acquisition of Diageo Wine, Supply Chain savings, accelerated growth in Asia and lower Cost Of Doing Business margin
- Run-rate cash synergies target from Diageo Wine acquisition of US$35 million realised in F17, well ahead of initial plan of F20

1. Financial information in this report is based on audited financial statements. Non-IFRS measures have not been subject to audit or review. The non-IFRS measures are used internally by Management to assess the operational performance of the business and make decisions on the allocation of resources.
2. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo Wine acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 to the financial statements for details.
3. Unless otherwise stated, all percentage or dollar movements from prior periods are pre any material items and on a constant currency basis.
4. Borrowings have been adjusted by $4.1 million (F16: $12.9 million) to reflect a fair value hedge of a portion of US Private Placement notes.
5. Interest cover is calculated as the ratio of earnings to net interest expense, where earnings is the consolidated pre-tax profit (pre material items and SGARA) plus the sum of the amount of net interest expense adjusted for amortised interest costs, per financial covenants.

- Route-to-market optimisation in key markets; establishment of warehouse facilities in Japan and new distributor partnerships in Canada and New Zealand
- Investment in strategic partnerships with wholesale and retail customers in all regions supported by joint business planning, insight-led category growth initiatives and outstanding execution
- Distribution and consumer-led brand building investment with strategic customers drove increased availability of US brand portfolio in the US and Asia
- TWE recognised cumulative Supply Chain savings of $80 million, of which $39 million was incrementally delivered in F17

Dividend and share buy-back

- Final dividend of 13 cents per share, 50% franked, bringing F17 annual dividend to 26 cents per share, a 30% increase
- Dividend pay-out ratio of 65%; consistent with dividend policy[6]
- On-market share buy-back of up to $300 million in F18

Outlook

- Total COGS savings from TWE's Supply Chain Optimisation Initiative to reach a run-rate of at least $100 million before F20
- EBITS growth and EBITS margin accretion targeted in F18, ahead of acceleration in F19 and beyond, underpinned by increased supply of premium wine and continued execution and momentum
- Commitment to journey of margin accretion, that over time delivers an EBITS margin of 25%

Revenue by region

		REPORTED CURRENCY		CONSTANT CURRENCY	
A$M	**F17**	**F16**	**%**	**F16**	**%**
Net Sales Revenue					
ANZ	591.3	590.7	0.1%	592.3	(0.2)%
Asia	394.3	293.2	34.5%	291.9	35.1%
Americas	1,062.0	991.0	7.2%	962.2	10.4%
Europe	354.1	357.7	(1.0)%	312.1	13.5%
Total sales revenue	**2,401.7**	**2,232.6**	**7.6%**	**2,158.5**	**11.3%**
Other revenue	132.5	110.7	19.7%	110.0	20.5%
Total Revenue	**2,534.2**	**2,343.3**	**8.1%**	**2,268.5**	**11.7%**

Volume

- Volume up 2.8 million 9LE cases (+9%) to 36.4 million 9LE
- Volume growth reported in all regions[7] driven by in-market execution, strategic customer partnerships, focused brand investment and optimised routes-to-market. Volume in first half of F17 in Americas and Europe benefited from Diageo Wine acquisition
- Volume growth partially offset by divestment of Non-Priority Commercial (NPC) brand portfolio in the US in July 2016 (comprising approximately 1 million cases sold on an annual basis) and exit from underbond trading in the UK in the second half of F17

Revenue

- Net Sales Revenue up 11% driven by volume growth, with NSR per case up 3%, supported by portfolio premiumisation and price increases across key brands, partially offset by a reallocation of brand building investment from A&P to D&R to drive portfolio availability in the US in the second half of 2017
- Other revenue up 21%, principally reflecting revenue recognised on sale of bulk wine associated with the divestment of the NPC brand portfolio in July 2016

Cost of Goods Sold (COGS)

- Lower COGS per case driven by Supply Chain Optimisation savings and realisation of acquisition synergies, partially offset by portfolio premiumisation and higher underlying COGS as TWE cycled higher cost vintages in F17
- Total, cumulative COGS savings delivered by the Supply Chain Optimisation initiative now $80 million; with an incremental $39 million delivered in F17

Cost of Doing Business (CODB)

- CODB up $32.4 million (+7%) to $510.8 million, principally driven by the integration of Diageo Wine and investment in TWE's brand portfolios and organisational capability and presence in key markets, particularly Asia and US
- CODB margin below previous corresponding period (pcp) with incremental increase in CODB more than offset by strong NSR growth

6. TWE targets a dividend payout ratio of between 55%-70% of Net Profit After Tax (pre-material items and SGARA) over a fiscal year.
7. Adjusting for customers reallocated from ANZ to Asia in F17, ANZ reported volume growth.

EBITS by region

A$M	F17	REPORTED CURRENCY F16	REPORTED CURRENCY %	CONSTANT CURRENCY F16	CONSTANT CURRENCY %
ANZ	111.1	89.3	24.4%	91.9	20.9%
Asia	150.1	102.0	47.2%	104.1	44.2%
Americas	189.0	131.5	43.7%	125.3	50.8%
Europe	48.0	47.7	0.6%	32.8	46.3%
Corporate	(43.1)	(36.3)	(18.7)%	(36.3)	(18.7)%
TWE EBITS	**455.1**	**334.2**	**36.2%**	**317.8**	**43.2%**

Corporate costs
- Corporate costs up $6.8 million to $43.1 million reflecting investment in TWE's new global IT system and the integration of Diageo Wine

EBITS
- EBITS up 43% to $455.1 million driven by volume growth, portfolio premiumisation, Supply Chain savings, lower CODB as a percentage of NSR and the acquisition of Diageo Wine. EBITS margin up 4.3ppts to 19.0%
- Also included in F17 EBITS are one-off items, netting to a $8 million gain; principally relating to profit on asset sales in the US

SGARA
- SGARA loss of $5.7 million ($4.8 million lower than pcp) driven by higher costs associated with the 2016 Californian vintage, partially offset by a strong 2017 vintage in Australia and the unwind of prior vintage losses, notably the lower yielding 2015 Australian vintage

Net finance costs
- Higher net finance costs driven by increased average borrowings and assumption of finance leases post acquisition of Diageo Wine
- Net finance costs in pcp included interest income on funds held on deposit in the first half of F16 prior to settlement of acquisition of Diageo Wine

Tax expense
- Higher tax expense due to increased earnings, including the acquisition of Diageo Wine. Effective tax rate of 30.8%[8], slightly higher than pcp (30.0%[9]), as an increased proportion of earnings was generated in the US

Material items
- Post-tax material items expense of $22.0 million reflected integration costs associated with the acquisition of Diageo Wine and implementation of Supply Chain Optimisation

Net profit after tax (NPAT)
- NPAT before material items up to $291.9 million (+49%) driven by higher EBITS and lower SGARA loss, partially offset by higher net finance costs and tax expense

Earnings per Share (EPS)
- EPS (before SGARA and material items) increased 41% to 39.8cps (+31% on a reported basis). EPS attributable to shareholders up 63% to 36.5cps (+50% on a reported basis)

Balance Sheet (condensed)[10,11]

A$M	F17	F16
Cash and cash equivalents	240.8	256.1
Receivables	607.9	611.4
Current inventories	947.9	895.7
Non-current inventories	763.9	678.4
Property, plant and equipment	1,328.5	1,347.8
Agricultural assets	37.7	35.8
Intangibles	1,095.8	1,101.5
Tax assets	208.0	270.0
Assets held for sale	36.0	68.2
Other assets	12.8	21.6
Total assets	**5,279.3**	**5,286.5**
Payables	719.9	726.3
Borrowings	600.5	631.1
Tax liabilities	285.0	263.5
Provisions	64.8	83.1
Other liabilities	0.6	13.3
Total liabilities	**1,670.8**	**1,717.3**
Net assets	**3,608.5**	**3,569.2**

Balance sheet movements as at 30 June 2017
Net assets up $39.3 million to $3,608.5 million, principally driven by uplift in non-current inventory, lower borrowings and utilisation of provisions. Adjusting for movements in foreign currency, net assets increased by $90.3 million

Cash and cash equivalents
Marginally lower cash balance principally driven by net investment in capital expenditure, increased dividends paid and higher working capital, partially offset by continued profit growth across all regions

Working Capital[12]
Higher working capital relative to 30 June 2016, driven by:

- Increased inventory, reflecting the high yielding, high quality 2017 vintage in Australia and strong 2016 vintage in California

8. On a pre material items basis.
9. F16 effective tax rate restated to reflect accounting standard changes for vine depreciation.
10. Unless otherwise stated, balance sheet percentage or dollar movements from the previous period are on a reported currency basis and in respect of pcp.
11. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo Wine acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 to the financial statements for details.
12. F16 Balance Sheet payables includes the final settlement paid to Diageo Wine. This item is reflected within investing cash flows.

- Lower payables, reflecting final settlement of the Diageo Wine acquisition in the first half of F17 and foreign currency movements, partially offset by TWE's step-up in distribution and consumer-led brand building investment to drive availability of TWE's brand portfolios globally
- Lower receivables, principally driven by improved collection terms with customers and alignment of Diageo Wine customers with TWE terms, partially offset by delays in shipments to Asia and Australia in the second half of F17 following the implementation of TWE's new global IT system in April/May 2017

Inventory

Total inventory increased $137.7 million to $1,711.8 million:

- High yielding, high quality 2017 vintage in Australia and strong 2016 vintage in California
- Uplift in current inventory reflects growing demand for TWE's Luxury and Masstige wine portfolios
- F18 Penfolds allocations in line with F17; with adverse mix
- Continued focus on optimising TWE's inventory mix, reducing the proportion of Commercial and lower-end Masstige inventory, notably via divestment of TWE's NPC brand portfolio in July 2016

Property, Plant and Equipment

Property, Plant and Equipment decreased $19.3 million to $1,328.5 million largely reflecting optimisation of TWE's Supply Chain asset base in Australia, the US and New Zealand

Agricultural assets

Agricultural assets reflect the market value of unharvested grapes prior to the 2017 Californian vintage

Intangibles

Adjusting for foreign currency, intangible assets increased, principally reflecting TWE's investment in a new global IT system

Provisions

Lower provisions relative to the pcp driven by utilisation of restructuring-related provisions in respect of the integration of Diageo Wine, TWE's Supply Chain Optimisation initiative, and route-to-market changes in Canada, Japan and New Zealand

Tax and other assets

Movements in tax assets/liabilities principally reflects the unwind of DTAs recognised on Diageo Wine acquisition and increase in current tax payable in line with underlying earnings and timing of tax paid

Assets held for sale

Assets held for sale as at June 2017 largely reflect oak barrels transitioning to sale and leaseback arrangement and assets identified for sale as part of TWE's Supply Chain Optimisation Initiative

Borrowings[13]

Borrowings decreased $30.6 million to $600.5 million largely reflecting foreign currency movements on translation of USD denominated Private Placement (USPP) notes

Balance sheet leverage

Net debt/EBITDAS of 1.5x (adjusted for operating leases) and interest cover of 17.9x

Funding structure

At 30 June 2017, TWE had committed debt facilities totalling approximately $1.2 billion, comprising:

- Drawn US Private Placement notes of $520.8 million, with US$150 million of notes issued in June 2017 with funds used to repay outstanding drawn bilateral facilities of US$140 million
- Undrawn committed, syndicated debt facilities totalling $658.0 million. Weighted average term to maturity of committed facilities 5.3 years

Cash flow – reconciliation of net debt

A$M (UNLESS OTHERWISE STATED)	F17	F16
EBITDAS	**563.4**	**441.0**
Change in working capital	(67.4)	87.1
Other items	(23.5)	16.3
Net operating cash flows before financing costs, tax and material items	**472.5**	**544.4**
Cash conversion	**83.9%**	**123.4%**
Capital expenditure	(210.4)	(133.8)
Net investment expenditure/other	50.9	(798.3)
Cash flows after net capital expenditure, before financing costs, tax and material items	**313.0**	**(387.7)**
Net interest paid	(24.5)	(21.7)
Tax paid	(32.0)	(10.8)
Cash flows before dividends and material items	**256.5**	**(420.2)**
Dividends/distributions paid	(184.6)	(111.2)
Cash flows after dividends before material items	**71.9**	**(531.4)**
Material item cash flows	(3.9)	(13.7)
Issue of shares, less transaction costs	–	475.4
Share purchases	(65.9)	(4.5)
Total cash flows from activities	**2.1**	**(74.2)**
Opening net debt as at 1 July 2016	**(365.0)**	**(213.9)**
Total cash flows from activities (above)	2.1	(74.2)
Proceeds from settlement of derivatives	0.6	10.3
Net debt acquired	–	(85.1)
Debt revaluation and foreign exchange movements	7.5	(2.1)
Decrease/(Increase) in net debt	**10.2**	**(151.1)**
Closing net debt as at 30 June 2017	**(354.8)**	**(365.0)**

13. Borrowings have been adjusted by $4.1 million (F16: $12.9 million) to reflect a fair value hedge of a portion of US Private Placement notes.

Movement in net debt

Net debt decreased $10.2 million to $354.8 million. Drivers of the movement in net debt included:

EBITDAS

EBITDAS increased $122.4 million on a reported currency basis driven by continued momentum across all regions, the acquisition of Diageo Wine, enhanced execution and ongoing optimisation of TWE's cost base

Movement in working capital[14]

Net working capital outflow driven by:

- Increased inventory reflecting the high yielding, high quality 2017 vintage in Australia and strong 2016 vintage in California, partially offset by:
- Lower receivables driven by improved collection terms with customers and alignment of Diageo Wine customers with TWE trading terms, partially offset by the impact of shipment delays to Asia and Australia in the second half of F17 following implementation of TWE's new IT system in April/May 2017; and
- Higher operating payables as TWE uplifted both distribution and consumer-led brand building investment to drive availability of TWE's brand portfolio globally

Other items

- Other items principally reflects profit on the disposal of assets and the impact of acquisition accounting, partially offset by asset write-downs

Capital expenditure

Capital expenditure (capex) up $76.6 million to $210.4 million comprising:

- Maintenance and Replacement capex of $109.8 million, per guidance
- Capex of $48.4 million to deliver integration synergies
- Capex of $37.9 million on vineyard acquisitions to drive incremental access to Luxury/Masstige supply
- Capex of $14.3 million to deliver Supply Chain Optimisation activities

In F18, Maintenance and Replacement capex not expected to exceed $120 million; and remaining planned capex for Diageo Wine integration of circa $32 million expected to be deployed

Net investment expenditure/Other

Net investment expenditure reflects proceeds received on sale of surplus Supply Chain assets, notably St. Clement Cellar Door in the first half of F17 and BV-5 vineyard and the Paicines winery in the second half of F17

Net interest paid

Increased net interest paid driven by higher average drawn debt, including acquired finance leases from Diageo Wine

Dividends paid

Increase in dividends paid commensurate with uplift in F17 interim dividend of 13 cents per share and F16 final dividend of 12 cents per share; representing a total uplift of 9 cents per share vs. pcp

Tax paid

Increase in line with earnings growth and timing of tax payments

Material items

Material items outflow driven by:

- Restructuring and redundancy outflows and costs due to the acquisition and integration of Diageo Wine; partially offset by:
- Proceeds from the sale of surplus assets across Australia, New Zealand and the US as part of TWE's Supply Chain Optimisation initiative

Proceeds from issue of shares, net of transaction costs

Proceeds from issue of shares, net of transaction costs of $475.4 million in F16 related to the cash inflow from the equity funding component of the Diageo Wine acquisition

On-market share purchases

Increased on-market share purchases reflects upfront purchase of shares in connection with vesting of TWE's Long-term Incentive Plans and underlying appreciation in TWE's share price

Exchange rate impact

Higher period-end exchange rates used to revalue foreign currency borrowings and cash flows as at 30 June 2017 decreased net debt by $7.5 million

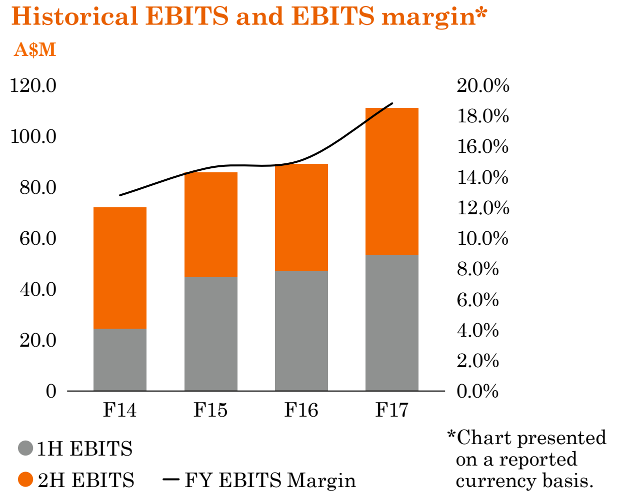
Cash conversion

Cash conversion was 84%; within guidance range

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

AUSTRALIA & NEW ZEALAND (ANZ)

		REPORTED CURRENCY		CONSTANT CURRENCY	
A$M	F17	F16	%	F16	%
Volume (m 9LE)	7.8	7.8	0.2%	7.8	0.2%
NSR (A$m)	591.3	590.7	0.1%	592.3	(0.2)%
NSR per case (A$)	75.84	75.88	(0.1)%	76.09	(0.3)%
EBITS (A$m)	111.1	89.3	24.4%	91.9	20.9%
EBITS margin (%)	18.8%	15.1%	3.7ppts	15.5%	3.3ppts



Business performance

- Volume flat at 7,797k 9LE cases. Australia volume up 32k 9LE cases (+0.4%); in line with c.0-1.0% wine category volume growth in Australia[15]
- Adjusting for TWE's deliberate decision to reallocate Australian customers who service Asia to the Asia region, Australia delivered 2% volume growth; outpacing the category[15]
- NSR per case in line with pcp; improved price realisation on key Luxury and Masstige brands, notably Penfolds, Pepperjack and Annie's Lane and focus on Masstige portfolio expansion (Regional Gems portfolio volume up 15%), offset portfolio mix impact from the reallocation of Luxury wine to optimise global margins
- COGS per case driven by realisation of Supply Chain savings and portfolio skew to Commercial wine in the second half of F17, partially offset by higher underlying vintage costs
- Lower overall A&P per case in F17, driven by reallocation of spend to other regions, partially offset by acceleration of brand building investment in the second half of F17 to support Masstige portfolio growth strategy in F18
- Favourable movement in CODB margin driven by lower Overheads and optimised brand building investment
- Optimised portfolio mix and Supply Chain savings drove EBITS growth in New Zealand
- EBITS up 21% to $111.1 million with margin accretion of 3.3ppts to 18.8%

ANZ regional perspectives

- Australian wine market volume remains steady, growing at c.0-1.0% per annum[15] with ongoing premiumisation
- Strengthened strategic customer partnerships in Australia underpinned by category-leading insights and strong in-market execution
- Route-to-market change in New Zealand (Independent Liquor New Zealand appointed as exclusive distributor) expected to enhance focus on core Australian operations, whilst increasing portfolio scale and reach in New Zealand
- Investment in portfolio growth and innovation within the Masstige segment expected to support TWE's aspirational market share target of 25% volume and value share in Australia; currently 22% value share[16]
- Masstige-led portfolio premiumisation and innovation, category-leading sales execution and ongoing tight cost management expected to drive further margin accretion in F18 and beyond

15. Due to TWE's route-to-market changes impacting market data, this is a Management estimate.
16. Aztec Sales Data | Bottled Wine Only | Australian Liquor Weighted | Scan MAT to 16 July 2017.

REGIONAL SUMMARIES

EUROPE[17]

A$M	F17	REPORTED CURRENCY F16	REPORTED CURRENCY %	CONSTANT CURRENCY F16	CONSTANT CURRENCY %
Volume (m 9LE)	9.6	8.4	14.4%	8.4	14.4%
NSR (A$m)	354.1	357.7	(1.0)%	312.1	13.5%
NSR per case (A$)	36.76	42.46	(13.4)%	37.05	(0.8)%
EBITS (A$m)	48.0	47.7	0.6%	32.8	46.3%
EBITS margin (%)	13.6%	13.3%	0.3ppts	10.5%	3.1ppts

Historical EBITS and EBITS margin*

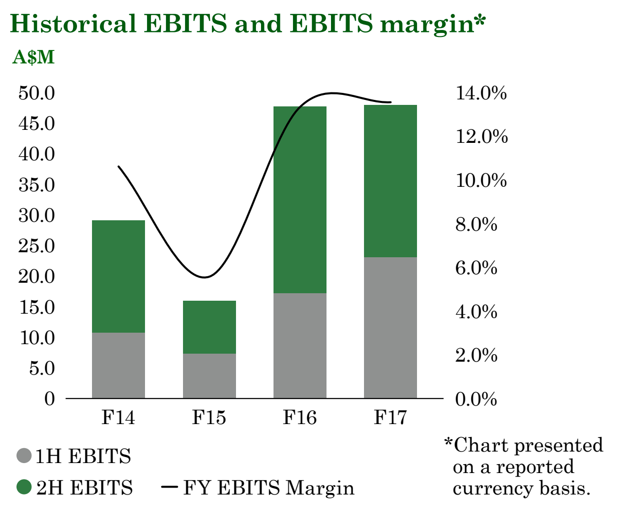


*Chart presented on a reported currency basis.

Business performance

- Volume up 14% to 9,634k 9LE cases reflecting integration of Diageo Wine in the first half of F17, partially offset by the exit from underbond trading in the second half of F17
- Slightly lower NSR per case reflects acquired Diageo Wine Commercial volume in the first half of F17, partially offset by price increases on select brands and strong Masstige portfolio growth; volume up 17% led by Wolf Blass, Rosemount and 19 Crimes
- Favourable COGS per case reflected integration of Diageo Wine and Supply Chain savings
- Delivered improved brand health for key brands in core markets, despite lower A&P per case driven by continued optimisation of brand building investment in the second half of F17
- Favourable CODB margin versus pcp; marginally higher Overheads from the integration of Diageo Wine more than offset by NSR growth
- LATAM EBITS up 23% to $7.0 million
- EBITS up $15.2 million to $48.0 million; adverse foreign exchange rate movements (principally driven by devaluation of Great British Pound) offset by strong underlying profit growth
- EBITS margin accretion delivered, up 3.1ppts to 13.6%

Europe regional perspectives

- Greater focus on, and prioritisation of, key markets in Europe (UK, Sweden and Netherlands) and priority brands (Wolf Blass, Lindeman's, Blossom Hill and 19 Crimes)
- UK wine market conditions remain challenging, with a declining wine category and continued uncertainty from Brexit
- UK wine category continues to premiumise with Masstige and Luxury segments in growth but Commercial segment in decline
- Despite continuation of range rationalisation by UK grocery customers in F17, TWE maintained listings and gained distribution on priority brands
- Focus continues to be on building sustainable partnerships with strategic customers, underpinned by outstanding sales execution
- LATAM to transition to Americas region effective 1 July 2017

17. Includes TWE's Latin American (LATAM) operations.

REGIONAL SUMMARIES

AMERICAS

A$M	F17	REPORTED CURRENCY F16	REPORTED CURRENCY %	CONSTANT CURRENCY F16	CONSTANT CURRENCY %
Volume (m 9LE)	15.5	15.0	3.1%	15.0	3.1%
NSR (A$m)	1,062.0	991.0	7.2%	962.2	10.4%
NSR per case (A$)	68.72	66.10	4.0%	64.18	7.1%
EBITS (A$m)	189.0	131.5	43.7%	125.3	50.8%
EBITS margin (%)	17.8%	13.3%	4.5ppts	13.0%	4.8ppts

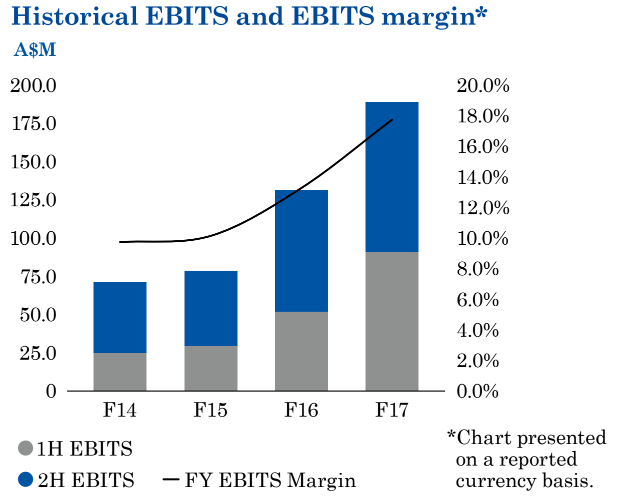


*Chart presented on a reported currency basis.

Business performance

- Robust headline volume growth, up 3% to 15,454k 9LE cases driven by the acquisition of Diageo Wine and underlying portfolio growth, partially offset by divestment of the Non-Priority Commercial (NPC) brand portfolio in July 2016 (comprising c.1 million cases sold annually)
- Adjusting for the divestment of the NPC brand portfolio, Americas delivered 2% growth in the second half of F17 relative to the pcp, with the US growing ahead of the category[18]
- Depletions growth ahead of shipments by circa 100k 9LE cases, primarily due to destocking of Lindeman's old label product in preparation for packaging relaunch
- NSR up 10%, with NSR per case up 7%. Lower NSR per case in the second half of F17 reflects reallocation of brand building investment from A&P to D&R (above NSR line) to drive brand availability in-store, partially offset by portfolio premiumisation and price increases in the period
- Marginally lower COGS per case principally reflected Supply Chain savings and some synergies from the Diageo Wine integration, notably in the second half of F17, partially offset by portfolio premiumisation
- Re-set and relaunch of TWE's US brand portfolio underpinned higher A&P per case in F17, particularly in the first half of F17
- Higher CODB margin versus pcp due to Diageo Wine integration and increased investment in brand building and organisational capability, particularly driven by investment in National Accounts team
- Despite lower EBITS in Canada in F17, profitability improved in the second half of F17 vs the first half of F17, reflecting the new, more efficient RTM structure with exclusive distributor partner, Mark Anthony Wine & Spirits
- EBITS up 51% to $189.0 million, reflecting organic and inorganic volume growth, portfolio premiumisation and Supply Chain savings
- One-off items netting to $8 million included in EBITS, principally relating to profit on asset sales
- Strong EBITS margin accretion delivered, up 4.8ppts to 17.8%

Americas regional perspectives

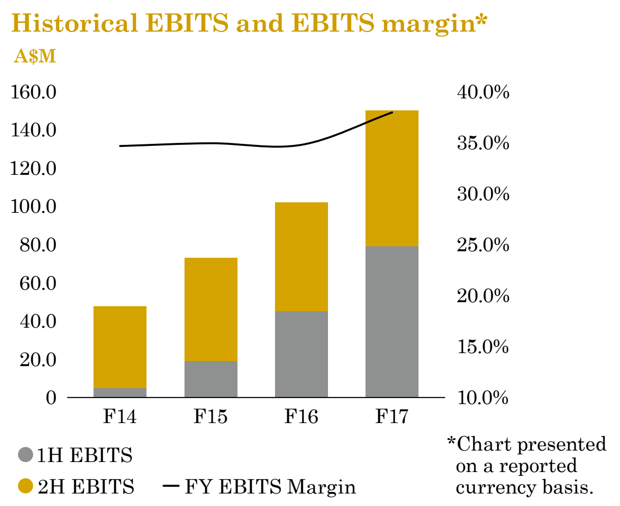
- Fundamentals of US bottled wine market remain attractive
- Despite a moderation of bottled wine category volume and value growth in the second half of F17 to 0.2% and 1.6%[18], respectively, premiumisation continues, with Luxury and Masstige volume and value growing and Commercial in decline
- Enhanced sales capability a key focus for F18, coupled with ongoing optimisation of distribution and consumer-led brand building investment
- EBITS margin accretion expected in F18 and beyond, supported by portfolio growth and premiumisation, and continued strengthening of customer partnerships and execution

18. Category volume growth as per IRI Market Advantage: Table $4+ excluding Premium Box, 26 weeks ending 02/07/17, Total US Multi Outlet + Liquor.

REGIONAL SUMMARIES

ASIA

A$M	F17	REPORTED CURRENCY F16	%	CONSTANT CURRENCY F16	%
Volume (m 9LE)	3.5	2.4	48.7%	2.4	48.7%
NSR (A$m)	394.3	293.2	34.5%	291.9	35.1%
NSR per case (A$)	111.70	123.48	(9.5)%	122.93	(9.1)%
EBITS (A$m)	150.1	102.0	47.2%	104.1	44.2%
EBITS margin (%)	38.1%	34.8%	3.3ppts	35.7%	2.4ppts



Business performance

- Strong volume growth, up 49% to 3,530k 9LE cases, driven by both North Asia, up 43% and South East Asia, Middle East and Africa (SEAMEA), up 58%
- Forward days of inventory cover has remained broadly constant vs. F16
- Volume growth driven by both Australian brand portfolio and US brand portfolio (up c.700k 9LE cases and c.420k, respectively)
- Lower NSR per case reflects broadened brand portfolio largely in the second half of F17, partially offset by price increases across key Australian brands
- Favourable movement in COGS per case reflects Supply Chain savings, notably in SEAMEA given portfolio weighting to Commercial and Masstige wine
- Elevated A&P in F17, with higher A&P per case in the second half of F17 driven by investment in pipeline of demand for US brand portfolio
- Investment in sales and marketing capabilities to support expanded routes-to-market, particularly in China and Japan, underpinned increased Overheads in F17
- Despite elevated brand building investment and higher Overheads driving increased CODB in the second half of F17, 35% NSR growth in F17 more than offset brand and organisational investment over the full year
- EBITS up $46.0 million to $150.1 million
- EBITS margin accretion of 2.4ppts to 38.1%, higher than previously communicated guidance range of 30–35% due to optimisation of brand building investment across Australian brand portfolio in the second half of F17

Asian regional perspectives

- Continued focus on deepening customer partnerships through insight-led joint business planning and more efficient routes-to-market, particularly in China and Japan
- TWE established its French portfolio in June 2017, introducing its own Luxury brand, Maison De Grand Esprit, which will be on shelf in November 2017
- TWE entered into exclusive agreement to import and distribute Baron Philippe de Rothschild's branded wine portfolio, led by Mouton Cadet and Escudo Rojo, validating TWE's route-to-market model in China and strengthening the Company's portfolio offering
- TWE will introduce warehouse facilities in China in the first half of F18, expected to reduce lead times for customer orders and provide opportunities for customers to stock a broader range of TWE brands. TWE to work closely with customer partners and expects some re-phasing of shipments between the first half of F18 and the second half of F18
- Focus on driving a balanced brand and country-of-origin portfolio mix in Asia supported by efficient routes-to-market and strong in-market execution
- TWE reiterates F18 margin guidance of 30–35%, however is seeking opportunities for improvement in the range of 1–2%, driven by enhanced mix from new brand portfolios and a strengthened regional business model, whilst at the same time transitioning to its new warehouse facility and continuing to diversify within brand portfolios

VINTAGE UPDATE

California

Growing conditions for the 2017 Californian vintage benefited from substantial winter rainfall and a cool spring, providing relief from the last few years of drought conditions. Winter provided a reset for California with the state no longer considered in drought and no apparent carry over effects on yield, quality or vine health. V17 is on track for another high quality vintage, with investments in vineyard re-plantings expanding TWE's access to higher quality fruit and in-demand varietals. TWE expects a slightly later harvest that is in line with long-term averages, with yields expected to be slightly above average across the board.

Australia

The 2017 Australian harvest was characterised by strong quality and high yields. Intake was stronger than the outstanding 2016 vintage, especially for Luxury and Masstige fruit. Favourable conditions persisted for the remainder of the 2017 season, albeit with some late season rains in the Limestone Coast region. TWE's premium intake across its regions and varietals was particularly pleasing, notably for Barossa Valley and McLaren Vale Shiraz and Cabernet, which were excellent.

New Zealand

Despite challenging weather conditions across key wine growing regions, the 2017 New Zealand vintage was characterised by a good quality harvest across key varietals. Growing conditions favoured pinot noir varietals, with a strong harvest recorded for Central Otago Pinot Noir. 2017 vintage yields were slightly lower than the high-yielding 2016 vintage, but in line with long-term averages.

CORPORATE RESPONSIBILITY

Treasury Wine Estates is committed to making a positive contribution to the local communities in which it operates. The Company's Corporate Responsibility program identifies ways it can improve this contribution, manage environmental and social risks, and drive sustainability.

In F17, TWE continued to focus its Corporate Responsibility (CR) program on three strategic priorities:

- Responsible Consumption
- Sustainable Sourcing
- Volunteering and Community

The CR program's progress and strategic direction is overseen by the Company's Global CR Council, which is chaired by the Chief Executive Officer (CEO) and includes senior members of the Company from across all regions and functions. The Council meets a minimum of three times per year.

In F17, TWE retained its ongoing commitment to the United Nations Global Compact (UNGC) principles relating to human rights, labour, the environment and anti-corruption, and commenced annual reporting under the *Modern Slavery Act 2015* (UK).

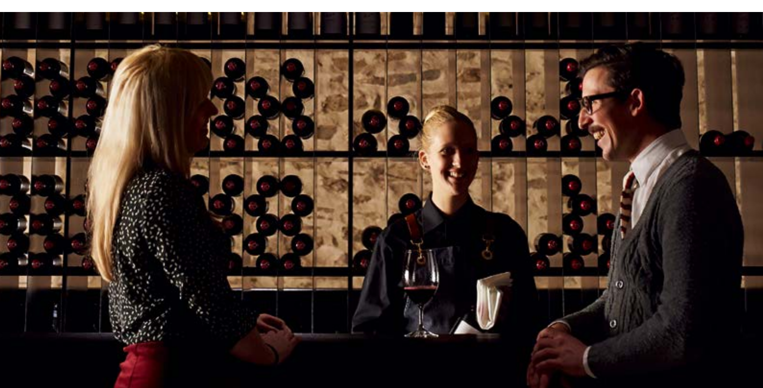
TWE considers that its CR program is aligned with the Sustainable Development Goals (SDGs) most material to the Company. The SDGs will be further considered in TWE's F18 CR materiality assessment.

Throughout F17, TWE participated in public policy discussions relating to CR globally, including modern slavery regulation and reporting, packaging and waste reduction, water policy, climate change, and energy labelling of alcoholic beverages.

In F18, a CR materiality assessment will assist the Company to pulse-check the program's focus, including the key pillars and guiding principles. TWE will continue to actively participate in public policy discussions related to CR and the UNGC principles to which it is committed.

RESPONSIBLE CONSUMPTION

TWE is committed to promoting the responsible consumption of its products, and supports employees to act as advocates for responsible consumption at all times.



Internal resources create the foundation of the Company's commitment to responsible consumption. In F17, more than 97% of TWE's employees completed training on the Company's Alcohol Policy. During F17, responsible marketing and sales materials were updated and additional resources to guide the appropriate use of social media were created. Responsible consumption was also a key theme of TWE's safety program, Destination Zero Harm.

In F17, TWE sites coordinated their focus on responsible consumption through an inaugural Responsible Consumption Week. During the week, employees in regional head offices participated in a range of activities and received additional resources to aid them in understanding and promoting responsible consumption.

External facing responsible consumption activities undertaken in F17 included commencing the provision of calorie information of TWE's wines online; and collaborations promoting responsible consumption, including the 'Always Polished Never Dull' campaign between Sterling Vineyards and Uber (US), and the Wolf Blass, Yellowglen and DrinkWise collaboration during the Spring Racing Carnival (Australia).

In F18, TWE will continue to build on its internal responsible consumption program resources and training, and will focus on expanding the engagement and participation in Responsible Consumption Week.

SUSTAINABLE SOURCING

TWE is committed to adopting sustainable practices within its supply chain and throughout its sourcing initiatives. Key to this commitment is managing resource use and reducing waste, identifying and implementing innovation to help achieve this goal, and working with suppliers to manage environmental performance.

Fundamental to ensuring the Company's own production is sustainable is TWE's independent third party sustainability certification of owned and operated vineyards. These are supported by the Company's Environment Policy and site Environmental Management Plans. TWE also looks to continuously innovate and undertakes collaborative Research and Development aimed at improving water and energy efficiency and waste to recycling rates. In F17, an improved online resource consumption tracking tool was introduced and embedded at all TWE sites globally.

Specific F17 highlights include:

- The implementation of a centrifuge project at the Paso Robles winery, saving an estimated 2 million litres of water annually;
- Installation of air-cooled cooling towers at the Paso Robles winery to allow the existing evaporative cooling towers to be taken off-line for 8–9 months of the year;
- Use of additional pipeline pigs to move wine with air as opposed to pushing wine with water;
- Experimenting with more efficient wine cooling techniques such as pulse pumping of refrigerant, rather than the current industry standard continuous circulation methods;
- Undertaking 'waste walks' at major production sites and offices in Australia, allowing teams to engage in identifying opportunities to reduce energy and water use and improve waste management;
- Undertaking Level 2 energy audits at key facilities in Australia and New Zealand (ANZ); and
- Installing sub-metering at key facilities in ANZ to identify future resource efficiency improvements.

Environmental considerations extend to product packaging, and in F17 TWE continued to embed glass weighting considerations in new product development decisions globally. TWE remains a member of the Australian Packaging Covenant (APC) and has been an active participant in discussions on how to improve the APC framework.

With regard to suppliers' performance, TWE's Responsible Procurement Code was rolled out to ANZ and US suppliers. It continues to be a prerequisite for all new suppliers, whose commitment to the Code is required during the onboarding process.

Finally, in F17 TWE's robust environmental management and process control systems continued to ensure that the Company had no environmental incidents that required containment plans to be activated.

In F18, TWE will build on the Sustainable Sourcing pillar of the CR program by introducing its own Environmental Standard and a Best Management Practice framework, ensuring each site has a clear path to continuously improve its resource use, efficiencies and waste management. The Responsible Procurement Code will continue to be rolled out globally to existing suppliers and an Environmental, Social and Governance (ESG) risk framework will be applied to review suppliers from higher risk countries and industries.

VOLUNTEERING AND COMMUNITY

TWE is committed to being a positive force in the communities in which it operates. A key part of that commitment is giving back to those communities through volunteering and other supporting initiatives.

In F17, TWE continued to build and improve on its annual Global Volunteering Week, expanding it to include an increased number of employees and parts of the business, and encompassing other opportunities for employee giving, including fundraising and donations. As a result, the total value of volunteering and fundraising undertaken over the year was approximately $700,000.

The Company's gifting program continued to expand, and was rebranded 'Fundraising Boost' to increase uptake and relevance to all of the regions in which TWE operates. The program matches employee fundraising efforts up to a capped amount.

TWE's brands also participated in major community and not-for-profit collaborations, including the Gentleman's Collection Movember collaboration, raising over $40,000 for the Movember Foundation (Australia) and BV Coastal's Oceana collaboration, valued at over US$50,000 for the year (US). Other valuable contributions to the community included Wolf Blass's foundational sponsorship of the women's Australian Football League (AFLW), employee blood donations and wine donations to partner charities for fundraising events.

In F18, TWE will build on its volunteering efforts through the execution of Global Volunteering Week, broadening out employee opportunities to give back to their communities. The Company will continue partnerships with key charitable partners in its communities and work to expand uptake of the Company's gifting program.

KEY PERFORMANCE INDICATORS FOR CORPORATE RESPONSIBILITY

	METRIC	UNIT OF MEASURE	F17	F16	F15	F14
Environment[1]	Total energy consumed[2]	GJ	489,179	488,658	498,526	495,414
	Energy efficiency[3]	MJ/9LE	9.17	9.28	10.41	12.65
	Total water consumed[2]	ML	24,534	27,072	26,975	24,296
	Water efficiency[3]	L/9LE	20.62	22.36	25.18	36.76
	Total CO_2-e emissions[4]	Tonnes CO_2-e	52,896	57,755	58,635	59,435
	Total solid waste generated	Tonnes	63,348	55,076	62,987	63,457
	% solid waste to recycling	%	97.04	96.02	96.26	95.83
Safety	LTIFR[5]	Lost time injuries per million hours worked	2.4	4.1[6]	4.2	5.0

1. Every year, due to timing requirements of reporting and billing latency from third party suppliers, the majority of the June environmental performance data for energy, water, waste and carbon emissions is estimated. Prior to annual publication, the June figures of the previous year are replaced with actual values. Similarly, any other discrepancies in the previous year's data are amended.
2. Absolute figures include all wineries, packaging centres and company-owned and leased vineyards. They do not include data from offices or all cellar doors.
3. Energy and water efficiency for TWE's wineries and packaging centres include non-TWE Australian volumes packaged at our facilities under contract. Efficiencies do not include energy and water used at company-owned vineyards, offices and cellar doors.
4. Includes all wineries, packaging centres and company-owned vineyards. Does not include emissions from offices, all cellar doors, wastewater treatment plants, refrigerants or Scope 3 emissions.
5. Lost Time Injury Frequency Rate (LTIFR).
6. The Company's F16 Annual Report noted a LTIFR of 3.6. In line with TWE reporting procedures, a number of first aid and medical treatment injuries that had occurred but were not lost time injuries at the date of the F16 Annual Report were subsequently reclassified to lost time injures as a result of ongoing medical treatment and rehabilitation programs. These injuries have now been reflected in the F16 LTIFR, which has had the effect of restating the F16 LTIFR from 3.6 to 4.1.

During F17, TWE continued to optimise its supply chain footprint, cementing changes in Australia, and continuing improvements in the US where TWE has undertaken a winery network optimisation project during F16 and F17. A key aspect of the US winery network optimisation project was to consolidate bottling and packaging operations, and embed the previously acquired Diageo sites, which are now included in the company-wide key performance indicators.

In F17, TWE has continued to improve its energy and water efficiency, reduced CO_2-e emissions and improved solid waste to recycling rates.

While an extended vintage in Australia, an increased crush, and construction at US and Australian sites put upward pressure on TWE's energy usage, supply chain changes and implementation of efficiency measures at key production sites have resulted in only a slight overall increase in total energy use, and an improvement in TWE's energy efficiency.

With regard to energy, TWE notes that the indicators above do not take into account the energy generated from renewable energy sources. In the US, more than 80% of TWE's wineries and packaging sites utilise Community Choice Aggregation electric service providers who provide a 50% renewable energy mix.

TWE has improved its waste to recycling rates in F17, despite an overall increase in waste generated. The increase in waste generated is in part due to extensive construction and site upgrades, as well as an increased crush, resulting in increased marc/pomace waste. TWE trains contractors on recycling and waste management when they commence work on sites, and recycles the significant majority of its organic waste.

TWE's water usage per 9LE produced has continued to decline for the fourth consecutive year. This is attributable to supply footprint optimisation programs and a clear company focus on reducing water usage, with a high importance placed on water use for clean winery practices. While not reported in the key performance indicators, water usage at vineyards also reduced due to beneficial climatic conditions and a continued focus on improving viticultural practices in both hemispheres.

During F17, TWE implemented a new data reporting tool, and undertook complementary activities with site teams to ensure data captured is accurate, and key metrics are defined in a manner consistent with the Company's other reporting requirements. As a result, some key indicators, such as CO_2-e emission reporting, have changed. Prior year data has been updated to reflect the changed calculation method.

With the F16 Diageo acquisition now embedded and reflected in company-wide data, and the implementation of TWE's new data reporting tool, the F17 figures are considered to be a more accurate benchmark for TWE's future performance than a comparison to previous years.

HEALTH, SAFETY AND ENVIRONMENT

TWE's Health, Safety and Environment (HSE) program continued to deliver strong results in F17.

The Company's HSE Guiding Principles were consolidated from five to three, and further embedded within management frameworks and ways of working. To deliver the Company's HSE Guiding Principles, the Board approved a Global HSE Strategic Framework, establishing key programs and focus areas.

These key focus areas include:

- Establishing the HSE Vision of Destination Zero Harm (DZH) – 'We care because everyone's life is important';
- Reviewing and updating the Workplace Health and Safety Policy. The Policy was updated to include three Guiding Principles, DZH and employee wellbeing; and was renamed the Workplace Health, Safety and Wellbeing Policy;
- Developing and delivering DZH. The Company launched the multi-lingual DZH program – a business owned, people led and behaviour focused program aimed at educating, engaging and empowering all employees, contractors and visitors to demonstrate safe behaviours at work and at home. TWE's objective is to train all employees on the program by the end of calendar year 2017. At the end of F17, this objective was on track;
- Delivering a HSE leadership development program. In F17, TWE's two-day HSE leadership development program for managers and supervisors continued to be implemented. Over 400 of TWE's front line leaders have attended courses over the three years the program has been running. The leadership development program gives course participants the knowledge and skills to understand and demonstrate safety leadership; and
- Implementing the Company's HSE audit program. The audit program continued to be implemented throughout the global supply operations. A range of audits, including self-audits and second and third party audits, were conducted. The program continues to be supplemented by the use of an external audit provider who conducts three audits per year. The audit program will continue through F18.

TWE's primary lag indicator – lost time injury frequency rate (LTIFR) – continued to demonstrate improvement. TWE's F17 target was to achieve a 5% or more reduction on the F16 end of year result. This target was achieved, with a LTIFR of 2.4 at the time of reporting. This is a significant improvement on a LTIFR of 4.1 in F16 and 4.2 in F15, and demonstrates long-term systematic improvement in employee engagement and empowerment rates.

PRODUCT SAFETY AND QUALITY

TWE is committed to ensuring a safe, sustainable and timely supply of quality products to its customers.

The Company's policy on product safety and quality confirms this commitment by ensuring regular reviews of the Quality Management System are undertaken in order to achieve best practice and implement process improvements. The Company's product safety and quality objectives are to:

- Continuously improve existing processes by benchmarking against other leading beverage companies;
- Ensure compliance with quality standards for internal and third party produced product;
- Engage employees to be quality focused;
- Strive to exceed customers' and consumers' expectations; and
- Meet full compliance with all statutory obligations.

A consistent risk management strategy has been developed across the Company to manage product safety and quality. This has resulted in the implementation of internationally recognised quality standards at production sites, including Hazard Analysis and Critical Control Points (HACCP) system, British Retail Consortium Global Standard for Food Safety (BRC), International Featured Standards (IFS), Food and International Organisation for Standardisation of Quality and Food Safety management systems (ISO 9001 and FSSC 22000).

TWE's quality systems have a robust raw material approval process to ensure that finished product adheres to relevant regulatory requirements and product quality is continually improved. This also identifies the presence of any allergens that are traced throughout the production process to ensure that wines containing these materials are appropriately labelled.

DIVERSITY AND INCLUSION

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

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

The Board has committed to reviewing and assessing progress against TWE's diversity and inclusion objectives annually. To that end, the Company is pleased to report progress made in F17, together with its F18 measurable objectives.

The Company's Diversity and Inclusion Policy can be found at the Company's website: www.tweglobal.com.

F17 objectives and initiatives

The following diversity objectives were set by the Board for F17. Recommendation 1.5 of the ASX Corporate Governance Principles and Recommendations states that a company's board or board committee is to set the measurable objectives for achieving gender diversity.

Increase gender diversity in leadership

- Continue the journey towards achieving an increase in females in leadership roles to 38% within three years;
- At least one qualified woman on shortlists[1] for 80% of leadership roles; and
- Launch a Women in Wine hub in Asia.

Embrace our commitment to sustainable flexible work practices

- Ensure senior and mid-level leaders complete flexible work practices and inclusion training.

Develop inclusive leaders

- A total of 75% of senior leaders meet or exceed expectations on Inclusive Leadership.

Executive Leadership Team diversity objectives

The Chief Executive Officer (CEO) and all Executive Leadership Team (ELT) members had a diversity Key Performance Objective (KPO) to deliver the above objectives in F17.

In an effort to achieve the objectives, various actions were undertaken throughout F17:

- Launch of the TWEforShe global program to support women across our business in unlocking their potential, and creating a truly balanced and high-performing culture at TWE;
- The third global *Mary Penfold* Leadership Award for Outstanding Female Leadership was awarded;
- Gender pay equity review recommendations were implemented through the annual remuneration review process; and
- The Leading Inclusively program was launched to drive a more inclusive, supportive and collaborative culture.

1. Shortlists for externally placed roles.

F17 progress

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

- Increased female representation in leadership roles, up from 35.9% to 37.3%;
- In externally placed leadership roles, 78.3% included a suitably qualified female candidate at shortlist;
- TWEforShe, replacing Women in Wine, was launched globally;
- Flexible work practices and inclusion training was rolled out to all America's senior and mid-level leaders to ensure completion by our global senior and mid-level leader population; and
- 99% of employees agreed that senior leaders met or exceeded expectations on Inclusive Leadership.

The ELT continued to operate as the Diversity Council in F17 to focus their efforts on setting appropriate goals and targets, monitoring progress and driving action.

Progress with the Company's diversity and inclusion agenda has improved across all three focus areas of gender diversity in leadership, flexibility and inclusive leadership. The following initiatives have been identified to maintain momentum in diversity and inclusion in F18:

- Drive the momentum in TWEforShe, including the rollout of the 'She Leads' program and TWEforShe 'On the Job' program;
- Launch of global Employee Value Proposition that promotes inclusion and gender diversity;
- Implementation of a toolkit to support employees who take parental leave;
- Continuation of the *Mary Penfold* Award for outstanding female leadership;
- Further Inclusive Leadership training and reinforcement; and
- Run another annual 360 degree survey to again measure senior leaders' inclusive leadership.

F18 objectives

As is the case in nurturing TWE's premium wines, investment and time yield great results. F17 has continued momentum and in F18 the Company will continue to invest in core areas of diversity and inclusive leadership through the following objectives to deliver sustainable improvement:

Increase diversity in leadership

- Continue the journey towards achieving an increase in females in leadership roles to 38% by 2020; and
- Continued rollout of TWEforShe program globally.

Develop inclusive leaders

- 75% of senior leaders meet or exceed expectations on Inclusive Leadership.

Executive Leadership Team diversity objectives

The CEO and all ELT members have a diversity KPO to deliver the above objectives in F18.

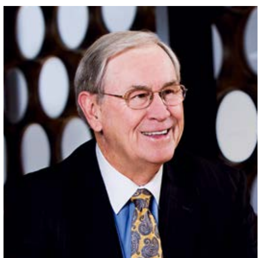
Organisational gender profile

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

RECOMMENDATION 1.5 REQUIREMENT	
Proportion of women in the whole organisation	As at 30 June 2017, 39.1% of the Group's employees were women.
Proportion of women in senior executive[1] positions within the Group	As at 30 June 2017, 22% of the senior executive positions within the Group were held by women.
Proportion of women on the Board of the Company	As at 30 June 2017, 22% of the Company's Board of Directors (including executive directors) were women. The Board is committed to ensuring that it is comprised of individuals with appropriate skills, experience and diversity to develop and support the Company's strategic aims. The Board has also set an aspirational target to achieve 30% female representation by 2018 as vacancies and circumstances allow. Further details are set out in the Corporate Governance section of the Annual Report.

1. For the purposes of this disclosure, the Company has defined 'senior executive' as the Chief Executive Officer and his/her direct reports. To note, using the TWE definition of leader, 37.3% of roles were held by women as at 30 June 2017.

BOARD OF DIRECTORS



Left to right: Paul Rayner, Michael Clarke, Lyndsey Cattermole, Ed Chan, Michael Cheek

Paul Rayner BEc, MAdmin, FAICD
Chairman

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

Mr Rayner is an independent Director and an Australian resident.

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

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

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

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

Member of the Board since March 2014.

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

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

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

Lyndsey Cattermole AM, B.Sc., FACS
Non-executive Director

Member of the Board since February 2011 and a member of the Audit and Risk Committee.

Mrs Cattermole is an independent Director and an Australian resident.

She has extensive information technology and telecommunications experience. She is a former executive director of Aspect Computing Pty Ltd, Kaz Group Limited, and a former director of PaperlinX Limited (from December 2010 to September 2012). She has also held a number of significant appointments to government, hospital and research boards and committees.

Mrs Cattermole is a director of Tatts Group Limited (since May 2005), Pact Group Holdings Limited (since November 2013), The Florey Institute of Neuroscience & Mental Health (since May 2016) and Hexigo Pty Ltd.

Mrs Cattermole was a director of Foster's Group Limited from October 1999 until May 2011.

Ed Chan BA/Ec, MS
Non-executive Director

Member of the Board since September 2012.

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

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

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

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

Mr Cheek is an independent Director and an American resident.

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

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

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

Left to right: Warwick Every-Burns, Peter Hearl, Garry Hounsell, Lauri Shanahan

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

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

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

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

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

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

Peter Hearl B Com (with merit), MAIM, FAICD, Member – AMA
Non-executive Director

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

Mr Hearl is an independent Director and an Australian resident.

He is the former global Chief Operating and Development Officer for YUM Brands, the world's largest restaurant company, and he oversaw much of the growth in the KFC, Taco Bell and Pizza Hut businesses around the world.

He is currently a director of Telstra Corporation Limited (since August 2014, where he also serves as Chairman of the Remuneration Committee). He is also a director of Santos Ltd (since May 2016).

Mr Hearl was a director of Goodman Fielder Limited from 2010 until March 2015.

Garry Hounsell BBus (Acc), FCA, FAICD
Non-executive Director

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

Mr Hounsell is an independent Director and an Australian resident.

He is currently Chairman of Helloworld Limited (since October 2016) and Spotless Group Limited (since February 2017 and a director since March 2014, retiring effective 31 August 2017). Mr Hounsell is also a director of Dulux Group Limited (since July 2010, where he also serves as Chairman of the Audit and Risk Committee) and a director of the Commonwealth Superannuation Corporation Limited (since July 2016).

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

Lauri Shanahan JD Business Law, BS Finance
Non-executive Director

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

Ms Shanahan is an independent Director and an American resident.

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

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

CORPORATE GOVERNANCE

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

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

- Continued commitment to the governance of workplace health and safety performance and developing a culture of leadership on safety across the business, with the introduction and roll-out of a new safety framework, Destination Zero Harm, and related programs designed to empower the Company's leaders to engage their teams and lead safety performance;
- Overseeing and supporting changes to the Executive Leadership Team announced during the year, including leveraging the Company's global talent pool in order to drive the next phase of growth for the Company as well as deliver further value creation for shareholders;
- Oversight of management's commitment to a culture of high-performance and ethical conduct to lead the global business and setting remuneration policy to attract and retain the best possible talent and reward high performance;
- A comprehensive review of the Group's Risk Profile and Risk Management Framework to further enhance the assessment and management of current and emerging material business risks facing the Group;
- Overseeing management's integration of the Diageo Wine business and the reset of the US brand portfolio, including Diageo Wine brands;
- Maintaining effective governance to facilitate high quality processes and internal controls as the business continues to grow;
- Input into and approval of management's development of corporate strategy, including setting performance objectives and approving the annual financial budget; and monitoring corporate performance and the implementation of strategy and policy; and
- Overseeing the induction of new independent non-executive director, Lauri Shanahan, who joined the Board on 1 November 2016.

INTRODUCTION

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

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

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

The full Corporate Governance Statement, which outlines the key aspects of the Company's corporate governance framework and practices for the year ended 30 June 2017, together with the Appendix 4G *Key to Disclosures – Corporate Governance Council Principles and Recommendations* and key governance documents, including the constitution, charters and policies, are available on our website at www.tweglobal.com/investors/corporate-governance

BOARD OF DIRECTORS

Members of the Board

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

There was one change to the Board during the year, with Lauri Shanahan being appointed as an additional non-executive director with effect from 1 November 2016. Ms Shanahan is a US citizen with extensive retail, consumer brand, e-commerce and governance experience.

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

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

In August 2017, the Company announced two further changes to the Board, with the retirement of Peter Hearl with effect from 31 August 2017 and the retirement of Lyndsey Cattermole with effect from the end of the 2017 Annual General Meeting on 18 October 2017.

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

The Board recognises the importance of cultural, geographic and gender diversity amongst its members which is reflected in the current representation on the Board. The Board has set an aspirational target to achieve 30% female representation on the Board by 2018 as vacancies and circumstances allow.

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

Strategic Imperatives

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

Directors' Skills

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

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

Independence

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

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

Role of the Board

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

Strategic guidance and effective oversight of management

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

Risk assessment and management

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

Obligations to stakeholders

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

Board Committees

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

Audit and Risk Committee

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

Key focuses for F17 included:

- Updating the Group's Risk Profile and Risk Management Framework, including revisions to risk assessments and the inclusion of new emerging risks
- Reviewing the scope of the annual internal and external audit programs and overseeing the conduct and coordination of those programs as well as the performance and independence of the internal and external auditors
- Reviewing significant accounting, financial reporting related matters raised by management and the auditors
- Reviewing workplace health, safety and environmental matters across the Group
- Monitoring the Group's insurance renewal program
- Reviewing and recommending to the Board the approval of the F17 full-year and interim financial reports

Nominations Committee

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

Key focuses for F17 included:

- Assessing the competencies of the directors to ensure the appropriate range of skills and expertise amongst Board members
- Board succession planning
- Reviewing and recommending changes to the membership of Board Committees
- Overseeing, and receiving reports from the Chairman of the Board concerning, the reviews of performance of individual directors, the Board as a whole and the operation of the Board Committees
- Assessing the independence of directors and suitability of director candidates for re-election

Human Resources Committee

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

Key focuses for F17 included:

- Reviewing the level of annual fixed remuneration and incentive compensation arrangements for the CEO and senior executives, including reviewing remuneration arrangements for senior executive changes during the year
- Reviewing the attainment of STI and LTI performance conditions by the CEO and senior executives
- Overseeing the implementation of initiatives to facilitate the Group's diversity and inclusion objectives
- Reviewing the base fee and committee fees payable to non-executive directors
- Reviewing the Company's F17 Remuneration Report, including the design and implementation of a streamlined format

Governance policies

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

- Code of Conduct, which recognises that the Company's reputation is one of its most valuable assets, founded on the ethical behaviour of the people who represent the Company;
- Whistleblower Policy to promote and support the Company's culture of honest and ethical behaviour;
- Potential Conflicts of Interest Policy, guiding the disclosure and management of potential conflicts of interest;
- Share Trading Policy, which states that all directors and employees are prohibited from trading in the Company's shares if they are in possession of 'inside information' and provides for windows and blackout periods in which employees can or cannot trade in the Company's shares; and
- Risk Management Policy, as well as a Risk Management Framework, which provide guidance and direction on the management of risk in the Company and states the Company's commitment to the effective management of risk to reduce uncertainty in the Company's business outcomes.

DIRECTORS' REPORT

The directors of Treasury Wine Estates Limited (the Company) present their report together with the financial report for the Company and its controlled entities (the Group) for the financial year ended 30 June 2017 and the auditor's report.

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

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

PRINCIPAL ACTIVITIES

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

STATUTORY INFORMATION

The Group's consolidated financial statements have been presented for the financial year ended 30 June 2017 and appear on pages 63 to 111.

DIRECTORS

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

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

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

DIRECTORS' MEETINGS

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

Meetings held during 2017 financial year

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

1. Shows the number of meetings held and attended by each director during the period that the director was a member of the Board or Committee. Directors who are not members of Board Committees do attend Committee meetings from time to time. The above table reflects the meeting attendance of directors who are members of the relevant Committee(s).
2. Reflects the number of additional formal meetings attended during the financial year by each director, including Committee meetings (other than Audit and Risk Committee, Human Resources Committee or Nominations Committee) where any two directors are required to form a quorum.
3. Mrs Cattermole retired from the Human Resources Committee with effect from 1 January 2017.
4. Ms Shanahan was appointed as a director with effect from 1 November 2016 and joined the Human Resources Committee on 1 January 2017.
5. Mr Hearl was unable to attend these meetings due to an unexpected health event.
6. Mr Hounsell and Mr Chan attended all scheduled Board meetings. This number reflects their absence from one unscheduled Board meeting, which was due to prior commitments.

Directors' interests in share capital

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

DIVIDENDS

Interim dividend: The Company paid an interim dividend of 13 cents per ordinary share on 5 April 2017. The dividend was unfranked.

Final dividend: Since the end of the financial year, the directors have declared a final dividend of 13 cents per share, 50% franked and payable on 6 October 2017. The record date for entitlement to this dividend is 1 September 2017.

In summary:

	DIVIDEND PER SHARE	$M
Interim dividend paid on 5 April 2017	13 cents per share	$96.0
Final dividend payable on 6 October 2017	13 cents per share	$96.0
Total	26 cents per share	$192.0

The Company paid shareholders a final dividend in respect of the 2016 financial year of $88.6 million.

EVENTS SUBSEQUENT TO BALANCE DATE

On 17 August 2017, the Company announced an on-market share buy-back of up to $300 million, which is expected to commence in early September 2017.

On 28 August 2017, the Company announced that it reached an agreement to settle the previously announced shareholder class action commenced by Brian Jones (represented by Maurice Blackburn) on 2 July 2014 relating to historical market disclosures that occurred in 2013. The settlement of the claim, which is subject to Court approval, was announced to Justice Foster in Federal Court on 28 August 2017. It is expected that the Court will consider approval of the settlement in September or early October 2017. The settlement is fully insured and will have no impact on the Company's financial results, and is without admission of liability.

On 30 August 2017, the Company announced that non-executive director, Peter Hearl, will retire from the Board with effect from 31 August 2017 and non-executive director, Lyndsey Cattermole, will retire from the Board with effect from the end of the 2017 Annual General Meeting, which will be held on 18 October 2017.

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

CORPORATE RESPONSIBILITY

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

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

ENVIRONMENTAL REGULATION

Management of environmental issues is a core element of the CR program detailed in the Corporate Responsibility section of this Annual Report, with the Group subject to a range of licences, permits and internal policies and procedures governing its operations.

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

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

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON-AUDIT SERVICES AND AUDITOR INDEPENDENCE

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

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

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

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

During the financial year, the fees paid or payable for non-audit services provided by KPMG as the auditor of the Company and its related practices totalled $156,887. Amounts paid or payable for audit and non-audit services are disclosed in note 32 of the Financial Statements.

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

INDEMNITIES AND INSURANCE

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

Each director of Treasury Wine Estates Limited has entered into a Deed of Indemnity, Insurance and Access (Deed) with the Company. Several members of the senior executive team have also entered into a Deed. No director or officer of the Company has received a benefit under an indemnity from the Company during the period ended 30 June 2017 or to the date of this report.

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

ROUNDING

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

Dated at Melbourne 30 August 2017.

Paul Rayner
Chairman

Michael Clarke
Chief Executive Officer

AUDITOR'S INDEPENDENCE DECLARATION

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

To the Directors of Treasury Wine Estates Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Treasury Wine Estates Limited for the financial year ended 30 June 2017 there have been:

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

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

KPMG

KPMG

Paul J McDonald

Paul J McDonald

Partner
Melbourne
30 August 2017

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

F17 REMUNERATION REPORT (AUDITED)

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EXECUTIVE REMUNERATION

Introduction from the Chairman of the Human Resources Committee

Dear Shareholders,

F17 marked the third year of our strategy to transition from an order-taking, agricultural company to a brand-led, high-performance organisation. Our strong F17 results were delivered sustainably and demonstrate the Company's commitment to generating enhanced shareholder value for the long term.

Our F17 results demonstrate continued outstanding execution across all regions and functions. The leadership of the CEO, the team he has built, the high performance standards, strategic vision and operational transformation of the Company has delivered three years of outstanding company results and returns to shareholders. Over the last three years, EBITS has almost tripled, Earnings per Share has increased by 129% and dividends have almost doubled. In addition, the Company's Total Shareholder Return performance over the period from July 2014 to June 2017 was at the 98th percentile relative to its peer group. Momentum in our business is accelerating with the Company delivering its high-teens EBITS margin target in F17; three years ahead of the initial plan of F20.

The Treasury Wine Estates Limited Board is committed to aligning remuneration and executive reward with organisational structure, company objectives and performance, market practice and shareholder value creation. The Group's remuneration practices are designed to attract, motivate and retain the high-calibre talent that will continue to consistently deliver sustainable results that out-perform the market. In this report you will see rewards to executives reflect their outstanding contribution to the outperformance of the Company and reflect the Board's commitment to retaining the talented management team that is delivering this outstanding performance.

We have worked to streamline and improve our remuneration report this year and I encourage you to read it. We trust that you will find it relevant and useful in understanding the remuneration policies and practices of the Group and in better informing your investment decisions.

Yours sincerely,

Warwick Every-Burns
Human Resources Committee Chairman

1. KEY MESSAGES

This report details the F17 remuneration framework and outcomes for the Key Management Personnel (KMP) of the Group which includes non-executive directors. In this report, 'executives' refers to executives identified as KMP excluding the non-executive directors. It is prepared in accordance with the requirements of the Corporations Act 2001 and all references are to Australian dollars (A$) unless otherwise specified.

(a) Financial highlights for F17

In F17, Treasury Wine Estates Limited (TWE) delivered EBITS of $455.1 million, up 43% on a constant currency basis and adjusted Earnings per Share (EPS) of 39.8 cents (before material items and SGARA). The Company also delivered outstanding EBITS margin accretion and reported improved return on capital employed (ROCE), up 2.3 percentage points to 11.6%.

Our strong financial results reflect our focus on portfolio premiumisation, investment in brand building and in-region execution, strategic customer and distributor partnerships, enhanced and more efficient routes-to-market and optimisation of our cost base.

(b) Change to KMP

In May 2017, the Company announced changes to a number of roles and responsibilities within the Company's Executive Leadership Team to drive the next phase of growth. The most significant of these was the appointment of Mr Foye to the role of Chief Operating Officer (COO). In this role, Mr Foye has taken responsibility for all major operating units across the business, including leading the global sales organisation, delivering on the Company's key brand and new product development plans, managing global operations and leveraging strong collaboration between all operating regions. As a result, the composition of KMP (in addition to non-executive directors) was changed to the following with a date of effect of 9 May 2017:

- CEO: Michael Clarke;
- CFO: Gunther Burghardt (from 14 February 2017); and
- COO: Robert Foye.

(c) Fixed remuneration

The last two years has seen TWE become a truly global company with significant growth increasing the responsibility and complexity of executive roles. The executive team has been crucial to the successful turnaround of the Company and the reward, retention and development of this team has been a key consideration of the Board in F17. This is reflected in fixed remuneration outcomes for executives.

As a result of this significant growth and increased responsibility, and to improve relativity to market, three executives, Mr Foye, Mr McPherson and Mr Spooner, received an increase in fixed remuneration effective 1 September 2016. The average rate of increase was 7.8%. In addition, Mr Foye received an increase in fixed remuneration and benefits (combined) of 2.9% effective 1 March 2017 reflecting his significant role in Asia and substantial contribution to our growth as a company, and his expanded Chief Operating Officer responsibilities.

Two executives did not receive an increase: the CEO, Mr Clarke, whose remuneration increased effective 1 March 2016; and the former CFO, Mr Meehan, who was contractually ineligible for any review of fixed remuneration until 1 September 2017.

(d) Short-term incentives in the year

The Board believes the Group's successful focus on sustainable earnings growth, cost management and operational effectiveness significantly enhanced shareholder value in F17. All metrics on the balanced scorecard were over-achieved by executive KMP. As a result, the Board has determined that the F17 short-term incentive plan (STIP) outcomes are at maximum for executives. The CEO was paid out at 150% of fixed remuneration due to achievement of stretch performance.

(e) Long-term incentives in the year

The Group's Total Shareholder Return (TSR) performance was at the 98th percentile relative to its peer group. This achievement, along with strong growth in EPS, has driven vesting of 100% of the F15 long-term incentive plan (LTIP) for eligible executives. This vesting outcome for executives mirrors the strong returns delivered to investors over the plan period. The share price appreciated from $4.923 on 1 July 2014 to $13.160 on 30 June 2017. Over the three-year plan period investors have enjoyed an increase in the Company's share price of 167% and Earnings per Share compound annual growth rate of 31.8% (before material items and SGARA).

(f) General employee share plan

Two purchases for executives under the Company's 2016 Share Cellar plan were completed in F17. The 2017 Share Cellar plan was successfully launched in the last quarter of F17 and all executive KMP as at 30 June 2017 are enrolled as participants.

(g) Changes for F18

The Board is committed to rewarding and retaining Mr Clarke as CEO as he continues to deliver outstanding company results. Mr Clarke has proven to be a talented CEO who can deliver sustained outperformance. He has not only transformed the Company as evidenced by key financial metrics over the last three years, he has also up-weighted the depth and quality of management. He has continued to build momentum to drive the Company into the next phase of growth, to deliver continued financial outperformance and value creation for shareholders.

For F18, the Board, with the assistance of the Human Resources Committee, reviewed and benchmarked the CEO's remuneration at the 75th percentile of the ASX50. This is in line with the Company's remuneration policy to pay above market for top talent and outperformance. From 1 September 2017, Mr Clarke's fixed remuneration will be revised for only the second time since he joined the Company in March 2014 and will increase from $2,200,000 to $2,500,000 per annum.

F18 LTIP

The following targets for the F18 LTIP have been set.

ROCE growth will be measured against the F17 ROCE base of 11.6% and vest according to the following schedule.

ROCE baseline 11.6% (F17)	% ROCE growth	ROCE result	% of Performance Rights subject to ROCE measure which vest
	Less than 2.1%	Less than 13.7%	0%
	2.1% to 2.8%	13.7% to 14.4%	35–100%
	At or above 2.8%	At or above 14.4%	100%

As we continuously review our remuneration framework, the Company's success means retention and reward of our leaders is more critical than ever. Strongly performing organisations starting from a 'higher base' than the peer group find it challenging to continually achieve relative Total Shareholder Return (TSR). The Company's outperformance in recent times makes relative TSR an increasingly tough hurdle. In an era where executives are driving significant company growth, the Board is concerned the unintended consequence is their incentive to stay may be diluted. As a consequence the vesting schedule has been slightly modified for the F18 LTIP design. To reflect the steeper hurdle relative TSR achievement represents, the straight-line vesting of previous plans has been modified to accelerated vesting between the 50th and 60th percentile and a flatter vesting between the 60th and 75th percentile.

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

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

Offers of performance rights under the F18 LTIP are subject to the satisfaction of performance conditions, as outlined above, over the performance period from 1 July 2017 to 30 June 2020. The F18 LTIP offers of performance rights to KMP are as follows:

- Mr Clarke: opportunity of 300% of fixed remuneration at maximum, 105% at threshold, 0% below threshold.
- Mr Burghardt: opportunity of 150% of fixed remuneration at maximum, 52.5% at threshold, 0% below threshold.
- Mr Foye: opportunity of 162% of fixed remuneration at maximum, 56.7% at threshold, 0% below threshold.

The Company will seek shareholder approval at the 2017 Annual General Meeting for the F18 LTIP offer to the CEO.

2. FRAMEWORK

(a) Detail on executives

The following executives were KMP in F17.

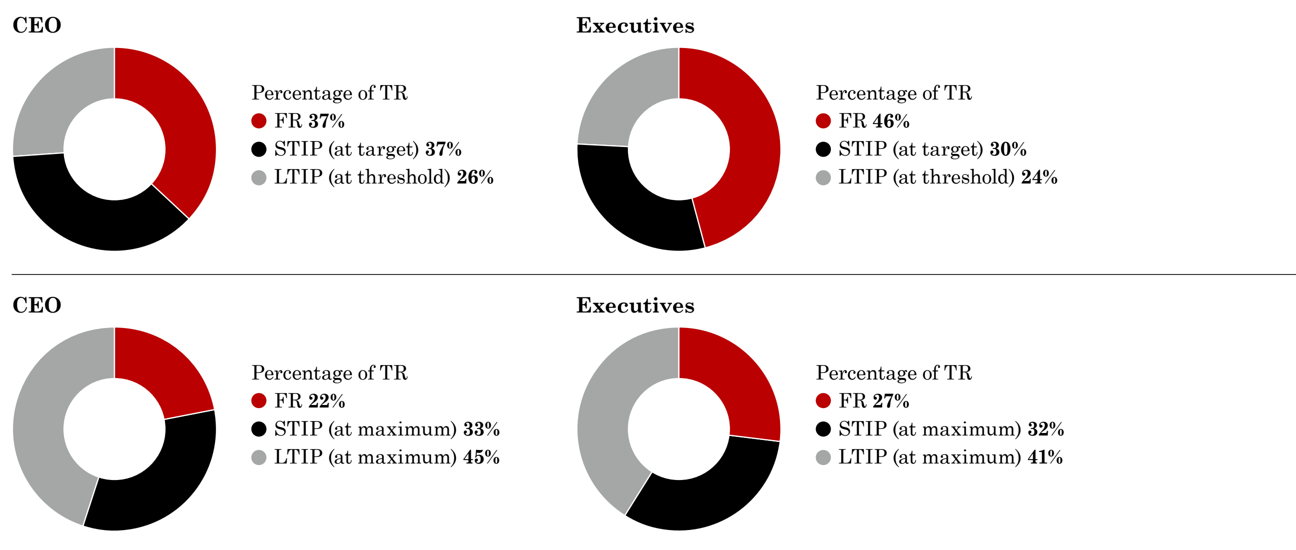
EXECUTIVES (AS AT 30 JUNE 2017)

Current KMP		
MA Clarke	Chief Executive Officer	Full Year
GG Burghardt	Chief Financial Officer	From 14 February 2017[1]
RB Foye	Chief Operations Officer	Full Year
Former KMP		
AGJ McPherson	Managing Director ANZ	Until 8 May 2017[2]
RJC Spooner	President North America	Until 8 May 2017[3]
NA Meehan	Chief Financial Officer	Until 13 February 2017[1]

1. Mr Burghardt was appointed as Chief Financial Officer on 14 February 2017. Mr Meehan ceased to be Chief Financial Officer, and KMP, on 14 February 2017 and remained with the Group to undertake a transition to Mr Burghardt. He subsequently left the Group on 14 March 2017. Remuneration outcomes have been provided for the period Mr Meehan was KMP, as well as the transition period through to 14 March 2017.
2. Mr McPherson ceased to be KMP on 9 May 2017 as a result of the organisation restructure announced on that date.
3. Mr Spooner ceased to be KMP on 9 May 2017 as a result of the organisation restructure announced on that date.

(b) Total remuneration

Executive total remuneration (TR) comprises fixed remuneration (FR) and variable ('at-risk') remuneration in the form of STIP and LTIP. The remuneration structure in F17 for current executives as at 30 June 2017 is as follows:



(c) Fixed remuneration

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

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

(d) Short-term incentive plan (STIP)

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

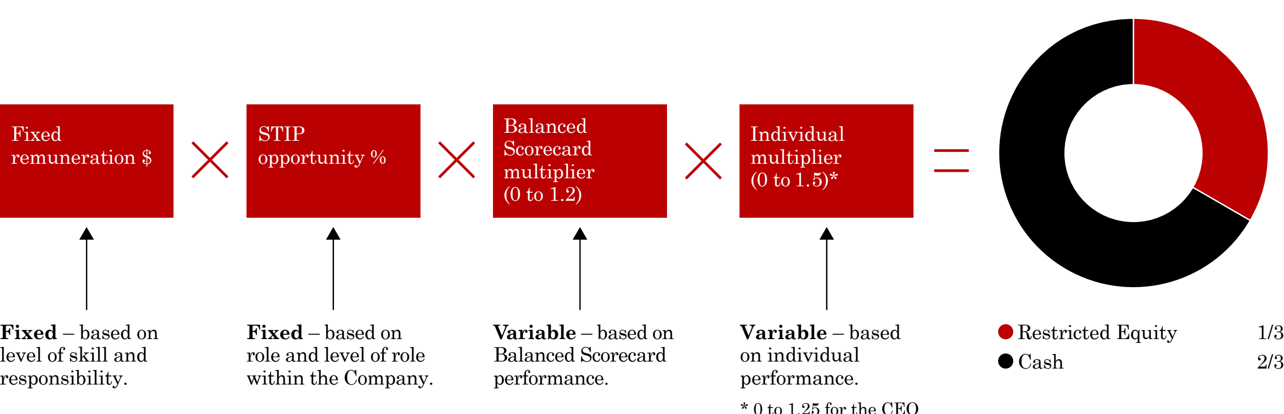
The STIP performance measures are consistent across the Company. They are designed to support the financial health of the organisation and shareholder return in terms of dividends and share price – this year and over time. The metrics are aimed at reinforcing Company culture as their achievement requires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

STIP MEASURES	REMUNERATION AND PERFORMANCE LINK
Global/Regional EBITS	The EBITS metric focuses and rewards executives for the overall health and profit-producing ability of the Company/Region. It is designed to reward executives for levels of earnings that will benefit shareholders and provide capital that can be further invested by the Company for future growth.
Cost optimisation	The cost optimisation metric aims to reward executives for the efficient deployment of overheads. It encourages executives to innovate, and where warranted to invest, to remove waste, achieve economies of scale and simplify.
Diageo benefits	The acquisition of the Diageo wine division in January 2016 was underpinned by an attractive business case that will deliver commercial and strategic benefits to the Group. This metric rewards executives for delivering on that business case and working together to realise the full value of this acquisition.
Forecast accuracy	The forecast accuracy metric aims to reward executives for optimising efficiency across the company, from supply in our vineyards to demand from our customers. Delivery of this metric drives executives to collaborate to achieve balance in the supply chain over time, managing investment, product quality and inventory levels.
Working capital	The working capital metric focuses and rewards executives on cash conversion i.e. their efficiency in turning the Company's products into cash.
ROCE	The return on capital employed metric (ROCE) rewards executives for the efficient deployment of capital across the business. Focusing investment only where return hurdles will be met and the prioritising of investment to initiatives with higher yields ensures financial returns for investors are maximised.

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

STIP PERFORMANCE MEASURES	STIP OPPORTUNITY	STIP DETAIL
Balanced Scorecard *CEO & Group Executives:* 50% global EBITS 10% cost optimisation 10% Diageo benefits 10% forecast accuracy 10% working capital 10% ROCE *Regional Executives:* 30% global EBITS 30% regional EBITS 10% Diageo benefits 10% forecast accuracy 10% working capital 10% ROCE Each measure is assessed after the financial year-end against the full-year audited financial report on a constant currency basis to determine the overall level of performance achieved. The balanced scorecard can drive a multiplier outcome between 0 and 1.2 as per the diagram below.	The annual STIP opportunity is at the absolute discretion of the Board. In F17, the following STIP opportunities applied: *Target:* Executives 66.5% of FR CEO 100% of FR *Maximum:* Executives 120% of FR CEO 150% of FR The individual performance multiplier is derived from the level of achievement of individual KPOs and demonstration of the Company's growth behaviours. This multiplier can drive a result of 0 to 1.5 as per the diagram below (except for the CEO for whom the individual multiplier on STIP is capped at 1.25).	An annual award of cash and/or equity may be received based on Group, team and individual financial, strategic and operational performance, measured by way of a Balanced Scorecard and agreed individual key performance objectives (including company behaviours). One-third of the STIP award for executives is deferred into Restricted Equity in the Company. Of this Restricted Equity, one-half (i.e. one-sixth of the overall STIP award) will vest after one year, and one-half (i.e. one-sixth of the overall STIP award) will vest after two years. The remaining two-thirds of the STIP award is delivered in cash at the end of the one-year performance period.

The overall structure of the F17 STIP is provided below.



(e) Long-term incentive plan (LTIP)

The LTIP is designed to reward executives for long-term performance and value creation for shareholders. Offers are made to select executives and senior leaders as nominated by the CEO and approved by the Board. The performance period for the F17 LTIP is 1 July 2016 to 30 June 2019 and this plan has the following features.

LTIP PERFORMANCE MEASURES	LTIP OPPORTUNITY	LTIP DETAIL
Relative Total Shareholder Return (TSR) (50% weighting) Relative to S&P/ASX 200 Index, excluding companies from the energy, metal and mining, real estate and finance sectors. **Return on Capital Employed (ROCE) Growth (50% weighting)** Calculated as EBITS divided by average capital employed (at constant currency). Capital employed is the sum of average net assets (excluding SGARA) and average net debt.	LTIP awards are at the absolute discretion of the Board. In F17, the following awards applied: *Award:* Executives 150% of FR CEO 200% of FR	LTIP awards are delivered in the form of performance rights. The number of rights allocated is based on face value using the 90-day VWAP preceding 1 July at the start of the performance period. If the performance conditions are met at the end of the three-year performance period, rights vest and executives receive a share for each vested performance right. No amount is payable on the vesting of the performance rights or on their conversion into shares. Any rights that do not vest lapse.

F17 LTIP Vesting schedule

Relative TSR Vesting Schedule	**Relative TSR Ranking**	**% of Performance Rights subject to relative TSR measure which vest**	
	Below 50th percentile	0%	
	50th to 75th percentile	35–100%	
	At or above 75th percentile	100%	
ROCE Vesting Schedule	**% ROCE growth**	**ROCE result**	**% of Performance Rights subject to ROCE measure which vest**
Baseline 9.3% (F16)	Less than 1.8%	Less than 11.1%	0%
	1.8% to 2.4%	11.1% to 11.7%	35–100%
	At or above 2.4%	At or above 11.7%	100%

(f) General employee share plan (Share Cellar)

The Group has a broad-based employee share plan, Share Cellar, which operates by way of after-tax employee payroll contributions (minimum $500 to maximum $3,000) to acquire shares in the Company. For every two purchased shares that a participant holds at the vesting date (approximately two years) the Company delivers one matched share. An equivalent cash plan operates in countries where, due to local laws, it is not practicable to offer shares to employees.

Shares were acquired in F17 under the 2016 Share Cellar offer, and a subsequent offer to participate in the 2017 Share Cellar plan was made during the year. The first share purchases in the 2017 Share Cellar plan will occur in September 2017 (F18).

In the 2017 Share Cellar plan employees are able to make after-tax payroll contributions up to a new of maximum $5,000 to acquire shares in the Company.

(g) Restricted equity plan (REP)

In addition to the LTIP, the Group operates the REP which allows the Board to make offers of Restricted Shares or Deferred Share Rights for the purpose of attracting, retaining and motivating key employees within the Group. There were no awards granted to, or vested for, executives under the REP in F17.

(h) Other key information

Board discretion and clawback

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

Leavers

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

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

Dividends and voting rights

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

Change of control

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

Hedging

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

3. PERFORMANCE AND REMUNERATION OUTCOMES

(a) Overview of company performance

EBITS growth and EBITS margin accretion, together with improved asset returns are underpinned by the Company's focus on portfolio premiumisation, brand building investment, strategic customer and distributor partnerships, more efficient routes-to-market and a cost conscious culture. F17 results demonstrate the benefits of this strategy delivering EBITS of $455.1 million, up 43% year on year on a constant currency basis and improved profitability with strong EBITS margin accretion and significantly enhanced ROCE.

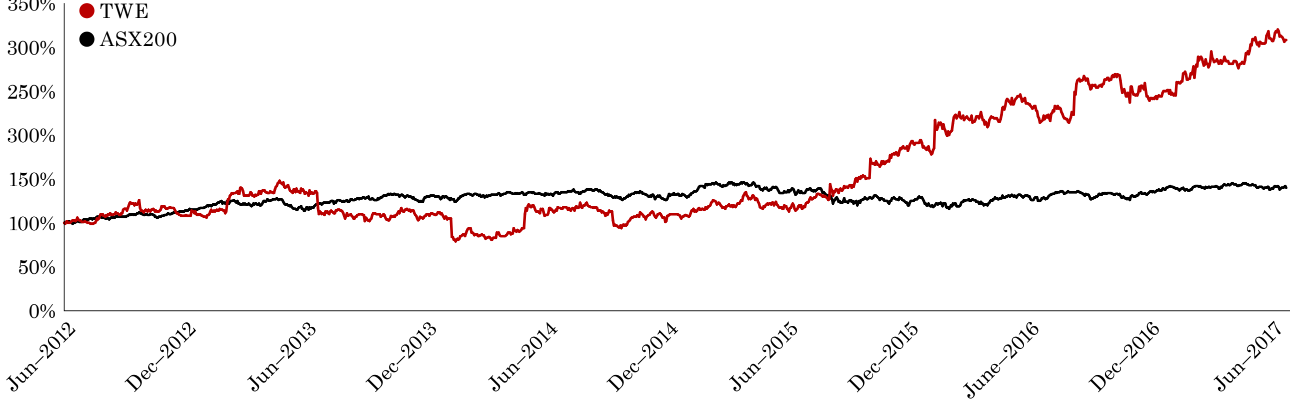
The table below summarises the Company's financial performance over the last five financial years.

Table 3.1: Overview of Company performance

FINANCIAL YEAR ENDED 30 JUNE	2013	2014	2015	2016[1]	2017
EBITS performance (A$ million)	216.2	184.6	225.1	334.2	**455.1**
Earnings per share (cents)[2]	21.9	17.4	21.9	30.5	**39.8**
Dividends paid per share (cents)	13	13	13	16	**25**[3]
Franked (%)	50	0	0	0	**0**
Closing share price ($ at 30 June)	5.72	4.92	4.90	9.23	**13.16**
Return on capital employed (%)	6.8	5.9	6.8	9.3	**11.6**

1. F16 ROCE, EPS and EBITS has been restated in accordance with revised accounting standards. See Note 33 of the Financial Statements.
2. Before material items, SGARA and tax consolidation benefit.
3. The 2017 dividend of 25 cents is comprised of the final dividend in F16 of 12 cents paid on 7 October 2016 and the interim F17 dividend of 13 cents paid on 5 April 2017. For the final F17 dividend see Note 6 of the Financial Statements.

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



(b) Fixed remuneration outcomes

Market benchmarking and a merit review are conducted annually with any changes effective from 1 September.

In F17:

- Mr Burghardt was appointed CFO on 14 February 2017. His fixed remuneration was US$475,000 effective from this date.
- Three executives, Mr Foye, Mr McPherson and Mr Spooner, received an increase in fixed remuneration effective 1 September 2016. The average rate of increase was 7.8%.
- In addition, Mr Foye received an increase in fixed remuneration and benefits (combined) of 2.9% effective 1 March 2017 reflecting his significant role in Asia and substantial contribution to our growth as a company, and his expanded Chief Operating Officer responsibilities. His fixed remuneration increased by 13.6% and his benefits decreased by 11.9%.

Two executives did not receive an increase:

- The CEO, Mr Clarke, whose remuneration increased effective 1 March 2016; and
- The former CFO, Mr Meehan, who was contractually ineligible for any review of fixed remuneration until 1 September 2017.

(c) Short-term incentive outcomes

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

The F17 STIP scorecard is heavily weighted to financial metrics and the primary driver is EBITS. STIP outcomes for executives reflects the financial outperformance of the Company with particularly strong results in Asia, Australia and New Zealand. EBITS results were more variable in the Americas region but this was countered by the over-achievement achieved in all other regions. The Company's strong focus on cost, operational efficiency and ROCE resulted in stretch achievement on the related metrics in the STIP scorecards. This high level of performance is reflected in the STIP results and the level of payout.

F17 STIP SCORECARD	RESULT			CEO		CFO		COO	
	THRESHOLD	TARGET	STRETCH	WEIGHT	PAYMENT	WEIGHT	PAYMENT	WEIGHT	PAYMENT
Payment multiplier	0.5	1	1.2						
Financial goals									
Global EBITS			▲	50%	60%	50%	60%	30%	36%
Regional EBITS			▲					30%	36%
Cost optimisation			▲	10%	12%	10%	12%		
Diageo benefits			▲	10%	12%	10%	12%	10%	12%
Strategic goals									
Forecast accuracy			▲	10%	12%	10%	12%	10%	12%
Working capital			▲	10%	12%	10%	12%	10%	12%
ROCE			▲	10%	12%	10%	12%	10%	12%
Total				**100%**	**120%**	**100%**	**120%**	**100%**	**120%**

▲ = result achieved

The table below sets out short-term incentive outcomes for each executive. The cash component of F17 STIP awards will be paid in September 2017. The Restricted Equity will also be allocated during September 2017.

Table 3.2: F17 STIP outcomes[1]

EXECUTIVE	FR[2] FOR STIP OPPORTUNITY ($)	STIP OPPORTUNITY AT TARGET (% OF FR) (%)	STIP OPPORTUNITY AT TARGET ($)	STIP AWARDED ($)	TOTAL STIP AWARDED (% OF FR) (%)	CASH ($)	RESTRICTED EQUITY ($)	TOTAL STIP OPPORTUNITY FORFEITED (% OF FR) (%)
MA Clarke	2,200,000	100	2,200,000	3,300,000	150.0	2,200,000	1,100,000	0
RB Foye	762,488	66.5	507,055	912,698	119.7	608,465	304,233	0
GG Burghardt[3]	236,393	66.5	157,201	235,802	99.8	157,201	78,601	0

1. Reports only executives who were KMP at 30 June 2017.
2. FR is salary as of 1 September 2016. Where changes have occurred after 1 September, FR is pro-rated based on calendar days in the financial year.
3. Mr Burghardt's FR for STIP opportunity and actual payment is pro-rated reflecting the period he was KMP from 14 February 2017.

d) Long-term incentive awards and outcomes

LTIP awarded during the year

Performance rights were allocated to executives under the F17 LTIP after the 2016 Annual General Meeting and are subject to a three-year performance period. Any vesting is subject to two hurdles (detailed on page 49). The performance rights have no exercise price and the minimum total value of the grant is zero. The maximum value is the number of awards granted multiplied by the share price at vesting.

Table 3.3: F17 LTIP Performance Rights

EXECUTIVE	GRANT DATE	VESTING DATE	NUMBER OF AWARDS GRANTED	FACE VALUE AT GRANT DATE ($)[1]	FAIR VALUE AT GRANT DATE ($)[2]
Current (as at 30 June 2017)					
MA Clarke	5 December 2016	30 June 2019	452,205	4,400,000	3,676,427
GG Burghardt[3]	5 December 2016	30 June 2019	54,398	529,298	442,256
RB Foye	5 December 2016	30 June 2019	103,478	1,006,851	841,276
Former					
AGJ McPherson	5 December 2016	30 June 2019	69,372	674,996	563,994
NA Meehan[4]	5 December 2016	30 June 2019	123,329	1,200,004	1,002,665
RJC Spooner	5 December 2016	30 June 2019	113,825	1,107,529	925,397

1. The value of LTIP awards granted to executives was the face value of the volume weighted average price (VWAP) of Company shares sold on the Australian Securities Exchange over the 90-day period up to and including 30 June 2016 ($9.7301 per share).
2. The fair value ($) in the table above is calculated using the valuation method detailed in note 21 of the Financial Statements.
3. The number of awards shown for Mr Burghardt represent the full F17 LTIP grant which were granted prior to him becoming KMP.
4. The number of awards shown for Mr Meehan represents the full F17 LTIP grant. However, upon ceasing employment with the Company, Mr Meehan was only entitled to retain a pro-rata portion of his F17 LTIP award (28,859 units), reflecting the expired portion of the performance period, and subject to post-employment vesting.

LTIP vesting

The F15 LTIP vested at the end of the year. The vesting schedule for the F15 LTIP is provided below.

Relative TSR vesting schedule	**Relative TSR ranking**	**% of Performance Rights subject to relative TSR measure which vest**
	Below 50th percentile	0%
	50th to 75th percentile	35–100%
	At or above 75th percentile	100%
EPS growth vesting schedule	**% EPS CAGR**	**% of Performance Rights subject to EPS measure which vest**
	Less than 7.5%	0%
	7.5% to 15%	35–100%
	15% or more	100%

Performance over the three-year period ended 30 June 2017. The Group's relative TSR performance was at the 98th percentile of the peer group and so 100% vesting for this metric was achieved. The Earnings per Share compound annual growth rate (EPS CAGR) for the performance period was 31.8% resulting in 100% vesting. The combined vesting outcome for the F15 LTIP plan was 100%.

The F15 LTIP vesting outcome by executive is provided below.

Table 3.4: Vesting/lapse of F15 LTIP[1]

EXECUTIVE	NUMBER OF PERFORMANCE RIGHTS GRANTED[1]	REVISED NUMBER OF AWARDS[2]	VALUE AT GRANT[3] ($)	NUMBER OF ORDINARY SHARES ISSUED ON VESTING OF RIGHTS	VALUE VESTED[4] ($)	NUMBER OF RIGHTS WHICH LAPSED[5]	VALUE LAPSED[4] ($)
Current (as at 30 June 2017)							
MA Clarke	764,216	788,418	3,507,672	788,418	10,761,906	–	–
GG Burghardt	64,059	66,087	294,021	66,087	902,088	–	–
RB Foye	194,585	200,747	893,123	200,747	2,740,197	–	–
Former							
AGJ McPherson	118,678	122,436	544,718	122,436	1,671,251	–	–
RJC Spooner	73,050	75,363	335,290	75,363	1,028,705	–	–

1. Represents the original number of Performance Rights granted under the F15 LTIP. Mr Burghardt's F15 LTIP was awarded before he became KMP.
2. The revised number of awards reflects the updated number of Performance Rights allocated to employed executives to keep them whole after the renouncable rights issue announced by the Company on 14 October 2015. The additional number of units granted was determined in accordance with the methodology provided to the Company by an independent third-party advisory firm.
3. 'Value at grant' is calculated based on $4.449 which was the volume weighted average price of Company shares sold on the ASX over the 90-day period up to and including 30 June 2014. This was the price used to calculate the number of performance rights granted under the F15 LTIP as previously disclosed by the Company.
4. The 'value vested' and 'value lapsed' are calculated based on the closing share price on the vesting date of 21 August 2017, being $13.65. The value for each executive largely reflects the $9.201 share price differential between the unit value at grant, being $4.449, and the share price on vesting date of $13.65.
5. The number of rights which lapsed as they did not vest.

(e) General employee share plan (Share Cellar)

All executives are participants of the 2016 Share Cellar plan, except for Mr Foye. Mr Foye is based in China, and therefore is a participant in the Cash Plan. Share purchases occurred in November 2016 and March 2017 with the relevant matching rights allocated to executives in F17. Subject to the executive continuing to meet the plan rules, these matching rights will convert to matching shares when the plan vests.

Table 3.5: Acquisitions in F17 for the 2016 Share Cellar Plan

EXECUTIVE	MECHANISM	ACQUISITION DATE	ACQUISITION PRICE ($)	NUMBER OF SHARES ACQUIRED	NUMBER OF RIGHTS ALLOCATED	VALUE OF RIGHTS ALLOCATED ($)[1]
Current (as at 30 June 2017)						
MA Clarke	Shares	15 November 2016	10.49	166	83	871
		9 March 2017	12.08	104	52	628
GG Burghardt	Shares	10 March 2017	12.51	55	27	338
RB Foye	Phantom Shares	15 November 2016	10.49	162	81	850
		9 March 2017	12.08	98	49	592
Former						
AGJ McPherson	Shares	15 November 2016	10.49	166	83	871
		9 March 2017	12.08	104	52	628
NA Meehan	Shares	15 November 2016	10.49	166	83	871
RJC Spooner	Shares	15 November 2016	10.49	155	77	808
		9 March 2017	12.08	92	46	556

1. The value of rights allocated at grant date is calculated based on the acquisition price.

During F17, the 2017 Share Cellar plan was launched with deductions commencing in April 2017. Actual share acquisitions under the plan will be completed in F18, commencing September 2017.

Enrolment rates for the third year of Share Cellar were at an all-time high and the Company now has a third of all eligible employees participating in the Share Cellar Plan and investing their post-tax pay to become shareholders. All executives as at 30 June 2017 are enrolled in the 2017 Share Cellar plan.

(f) Summary of awards held by executives

The table below sets out the number and movement of awards held by executives. Restricted Shares are generally issued under the REP and STIP (Restricted Equity). Performance Rights are issued under the LTIP. Deferred Share Rights are issued under the REP or represent the right to matching shares under the 2015 and 2016 Share Cellar Plans.

Table 3.6: Sum of awards held by executives

NAME		HELD AT THE START OF THE REPORTING PERIOD	GRANTED/ ACQUIRED DURING REPORTING PERIOD	RECEIVED UPON VESTING/ EXERCISING	OTHER CHANGE[5]	HELD AT THE END OF THE REPORTING PERIOD
Current (as at 30 June 2017)						
MA Clarke	Restricted Shares	124,906	77,050	–	–	201,956
	Performance Rights	1,448,177	452,205	(788,418)	–	1,111,964
	Deferred Share Rights	182	–	–	135	317
GG Burghardt[1]	Restricted Shares	–	–	–	–	–
	Performance Rights	164,727	–	(66,087)	–	98,640
	Deferred Share Rights	35,107	–	–	27	35,134
RB Foye	Restricted Shares	27,111	13,958	–	–	41,069
	Performance Rights	386,052	103,478	(200,747)	–	288,783
	Deferred Share Rights	–	–	–	–	–
Former						
AGJ McPherson[2]	Restricted Shares	14,694	11,887	–	(26,581)	–
	Performance Rights	231,586	69,372	(122,436)	(178,522)	–
	Deferred Share Rights	49,018	–	–	(49,018)	–
NA Meehan[3]	Restricted Shares	–	11,274	–	(11,274)	–
	Performance Rights	135,832	123,329	–	(259,161)	–
	Deferred Share Rights	–	–	–	–	–
RJC Spooner[4]	Restricted Shares	12,393	16,044	–	(28,437)	–
	Performance Rights	264,557	113,825	(75,363)	(303,019)	–
	Deferred Share Rights	31,564	–	–	(31,564)	–
Grand Total		**2,925,906**	**992,422**	**(1,253,051)**	**(887,414)**	**1,777,863**

1. Mr Burghardt's holding at the start of the period reflects his holding on 14 February 2017 when he became KMP.
2. Ceased as KMP on 9 May 2017.
3. Ceased as KMP on 14 February 2017.
4. Ceased as KMP on 9 May 2017.
5. Represents balance adjustments for executives joining or leaving KMP, grants made in relation to Share Cellar and any units forfeited in F17.

(g) Remuneration of executives

The table overleaf (Table 3.7) provides details of remuneration for the CEO and executives for F17, calculated in accordance with statutory accounting requirements. All amounts are in Australian dollars and relate only to the portion of the year in which the person occupied the KMP role.

Table 3.7: Remuneration of executives

			SHORT-TERM BENEFITS			
EXECUTIVE	YEAR	SALARY/ FEES[1] ($)	LEAVE ACCRUAL[2] ($)	NON-MONETARY BENEFITS[3] ($)	TOTAL CASH INCENTIVE[4] ($)	OTHER PAYMENTS[5] ($)
Current (as at 30 June 2017)						
MA Clarke KMP full year	**F17**	**2,180,384**	**154,944**	**116,595**	**2,200,000**	**69,533**
	F16	1,847,359	56,520	158,043	1,680,000	250,000
GG Burghardt[10] From 14 February 2017	**F17**	**209,013**	**16,003**	**16,066**	**157,201**	**31,771**
	F16	–	–	–	–	–
RB Foye[10,11,12] KMP full year	**F17**	**746,858**	**(12,000)**	**808,403**	**608,465**	**–**
	F16	538,341	5,835	814,556	408,583	64,238
Former						
AGJ McPherson[13] Until 8 May 2017	**F17**	**395,498**	**18,009**	**13,556**	**278,535**	**–**
	F16	418,192	11,658	21,695	259,200	–
NA Meehan[9,14,15] Until 13 February 2017	**F17**	**548,533**	**(17,676)**	**6,125**	**111,939**	**–**
	F16	455,404	29,142	4,367	245,823	–
RJC Spooner[10,13] Until 8 May 2017	**F17**	**653,085**	**17,481**	**226,200**	**462,517**	**50,880**
	F16	563,086	10,074	116,353	569,625	27,934
Total	**F17**	**4,733,371**	**176,761**	**1,186,945**	**3,818,657**	**152,184**
	F16	3,822,382	113,229	1,115,014	3,163,231	342,172

1. Represents cash salary, including any salary sacrificed items such as superannuation and novated motor vehicles.
2. Includes any net changes in the balance of annual leave and long service leave (i.e. leave entitlements that accrued during the year but were not used), and any leave paid out upon termination of employment.
3. Includes the provision of car parking, insurances, product allocations, executive medical checks, the value of entertainment, taxation expenses, international relocation and expatriate costs and Fringe Benefits Tax on all benefits, where applicable.
4. Represents cash payments made under the F17 STIP, excluding the Restricted Equity portion which will be allocated in September 2017. Mr Spooner was eligible for and received an extra incentive of A$85,479 gross linked to the achievement of cost-out savings in the Supply Chain Network P&L from the date of his commencement in the company on 2 February 2015 to end of F17. The cost-out saving in the P&L was achieved and the incentive was paid. The extra incentive amount reported for Mr Spooner represents time served as KMP from 1 July 2016 to 8 May 2017.
5. Includes allowances such as, but not limited to, relocation, car and repatriation.
6. Includes a proportion of the fair value of all outstanding LTIP offers at the start of the year, or which were offered during the year. Under Australian Accounting Standards, the fair value is determined as at the offer date and is apportioned on a straight-line basis across the expected vesting period after adjusting at each reporting date for an estimation of the number of shares that will ultimately vest.
7. Includes a proportion of the fair value of all Restricted Shares and Deferred Share Rights held under outstanding Restricted Equity Plans at the start of the year. F15 and F16 STIP Restricted Equity were outstanding at the end of F17. Restricted Equity granted under the F17 STIP is expected to be allocated in September 2017, and the estimated fair value has been included for reporting purposes. Under Australian Accounting Standards, the fair value is determined as at the offer date and is apportioned on a straight-line basis across the expected vesting period after adjusting at each reporting date for an estimation of the number of shares that will ultimately vest.

SUPERANNUATION/ PENSION ($)	SHARE-BASED PAYMENTS TOTAL AMORTISATION VALUE OF LTIP[6] ($)	SHARE-BASED PAYMENTS OTHER EQUITY[7] ($)	TOTAL ($)	PERFORMANCE RELATED[8] (%)	TERMINATION BENEFITS[9] ($)
19,616	**3,358,940**	**753,439**	**8,853,451**	**71**	**–**
19,308	1,631,316	255,000	5,897,546	60	–
7,438	**111,059**	**15,433**	**563,984**	**50**	**–**
–	–	–	–		–
14,377	**900,546**	**173,747**	**3,240,396**	**52**	**–**
12,441	508,251	51,509	2,403,754	40	–
16,773	**472,316**	**139,770**	**1,334,457**	**67**	**–**
19,308	244,768	88,257	1,063,078	56	–
13,788	**691,787**	**123,782**	**1,478,278**	**63**	**400,000**
11,263	79,855	31,615	857,469	42	–
16,773	**633,809**	**178,079**	**2,238,824**	**57**	**–**
26,665	334,973	98,659	1,747,369	57	–
88,765	**6,168,457**	**1,384,250**	**17,709,390**		**400,000**
88,985	2,799,163	525,040	11,969,216		–

8. Represents the sum of incentive and Performance Rights/Restricted Equity as a percentage of total remuneration, excluding termination payments.
9. Termination payments made to Mr Meehan were in accordance with his contract terms.
10. Mr Burghardt, Mr Foye and Mr Spooner are remunerated in US dollars. Amounts reported are converted to Australian dollars at average A$:US$ exchange rate for F17 of 0.7542.
11. Mr Foye's remuneration mix was adjusted on 1 March 2017 from Fixed Remuneration of US$550,000 and long-term assignment benefits of US$397,100 to Fixed Remuneration of US$625,000 and long-term assignment benefits of US$350,000.
12. Mr Foye's tax equalisation benefits represents the difference between the hypothetical taxes deducted from Mr Foye's US salary and the tax actually paid in China which is borne by TWE. Mr Foye's F16 non-monetary benefits has been updated to reflect this calculation approach.
13. Amounts reported for Mr McPherson and Mr Spooner for KMP period, from 1 July 2016 to 8 May 2017.
14. Amounts reported for Mr Meehan for KMP period, to 13 February 2017, and post-KMP transition period, through to 14 March 2017.
15. Mr Meehan exited the business on 14 March 2017 and forfeited a portion of his F17 LTIP award. The remaining portion of his F17 LTIP award, along with his full F17 STIP REP award, are subject to post-employment vesting. Under Australian Accounting Standards, the accumulated reserve is reversed upon cessation of employment to the extent forfeited.

NON-EXECUTIVE DIRECTOR REMUNERATION

4. FRAMEWORK AND OUTCOMES

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

NAME	POSITION	DATES
Non-executive directors		
Current		
PA Rayner	Chairman	Full year
ML Cattermole	Non-executive director	Full year
EYC Chan	Non-executive director	Full year
MV Cheek	Non-executive director	Full year
WL Every-Burns	Non-executive director	Full year
PR Hearl	Non-executive director	Full year
GA Hounsell	Non-executive director	Full year
LM Shanahan	Non-executive director	From 1 November 2016

(a) Fee pool

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

(b) Non-executive director fees

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

Chairman and non-executive director base fees increased during F17, effective 1 April 2017, for the second time since May 2011. Committee fees remain unchanged. The increases were informed by input from the Committee's independent remuneration adviser and awarded to remain competitive in the market, noting the increasing global operations, scale and complexity of the Group.

Table 4.1: F17 Non-executive director fees

BOARD/COMMITTEE	CHAIRMAN FEE ($)	MEMBER FEE ($)
Board base fee	495,000[1]	180,000[2]
Audit and Risk Committee	40,000	20,000
Human Resources Committee	40,000	20,000
Nominations Committee	10,000[3]	5,000

The above fees were effective from 1 April 2017 and are inclusive of superannuation.

1. The Chairman fee was increased from $440,000 per annum to $495,000 per annum, effective 1 April 2017.
2. The non-executive director base fee was increased from $160,000 per annum to $180,000 per annum, effective 1 April 2017.
3. Currently, the Chairman of the Board is also the Chairman of the Nominations Committee, thereby not receiving any additional fees for this role.

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

Currently, overseas-based directors are also entitled to a travel allowance to compensate for travel undertaken in their duties. This is in addition to any business-related expenses that may be incurred in carrying out their duties. It has previously been agreed that the travel allowance will cease at the end of F18. Travel costs are not included in base fees but are paid to non-executive directors as appropriate so that it is a targeted spend for the business to compensate for actual travel taken during the year.

Table 4.2: F17 Non-executive director travel allowances

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

The above allowances are inclusive of superannuation, if applicable.

(c) Non-executive director outcomes

Details of non-executive director remuneration for F17 and F16 are provided below.

Table 4.3: F17 Non-executive director remuneration

NON-EXECUTIVE DIRECTOR	YEAR	FEES ($)	NON-MONETARY BENEFITS[1] ($)	TRAVEL ALLOWANCE ($)	SUPER-ANNUATION ($)	TOTAL ($)
PA Rayner	**FY17**	**434,134**	**12,856**	**–**	**19,615**	**466,605**
	FY16	383,192	14,837	–	19,308	417,337
ML Cattermole	**FY17**	**178,082**	**6,888**	**–**	**16,918**	**201,888**
	FY16	160,959	6,888	–	15,291	183,138
EYC Chan	**FY17**	**159,419**	**4,000**	**10,000**	**5,581**	**179,000**
	FY16	134,815	4,000	10,000	2,685	151,500
MV Cheek	**FY17**	**185,000**	**4,000**	**20,000**	**–**	**209,000**
	FY16	153,750	4,000	10,000	–	167,750
WL Every-Burns	**FY17**	**191,781**	**6,188**	**–**	**18,219**	**216,188**
	FY16	145,000	–	–	35,000	180,000
PR Hearl	**FY17**	**168,950**	**6,888**	**–**	**16,050**	**191,888**
	FY16	150,685	6,888	–	14,315	171,888
GA Hounsell	**FY17**	**191,781**	**9,463**	**–**	**18,219**	**219,463**
	FY16	166,667	6,888	–	15,833	189,388
LM Shanahan[2]	**FY17**	**122,077**	**2,000**	**15,000**	**–**	**139,077**
	FY16	–	–	–	–	–
Total	**FY17**	**1,631,224**	**52,283**	**45,000**	**94,602**	**1,823,109**
	FY16	1,295,068	43,501	20,000	102,432	1,461,001

1. Includes car parking, product allocations, entertainment and Fringe Benefits Tax, where applicable. The amounts for Mr Rayner include car parking.
2. Ms Shanahan commenced as non-executive director from 1 November 2016.

OTHER REMUNERATION INFORMATION

5. GOVERNANCE

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

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

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

As outlined in Section 3 of the Corporate Governance Statement disclosed on the Company's website www.tweglobal.com, the Group has procedures in place for the reporting of any matter that may give rise to a conflict between the interests of a director and those of the Group. In addition, the Group has adopted a general policy for employees in relation to the disclosure and management of potential conflicts of interest (see Section 4 of the Corporate Governance Statement on www.tweglobal.com).

(b) Engagement of remuneration advisors

In F17, the Board and HRC engaged 3 degrees consulting as an independent adviser to the HRC. In the financial year, 3 degrees consulting did not provide any remuneration recommendations as defined in the Corporations Act.

(c) Executive and non-executive director share ownership

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

Table 5.1: KMP shareholdings

F17	BALANCE AT START OF THE YEAR	ACQUIRED DURING THE YEAR AS PART OF DSAP[1]	OTHER CHANGES DURING THE YEAR[2]	BALANCE AT END OF YEAR
Non-executive directors				
PA Rayner	203,068	–	25,000	228,068
ML Cattermole	171,539	2,675	–	174,214
EYC Chan	39,732	3,568	–	43,300
MV Cheek	40,998	1,783	12,343	55,124
WL Every-Burns	90,000	–	–	90,000
PR Hearl	45,000	–	–	45,000
GA Hounsell	45,334	–	9,166	54,500
LM Shanahan[3]	2,324	–	2,455	4,779
Non-executive director total	**637,995**	**8,026**	**48,964**	**694,985**

F17	BALANCE AT START OF THE YEAR	RECEIVED UPON VESTING/ EXERCISE[4]	OTHER CHANGES DURING THE YEAR[5]	BALANCE AT END OF YEAR
Executive				
Current (as at 30 June 2017)				
MA Clarke	17,020	788,418	270	805,708
RB Foye	54,000	200,747	–	254,747
GG Burghardt	625	66,087	55	66,767
Former				
AGJ McPherson	136,528	122,436	(258,964)	–
NA Meehan	–	–	–	–
RJC Spooner	2,018	75,363	(77,381)	–
Executive total	**210,191**	**1,253,051**	**(336,020)**	**1,127,222**
Grand total	**848,186**	**1,261,077**	**(287,056)**	**1,822,207**

1. Shares acquired by directors using post-tax fees in TWE's Director Share Acquisition Plan (DSAP).
2. Includes the purchase/sale of ordinary shares during F17.
3. Ms Shanahan's holding at the start of the period reflects her holding on 1 November 2016 when she became a non-executive director.
4. Includes shares acquired upon vesting of F15 LTIP awards.
5. Includes the purchase/sale of ordinary shares during F17 and balance adjustments for executives joining or leaving KMP.

6. FURTHER INFORMATION

(a) Executive contracts

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

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

The Group entered into transactions which are insignificant in amount with KMP and their related parties within normal employee, customer or supplier relationships on terms and conditions no more favourable than those available in similar arm's length dealings which include payments of salaries and benefits and purchase of Group products.

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

(c) Prior years' equity arrangements

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

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

Table 6.1: Prior years' restricted equity[1]

EXECUTIVE	PLAN	INSTRUMENT TYPE	ALLOCATION DATE	NUMBER	FACE VALUE AT ALLOCATION DATE[2,3,4,5] ($)	FAIR VALUE AT ALLOCATION DATE[6] ($)	VESTING DATE
MA Clarke	F15 STIP	Restricted Shares	15 September 2015	124,906	765,000	765,000	14 September 2017
	F16 STIP (tranche 1)	Restricted Shares	15 September 2016	38,525	419,996	419,996	14 September 2017
	F16 STIP (tranche 2)	Restricted Shares	15 September 2016	38,525	419,996	419,996	14 September 2018
	F16 LTIP	Performance Rights	4 December 2015	659,759	3,507,675	4,591,923	30 June 2018
	2015 Share Cellar	Matched Rights	30 November 2015	115	869	869	21 August 2017
	2015 Share Cellar	Matched Rights	4 March 2016	67	625	625	21 August 2017
RB Foye	F15 STIP	Restricted Shares	23 September 2015[7]	27,111	166,050	166,050	14 September 2017
	F16 STIP (tranche 1)	Restricted Shares	15 September 2016	6,979	76,084	76,084	14 September 2017
	F16 STIP (tranche 2)	Restricted Shares	15 September 2016	6,979	76,084	76,084	14 September 2018
	F16 LTIP	Performance Rights	4 December 2015	185,305	985,193	1,289,723	30 June 2018
	2015 Share Cellar	Phantom Shares	30 November 2015	115	869	869	21 August 2017
	2015 Share Cellar	Phantom Shares	4 March 2016	67	625	625	21 August 2017
GG Burghardt	F14 REP	Time Restricted Rights	16 May 2014	34,795	129,368	129,368	21 August 2017
	F16 LTIP	Performance Rights	4 December 2015	44,242	235,217	307,924	30 June 2018
	2015 Share Cellar	Matched Rights	15 July 2015	70	375	375	21 August 2017
	2015 Share Cellar	Matched Rights	19 October 2015	50	369	369	21 August 2017
	2015 Share Cellar	Matched Rights	15 January 2016	49	381	381	21 August 2017
	2015 Share Cellar	Matched Rights	29 March 2016	39	372	372	21 August 2017

1. Reports only executives who were KMP at 30 June 2017.
2. The value of STIP Deferral at allocation date is calculated based on the five-day VWAP up to and including the allocation date. The F15 STIP allocation price was $6.1250 and the F16 STIP allocation price was $10.9019.
3. The value of F16 LTIP awards at allocation date is calculated based on the ninety-day VWAP up to and including 30 June 2015 ($5.3166 per share). The vesting schedule is provided in Table 6.2.
4. The value of F14 REP award at allocation date is calculated based on the five-day VWAP up to and including 17 April 2014 ($3.7180 per share).
5. The value of matched rights is calculated based on the purchase price of the 2015 Share Cellar shares at each purchase date.
6. This value is calculated using the valuation method detailed in Note 21 of the Financial Statements.
7. Due to regulatory filings required in China prior to the allocation of Restricted Shares, Mr Foye's allocation under the F15 STIP REP was delayed.

Table 6.2: F16 LTIP vesting schedules

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

(d) Definitions

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 $M	2016[1] $M
Revenue	3	**2,534.2**	2,343.3
Cost of sales		**(1,568.3)**	(1,517.3)
Gross profit		**965.9**	826.0
Selling expenses		**(273.6)**	(264.8)
Marketing expenses		**(113.9)**	(111.3)
Administration expenses		**(128.8)**	(148.4)
Other expenses		**(35.3)**	(31.1)
Profit before tax and finance costs		**414.3**	270.4
Finance income		**19.9**	13.6
Finance costs		**(47.0)**	(34.8)
Net finance costs		**(27.1)**	(21.2)
Profit before tax		**387.2**	249.2
Income tax expense	22	**(117.3)**	(75.8)
Net profit		**269.9**	173.4
Net profit attributable to non-controlling interests		**(0.8)**	(0.1)
Net profit attributable to members of Treasury Wine Estates Limited		**269.1**	173.3
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges		**7.6**	2.4
Tax on cash flow hedges		**(3.1)**	(0.8)
Exchange difference on translation of foreign operations		**(50.8)**	28.4
Other comprehensive income for the year, net of tax		**(46.3)**	30.0
Total comprehensive income for the year attributable to members of Treasury Wine Estates Limited		**222.8**	203.3
Non-controlling interests		**0.8**	0.1
Total comprehensive income for the year		**223.6**	203.4

		CENTS PER SHARE	CENTS[1] PER SHARE
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic	7	**36.5**	24.3
Diluted	7	**36.1**	24.0

1. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

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 2017

	NOTE	2017 $M	2016[1] $M
Current assets			
Cash and cash equivalents	9	**240.8**	256.1
Receivables	9	**606.5**	603.4
Inventories	9	**947.9**	895.7
Assets held for sale	13	**36.0**	68.2
Other current assets		**4.0**	4.2
Total current assets		**1,835.2**	1,827.6
Non-current assets			
Inventories	9	**763.9**	678.4
Property, plant and equipment	10	**1,328.5**	1,347.8
Agricultural assets	11	**37.7**	35.8
Intangible assets	12	**1,095.8**	1,101.5
Deferred tax assets	22	**208.0**	270.0
Other non-current assets		**10.2**	25.4
Total non-current assets		**3,444.1**	3,458.9
Total assets		**5,279.3**	5,286.5
Current liabilities			
Bank overdraft	9	–	4.0
Trade and other payables	9	**662.5**	654.0
Current tax liabilities		**51.1**	18.4
Provisions	15	**61.3**	80.1
Other current liabilities		**4.4**	5.0
Total current liabilities		**779.3**	761.5
Non-current liabilities			
Trade and other payables	9	**57.4**	72.3
Borrowings	17	**596.4**	626.8
Deferred tax liabilities	22	**233.9**	245.1
Other non-current liabilities		**3.8**	11.6
Total non-current liabilities		**891.5**	955.8
Total liabilities		**1,670.8**	1,717.3
Net assets		**3,608.5**	3,569.2
Equity			
Contributed equity	18	**3,528.6**	3,533.6
Reserves	20	**(23.9)**	17.1
Retained earnings		**99.6**	15.1
Total parent entity interest		**3,604.3**	3,565.8
Non-controlling interest		**4.2**	3.4
Total equity		**3,608.5**	3,569.2

1. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

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 2017

	CONTRIBUTED EQUITY $M	RETAINED EARNINGS $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	OTHER RESERVES $M	TOTAL $M	NON-CONTROLLING INTERESTS $M	TOTAL EQUITY $M
Balance at 30 June 2015[1]	**3,061.3**	**(47.0)**	**(29.4)**	**3.4**	**2,988.3**	**3.3**	**2,991.6**
Profit for the year	–	173.3	–	–	173.3	0.1	173.4
Total other comprehensive income	–	–	28.4	1.6	30.0	–	30.0
Total comprehensive income for the year	**–**	**173.3**	**28.4**	**1.6**	**203.3**	**0.1**	**203.4**
Transactions with owners in their capacity as owners directly in equity							
Share based payment expense	–	–	–	14.5	14.5	–	14.5
Issue of ordinary shares	486.5	–	–	–	486.5	–	486.5
Transaction costs on issue of ordinary shares	(11.1)	–	–	–	(11.1)	–	(11.1)
Purchase of own shares	(4.5)	–	–	–	(4.5)	–	(4.5)
Vested deferred shares and share rights	1.4	–	–	(1.4)	–	–	–
Dividends to owners of the Company	–	(111.2)	–	–	(111.2)	–	(111.2)
Balance at 30 June 2016[1]	**3,533.6**	**15.1**	**(1.0)**	**18.1**	**3,565.8**	**3.4**	**3,569.2**
Profit for the year	–	269.1	–	–	269.1	0.8	269.9
Total other comprehensive income	–	–	(50.8)	4.5	(46.3)	–	(46.3)
Total comprehensive income for the year	**–**	**269.1**	**(50.8)**	**4.5**	**222.8**	**0.8**	**223.6**
Transactions with owners in their capacity as owners directly in equity							
Share based payment expense	–	–	–	18.6	18.6	–	18.6
Purchase of own shares	(18.3)	–	–	–	(18.3)	–	(18.3)
Vested deferred shares and share rights	13.3	–	–	(13.3)	–	–	–
Dividends to owners of the Company	–	(184.6)	–	–	(184.6)	–	(184.6)
Balance at 30 June 2017	**3,528.6**	**99.6**	**(51.8)**	**27.9**	**3,604.3**	**4.2**	**3,608.5**

1. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

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 2017

	NOTE	2017 $M INFLOWS/ (OUTFLOWS)	2016 $M INFLOWS/ (OUTFLOWS)
Cash flows from operating activities			
Receipts from customers		**3,237.3**	2,991.5
Payments to suppliers, governments and employees		**(2,798.3)**	(2,542.2)
Borrowing costs paid		**(2.8)**	(2.6)
Income taxes paid		**(32.0)**	(10.8)
Interest paid		**(21.7)**	(19.1)
Net cash flows from operating activities	8	**382.5**	416.8
Cash flows from investing activities			
Payments for property, plant, and equipment		**(187.8)**	(114.9)
Payments for intangible assets		**(22.6)**	(18.9)
Payments for subsidiaries, investments and other assets		**(26.4)**	(803.7)
Proceeds from sale of property, plant and equipment		**106.9**	86.8
Net cash flows from investing activities		**(129.9)**	(850.7)
Cash flows from financing activities			
Proceeds from issue of shares net of transaction costs		–	475.4
Dividend payments		**(184.6)**	(111.2)
Proceeds from borrowings		**384.5**	470.7
Repayment of borrowings		**(387.3)**	(258.7)
Proceeds from settlement of derivatives		**0.6**	10.3
Purchase of shares		**(65.9)**	(4.5)
Net cash flows from financing activities		**(252.7)**	582.0
Total cash flows from activities		**(0.1)**	148.1
Cash and cash equivalents at the beginning of the year		**252.1**	109.1
Effects of exchange rate changes on foreign currency cash flows and cash balances		**(11.2)**	(5.1)
Cash and cash equivalents at end of the year[1]	9	**240.8**	252.1

1. Represented by cash at bank of $240.8 million and bank overdraft of $(nil) million (F16: cash at bank of $256.1 million and bank overdraft of $(4.0) million).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: ABOUT THIS REPORT

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1 – ABOUT THIS REPORT

Treasury Wine Estates Limited ('the Company') is a for profit company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange (ASX). The consolidated financial statements comprise the Company and its controlled entities (collectively, 'the Group'). The financial report was authorised for issue by the Board of Directors on 30 August 2017.

The accounting policies that are critical to understanding the financial statements as a whole are set out in this section. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. Further policies, including the impact of upcoming changes to accounting standards, are set out in note 34.

Basis of preparation

The financial report is a general purpose financial report which:

- Has been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Has been prepared on a historical cost basis, except for derivative financial instruments, agricultural produce and assets and liabilities acquired in a business combination which have been measured at fair value;
- Contains comparative information that has been adjusted to align with the presentation of the current period where necessary, and to reflect the initial application of AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants*, and the finalisation of the acquisition accounting for Diageo Chateau & Estates as disclosed in note 33. Other than as disclosed above, the accounting policies are consistent with those applied in the previous financial year; and
- Is presented in Australian dollars with all values rounded to the nearest tenth of one million dollars unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.*

Statement of compliance

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

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

The notes to the financial statements

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

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

The notes are organised into the following sections:

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

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

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

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

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

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

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

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

Key estimates and judgements:

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

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

Note 3:	Revenue
Note 9:	Working capital
Note 11:	Agricultural assets
Note 12:	Intangible assets
Note 14:	Impairment of non-financial assets
Note 22:	Income tax
Note 27:	Business acquisitions

Principles of consolidation

The consolidated financial statements include the assets and liabilities of Treasury Wine Estates Limited and its controlled entities as a whole at year-end and the consolidated results and cash flows for the year. A list of controlled entities (subsidiaries) is provided in note 28.

NOTE 1 – ABOUT THIS REPORT (CONTINUED)

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

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

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

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

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The major functional currencies used throughout the Group include Australian Dollar (AUD), United States Dollar (USD) and Great British Pound (GBP). Other currencies used include the Canadian Dollar, Euro, New Zealand Dollar, Singapore Dollar, Swedish Krona, Norwegian Krone and South African Rand.

Foreign group companies

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

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

Transactions and balances

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

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

Average exchange rates used in translating profit and loss items in F17 are:

A$1 = US$0.754 (F16: US$0.728)
A$1 = GB£0.595 (F16: GB£0.492)

Year-end exchange rates used in translating financial position items in F17 are:

A$1 = US$0.768 (F16: US$0.745)
A$1 = GB£0.590 (F16: GB£0.554)

Fair value measurement

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

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

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

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

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

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

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

Subsequent events

On 17 August 2017, the Company announced an on-market share buy-back of up to $300 million which is expected to commence in early September 2017.

On 28 August 2017, the Company announced that it reached an agreement to settle the previously announced shareholder class action commenced by Brian Jones (represented by Maurice Blackburn) on 2 July 2014 relating to historical market disclosures that occurred in 2013. The settlement of the claim, which is subject to Court approval, was announced to Justice Foster in Federal Court on 28 August 2017. It is expected that the Court will consider approval of the settlement in September or early October 2017. The settlement is fully insured and will have no impact on the Company's financial results, and is without admission of liability.

On 30 August 2017, the Company announced that non-executive director, Peter Hearl, will retire from the Board with effect from 31 August 2017 and non-executive director, Lyndsey Cattermole, will retire from the Board with effect from the end of the 2017 Annual General Meeting, which will be held on 18 October 2017.

Since the end of the financial year, the Directors declared a final 50% franked dividend of 13.0 cents per share. This dividend has not been recognised as a liability in the financial statements at 30 June 2017.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: EARNINGS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 2 – SEGMENT INFORMATION

The Group's segments

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

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

The identified reportable segments in the Group are below:

(i) Australia and New Zealand (ANZ)
This segment is responsible for the manufacture, sale and marketing of wine within Australia and New Zealand. The segment also distributes beer and cider under licence in New Zealand.

(ii) Americas
This segment is responsible for the manufacture, sale and marketing of wine within North America.

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

(iv) Europe
This segment is responsible for the manufacture, sale and marketing of wine within Europe and Latin America.

Presentation of segment results

Management EBITS

The principal profit metric for internal management reporting is Management earnings before interest, tax, SGARA and material items (EBITS). Management EBITS is 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 accounting policies

Segment assets and liabilities

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

Intersegment transactions

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

Corporate charges

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

Segment loans payable and loans receivable

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

Other

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

NOTE 2 – SEGMENT INFORMATION (CONTINUED)

2017	ANZ $M	AMERICAS $M	ASIA $M	EUROPE $M	INTERSEGMENT ELIMINATION $M	TOTAL SEGMENT $M	UNALLOCATED/ CORPORATE $M	CONSOLIDATED $M
Total revenue comprises:								
Net sales revenue	591.3	1,062.0	394.3	354.1	–	2,401.7	–	2,401.7
Other revenue	87.9	38.4	–	1.4	–	127.7	4.8	132.5
Intersegment revenue	271.3	51.6	0.1	37.4	(360.4)	–	–	–
Total segment revenue (excl other income/interest)	**950.5**	**1,152.0**	**394.4**	**392.9**	**(360.4)**	**2,529.4**	**4.8**	**2,534.2**
Management EBITS	**111.1**	**189.0**	**150.1**	**48.0**	**–**	**498.2**	**(43.1)**	**455.1**
SGARA gain/(loss)	16.8	(22.5)	–	–	–	(5.7)	–	(5.7)
Material items	4.3	(36.6)	–	(2.8)	–	(35.1)	–	(35.1)
Management EBIT	**132.2**	**129.9**	**150.1**	**45.2**	**–**	**457.4**	**(43.1)**	**414.3**
Net finance costs								(27.1)
Consolidated profit before tax								**387.2**
Depreciation of property, plant and equipment	**43.6**	**51.4**	**0.4**	**1.6**	**–**	**97.0**	**2.4**	**99.4**
Amortisation of intangible assets	**1.4**	**0.4**	**–**	**0.1**	**–**	**1.9**	**7.0**	**8.9**
Assets held for sale	**23.0**	**13.0**	**–**	**–**	**–**	**36.0**	**–**	**36.0**
Capital expenditure	**85.1**	**104.2**	**0.3**	**1.4**	**–**	**191.0**	**19.4**	**210.4**
Segment assets (excl intersegment assets)	**2,173.1**	**2,127.6**	**77.9**	**350.9**	**–**	**4,729.5**	**549.8**	**5,279.3**
Segment liabilities (excl intersegment liabilities)	**271.1**	**417.5**	**28.4**	**81.5**	**–**	**798.5**	**872.3**	**1,670.8**

NOTE 2 – SEGMENT INFORMATION (CONTINUED)

2016[1]	ANZ $M	AMERICAS $M	ASIA $M	EUROPE $M	INTERSEGMENT ELIMINATION $M	TOTAL SEGMENT $M	UNALLOCATED/ CORPORATE $M	CONSOLIDATED $M
Total revenue comprises:								
Net sales revenue	590.7	991.0	293.2	357.7	–	2,232.6	–	2,232.6
Other revenue	93.8	11.2	(0.3)	1.6	–	106.3	4.4	110.7
Intersegment revenue	426.0	28.5	0.1	29.6	(484.2)	–	–	–
Total segment revenue (excl other income/interest)	1,110.5	1,030.7	293.0	388.9	(484.2)	2,338.9	4.4	2,343.3
Management EBITS	89.3	131.5	102.0	47.7	–	370.5	(36.3)	334.2
SGARA gain/(loss)	14.9	(25.9)	–	–	–	(11.0)	–	(11.0)
Material items	(6.0)	(32.5)	0.4	(8.3)	–	(46.4)	(6.4)	(52.8)
Management EBIT	98.2	73.1	102.4	39.4	–	313.1	(42.7)	270.4
Net finance costs								(21.2)
Consolidated profit before tax								249.2
Depreciation of property, plant and equipment	49.8	41.5	0.4	2.1	–	93.8	2.6	96.4
Amortisation of intangible assets	1.0	2.0	–	–	–	3.0	7.4	10.4
Assets held for sale	39.7	28.5	–	–	–	68.2	–	68.2
Capital expenditure	62.1	51.8	0.4	2.2	–	116.5	17.3	133.8
Segment assets (excl intersegment assets)	2,074.9	2,211.5	51.5	367.1	–	4,705.0	581.5	5,286.5
Segment liabilities (excl intersegment liabilities)	278.9	458.7	19.7	104.0	–	861.3	856.0	1,717.3

1. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

NOTE 3 – REVENUE

	2017 $M	2016 $M
Revenue		
Net sales revenue[1]	**2,401.7**	2,232.6
Other revenue	**132.5**	110.7
Total revenue	**2,534.2**	2,343.3

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

Types of products and services

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

During the year the Group also distributed beer and cider under licence in New Zealand and provides contract bottling services to third parties.

NOTE 3 – REVENUE (CONTINUED)

Sales approach

The Group distributes wine to a range of customers across the world, with routes-to-market tailored by country. In some geographies, wine is sold principally to large distributors. In others, the majority of sales are direct to national retail chains, independent retailers and on premise outlets. The Group also has some sales direct to the consumer.

The Group has two major customers whose revenues represent 22.8% (F16: 15.4%) and 9.0% (F16: 9.0%) of reported revenues. The customers are in the Americas and ANZ segments respectively.

Accounting policies

Revenue is measured at the fair value of the consideration received or receivable. As the Group does not generally provide extended credit terms, this is typically the amount shown on the invoice. Revenue is recorded net of sales discounts and rebates, duties and taxes. Revenue is recorded only if it is probable that the economic benefits will flow to the Group, such as when product is sold to a credit approved purchaser. The following specific criteria are also applied:

Wine

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

Bottling services

Revenue is recognised when the relevant service has been completed.

Key estimate and judgement:

Trade discounts and volume rebates

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

NOTE 4 – OTHER EARNINGS DISCLOSURES

	2017 $M	2016 $M
Rental expense relating to operating leases	**(84.7)**	(63.6)
Net foreign exchange gains/(losses)	**5.6**	(5.0)
Salaries and wages expense	**(372.4)**	(369.0)
Share based payments expense	**(18.6)**	(14.5)
Restructuring and redundancy expense[1]	**(25.6)**	(30.0)
Net gain relating to property, plant and equipment and intangible assets		
(Write-down)/reversal of write-down of assets[1]	**(30.1)**	1.7
Insurance and other income	**12.5**	–
Net profit on disposal of assets	**19.0**	4.0
	1.4	5.7

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

NOTE 4 – OTHER EARNINGS DISCLOSURES (CONTINUED)

Accounting policies

Agricultural valuation movement

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

Finance income

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

Finance costs

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

Operating leases

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

Employee benefits

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

Superannuation

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

Property, plant and equipment income

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

Other income

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

Insurance income

Revenue is recognised when recovery is virtually certain.

NOTE 5 – MATERIAL ITEMS

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

	2017 $M	2016 $M
Individually material items included in profit before income tax:		
Business acquisition transaction costs[1]	–	(24.5)
Restructuring and redundancy costs[2]	**(16.3)**	(30.0)
(Write-down)/reversal of write-down of assets[3]	**(18.8)**	1.7
Total material items (before tax)	**(35.1)**	(52.8)
Tax effect of material items	**13.1**	14.7
Total material items (after tax)	**(22.0)**	(38.1)

1. Represents transaction costs in relation to business acquisitions (refer notes 27 and 33).
2. Comprises costs in relation to executing supply chain optimisation programs, implementing overhead reductions arising from changes to the Group's supply chain network and costs associated with integrating businesses acquired.
3. Includes write-down of various assets following the commencement of integration activities, offset by the gain on sale of non-core assets during the year.

Material items

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

NOTE 6 – DIVIDENDS

	2017 $M	2016 $M
Dividends declared and paid on ordinary shares		
Final dividend for F16 of 12.0 cents per share (F15: 8.0 cents per share)	**88.6**	52.1
Interim dividend for F17 of 13.0 cents per share (F16: 8.0 cents per share)	**96.0**	59.1
	184.6	111.2
Dividends declared after balance date		
Since the end of the financial year, the Directors declared a final dividend of 13.0 cents per share (F16: 12.0 cents) 50% franked (F16: unfranked). This dividend has not been recognised as a liability in the financial statements at year end	**96.0**	88.6

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

NOTE 7 – EARNINGS PER SHARE

	2017 CENTS PER SHARE	2016[1] CENTS PER SHARE
Basic EPS		
Basic EPS (cents) based on net profit attributable to members of Treasury Wine Estates Limited	**36.5**	24.3
Diluted EPS		
Diluted EPS (cents) based on net profit attributable to members of Treasury Wine Estates Limited	**36.1**	24.0

	NUMBER	NUMBER
Weighted average number of shares		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS (in thousands)	**736,766**	713,696
Effect of potentially dilutive securities		
Deferred shares (in thousands)	**7,732**	7,220
Weighted average number of ordinary shares on issue used in the calculation of diluted EPS (in thousands)	**744,498**	720,916

	$M	$M
Earnings reconciliation		
Basic and diluted EPS		
Net profit	**269.9**	173.4
Net profit attributable to non-controlling interests	**(0.8)**	(0.1)
Net profit attributable to members of Treasury Wine Estates Limited used in calculating basic and diluted EPS	**269.1**	173.3

1. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

Calculation of Earnings per Share

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

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

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

NOTE 8 – NET CASH FLOWS FROM OPERATING ACTIVITIES

	2017 $M	2016[1] $M
Reconciliation of net cash flows from operating activities to profit after income tax		
Profit for the year	**269.9**	173.4
Depreciation and amortisation	**108.3**	106.8
Valuation decrement on agricultural assets	**5.7**	11.0
Asset write-downs/(reversal of asset write-downs)	**30.1**	(1.7)
(Profit) on disposal of non-current assets	**(19.0)**	(4.0)
Share based payments expense	**18.6**	14.5
Other	**0.7**	7.1
Net cash provided by operating activities before change in assets and liabilities	**414.3**	307.1
Change in working capital and tax balances, net of effects from acquisition/disposal of controlled entities		
Receivables	**42.9**	0.2
Inventories	**(169.6)**	(1.0)
Derivative financial assets/liabilities	**0.5**	(3.1)
Payables	**25.8**	72.2
Net tax balances	**85.3**	65.0
Provisions	**(16.7)**	(23.6)
Net cash flows from operating activities	**382.5**	416.8

1. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: WORKING CAPITAL

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 9 – WORKING CAPITAL

	2017 $M	2016[1] $M
Current		
Cash and cash equivalents	**240.8**	256.1
Receivables (a)	**606.5**	603.4
Inventories (b)	**947.9**	895.7
Bank overdraft	–	(4.0)
Trade and other payables	**(662.5)**	(654.0)
Total current	**1,132.7**	1,097.2
Non-current		
Inventories (b)	**763.9**	678.4
Trade and other payables	**(57.4)**	(72.3)
Total non-current	**706.5**	606.1

(a) Receivables

	2017 $M	2016[1] $M
Current		
Trade receivables	**476.0**	554.0
Allowance for doubtful debts	**(1.5)**	(5.0)
Other receivables	**103.8**	20.6
Prepayments	**28.2**	33.8
Total current receivables	**606.5**	603.4

(b) Inventories

	2017 $M	2016[1] $M
Current		
Raw materials and stores	**35.3**	27.5
Work in progress	**442.6**	414.8
Finished goods	**470.0**	453.4
Total current inventories	**947.9**	895.7
Non-current		
Work in progress	**637.1**	566.6
Finished goods	**126.8**	111.8
Total non-current inventories	**763.9**	678.4
Total inventories	**1,711.8**	1,574.1

1. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

Inventories of wine stocks are classified between current and non-current based on sales projections for the ensuing year. Inventories recognised as an expense during the year and included in cost of sales amounted to $1,506.4 million (F16: $1,417.1 million). In F17, the write-down of inventories to net realisable value amounted to $22.4 million (F16: $23.4 million). The reversal of write-downs amounted to $1.5 million (F16: $7.3 million). These amounts are included in cost of sales.

NOTE 9 – WORKING CAPITAL (CONTINUED)

Accounting policies

Cash and cash equivalents

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

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

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

Receivables

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

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

Inventories

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

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

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

Trade and other payables

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

Key estimates and judgements:

Trade discounts and volume rebates

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

Net realisable value of inventory

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

Forecast demand and market prices can vary significantly over the holding period up to the likely date of sale. Estimating the most likely conditions at the expected point of sale is therefore more challenging over the longer term. Non-current inventory is $763.9 million (F16: $678.4 million) and its estimated selling price is therefore a key estimate.

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

	LAND		FREEHOLD BUILDINGS		LEASEHOLD BUILDINGS		PLANT AND EQUIPMENT		TOTAL	
	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016[1] $M	2017 $M	2016[1] $M
Cost	**372.2**	378.7	**432.3**	423.8	**81.1**	81.2	**1,710.5**	1,612.4	**2,596.1**	2,496.1
Projects in progress at cost	–	–	–	–	–	–	**137.7**	104.2	**137.7**	104.2
Accumulated depreciation and impairment	**(42.4)**	(42.0)	**(218.0)**	(210.0)	**(35.7)**	(32.8)	**(1,109.2)**	(967.7)	**(1,405.3)**	(1,252.5)
Carrying amount at end of year	**329.8**	336.7	**214.3**	213.8	**45.4**	48.4	**739.0**	748.9	**1,328.5**	1,347.8
Reconciliations										
Carrying amount at start of year	**336.7**	299.7	**213.8**	185.3	**48.4**	16.3	**748.9**	577.6	**1,347.8**	1,078.9
Additions	**16.2**	–	**22.9**	25.4	**2.8**	0.9	**145.9**	88.6	**187.8**	114.9
Business acquisitions (note 27)	–	62.5	–	25.5	–	39.8	–	172.9	–	300.7
Assets held for sale	**(5.5)**	(26.5)	**(3.3)**	(21.2)	–	(0.3)	**(25.4)**	(4.3)	**(34.2)**	(52.3)
Disposals	**(10.0)**	(3.0)	**(1.7)**	(1.1)	–	(0.1)	**(9.1)**	(1.5)	**(20.8)**	(5.7)
(Write-downs)/reversals	**(0.3)**	–	**(4.1)**	0.3	**(0.2)**	(0.2)	**(23.3)**	1.6	**(27.9)**	1.7
Depreciation expense	–	–	**(7.9)**	(7.6)	**(4.4)**	(3.0)	**(87.1)**	(85.8)	**(99.4)**	(96.4)
Transfers	**(1.1)**	–	–	4.5	–	(4.9)	–	0.4	**(1.1)**	–
Foreign currency translation	**(6.2)**	4.0	**(5.4)**	2.7	**(1.2)**	(0.1)	**(10.9)**	(0.6)	**(23.7)**	6.0
Carrying amount at end of year	**329.8**	336.7	**214.3**	213.8	**45.4**	48.4	**739.0**	748.9	**1,328.5**	1,347.8

1. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

Included within plant and equipment are 'Projects in progress' of $137.7 million (F16: $104.2 million), which are assets under construction and therefore not yet depreciated. The cost of construction includes the cost of materials used in construction, direct labour on the project, and an allocation of overheads. Vines transferred from Agriculture Assets to Property, Plant and Equipment as a result of the change in accounting standards are included within Plant and Equipment.

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

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Accounting policies

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

Plant and equipment is depreciated so that the assets are written down to their residual value over their useful lives, using a reducing balance or straight-line method depending on the nature of the asset. Assets that relate to leases are written-off over the period of the lease or useful life, whichever is the shorter. Residual values, useful lives and amortisation methods are reviewed annually and adjusted when required. No changes to depreciation rates were made this year.

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

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

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

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

Derecognition and disposal

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

Vineyard resources

	2017 HECTARES	2016 HECTARES
Australia	**8,828**	8,939
New Zealand	**528**	339
United States	**3,758**	4,002
Italy	**152**	145
	13,266	13,425

The area under vine shown above:

- Includes 3,630 hectares (F16: 3,657 hectares) under lease arrangements and seven hectares (F16: seven hectares) of olive groves in Tuscany, a region of Italy.
- Yielded 112,982 tonnes of grapes (F16: 100,737 tonnes).

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

NOTE 11 – AGRICULTURAL ASSETS

	2017 $M	2016[1] $M
Agricultural assets	**37.7**	35.8
Total agricultural assets	**37.7**	35.8
Reconciliations		
Carrying amount at start of year	**35.8**	18.9
Fair value increase	**37.7**	35.8
Transfers to inventory	**(35.7)**	(19.8)
Foreign currency translation	**(0.1)**	0.9
Carrying amount at end of year	**37.7**	35.8

1. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

Grape growing and sourcing

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

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

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

Accounting policies

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

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

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

Fair value determination

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

Grapes prior to harvest

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

Harvested grapes

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

Key estimate and judgement:

Fair value of grapes

Key to estimating the value of grapes is the following:

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

NOTE 12 – INTANGIBLE ASSETS

	BRAND NAMES AND LICENCES		IT DEVELOPMENT COSTS		GOODWILL		TOTAL	
	2017 $M	2016 $M	2017 $M	2016 $M	2017 $M	2016[1] $M	2017 $M	2016[1] $M
Cost	**1,383.2**	1,407.3	**70.3**	45.4	**747.0**	750.5	**2,200.5**	2,203.2
Projects in progress at cost	–	–	**13.0**	23.4	–	–	**13.0**	23.4
Accumulated amortisation and impairment	**(465.0)**	(473.3)	**(32.1)**	(31.2)	**(620.6)**	(620.6)	**(1,117.7)**	(1,125.1)
Carrying amount at end of year	**918.2**	934.0	**51.2**	37.6	**126.4**	129.9	**1,095.8**	1,101.5
Reconciliations								
Carrying amount at start of year	**934.0**	731.7	**37.6**	24.7	**129.9**	34.7	**1,101.5**	791.1
Additions	–	–	**22.6**	18.9	–	–	**22.6**	18.9
Business acquisitions (note 27)	–	198.8	–	0.3	–	94.0	–	293.1
Impairment	**(2.2)**	–	–	–	–	–	**(2.2)**	–
Amortisation expense	–	–	**(8.9)**	(10.4)	–	–	**(8.9)**	(10.4)
Transfer from other asset classes	–	–	–	4.2	–	–	–	4.2
Foreign currency translation	**(13.6)**	3.5	**(0.1)**	(0.1)	**(3.5)**	1.2	**(17.2)**	4.6
Carrying amount at end of year	**918.2**	934.0	**51.2**	37.6	**126.4**	129.9	**1,095.8**	1,101.5

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

	ANZ		AMERICAS		EUROPE		TOTAL	
	2017 $M	2016 $M	2017 $M	2016[1] $M	2017 $M	2016[1] $M	2017 $M	2016[1] $M
Goodwill								
Carrying amount at start of year	**37.2**	34.7	**72.7**	–	**20.0**	–	**129.9**	34.7
Business acquisitions (note 27)	–	–	–	72.8	–	21.2	–	94.0
Foreign currency translation	**(0.2)**	2.5	**(2.0)**	(0.1)	**(1.3)**	(1.2)	**(3.5)**	1.2
Carrying amount at end of year	**37.0**	37.2	**70.7**	72.7	**18.7**	20.0	**126.4**	129.9
Brand names and licences								
Carrying amount at start of year	**481.2**	480.9	**449.8**	247.9	**3.0**	2.9	**934.0**	731.7
Business acquisitions (note 27)	–	–	–	198.8	–	–	–	198.8
Impairment	–	–	**(2.2)**	–	–	–	**(2.2)**	–
Foreign currency translation	–	0.3	**(13.6)**	3.1	–	0.1	**(13.6)**	3.5
Carrying amount at end of year	**481.2**	481.2	**434.0**	449.8	**3.0**	3.0	**918.2**	934.0

1. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

Indefinite life brands

Brand names with a carrying value of $918.2 million (F16: $934.0 million) are assessed as having an indefinite useful life. The indefinite useful life reflects the Group's intention to continue to manufacture or distribute these brands to generate net cash inflows into the foreseeable future.

Key estimate and judgement:

Useful life of brand names

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

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

NOTE 12 – INTANGIBLE ASSETS (CONTINUED)

Accounting policies

Brand names and licences

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

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

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

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

Goodwill

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

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

IT development and software

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

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

NOTE 13 – ASSETS HELD FOR SALE

	2017 $M	2016[1] $M
Disposal groups held for sale	**36.0**	68.2
Total assets classified as held for sale	**36.0**	68.2

1. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

Assets held for sale comprise property, plant and equipment identified by the Group to be recovered through sale and includes Rutherford House in the Americas, Australian Oak Barrels (2017 Vintage) and other assets within Australia and New Zealand that are surplus to requirements.

Accounting policies

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

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

NOTE 14 – IMPAIRMENT OF NON-FINANCIAL ASSETS

In F17 the recoverable amounts of cash generating units (CGUs) exceed their carrying values and as a result no impairment has been recognised (F16: Nil). There were no indications that previously recognised impairment losses should be reversed (F16: Nil). The recoverable amount was determined through a value in use calculation.

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

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

Accounting policies

Timing of impairment testing

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

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

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

Approach to impairment testing

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

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

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

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

Reversals of impairment

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

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

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

Key estimate and judgement:

Impairment testing key assumptions

The Group has estimated recoverable amount based on value in use at 30 June 2017. Key estimates and judgements include:

Cash flow forecasts

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

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

This approach is consistent with the prior period.

Long-term growth rates

Cash flow forecasts beyond a five-year period are extrapolated using a growth rate range of 2.0% to 3.0% (F16: 2.5%). Growth rates are specific to individual CGUs and reflect expected future market and economic conditions.

Discount rate

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

	2017	2016
Americas	**10.9%**	11.4%
Europe	**10.0%**	10.5%
ANZ	**11.3%**	12.8%

Exchange rates

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

Sensitivity analysis

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

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

NOTE 15 – PROVISIONS

	2017 $M	2016[1] $M
Current		
Employee entitlements	**34.9**	38.8
Other	**26.4**	41.3
Total current provisions	**61.3**	80.1

Other provisions

	ONEROUS CONTRACTS $M	RESTRUCTURING $M	OTHER $M	TOTAL $M
2017				
Carrying amount at start of year	**12.6**	**27.4**	**1.3**	**41.3**
Charged/(credited) to profit or loss	**(4.2)**	**11.8**	**3.0**	**10.6**
Payments	**(4.5)**	**(20.4)**	**(0.2)**	**(25.1)**
Foreign currency translation	**(0.1)**	**(0.4)**	**0.1**	**(0.4)**
Carrying amount at end of year	**3.8**	**18.4**	**4.2**	**26.4**
2016[1]				
Carrying amount at start of year	8.7	41.1	3.6	53.4
Business acquisitions (note 27)	10.9	0.1	–	11.0
Charged/(credited) to profit or loss	(4.2)	16.1	–	11.9
Payments	(2.9)	(30.2)	(3.1)	(36.2)
Foreign currency translation	0.1	0.3	0.8	1.2
Carrying amount at end of year	12.6	27.4	1.3	41.3

1. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

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

Accounting policies

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

If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax risk free rate plus, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee entitlements

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

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

Restructuring

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

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

Onerous contracts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: CAPITAL STRUCTURE

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 16 – CAPITAL MANAGEMENT

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

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

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

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

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

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

NOTE 17 – BORROWINGS

	2017 $M	2016[1] $M
Total borrowings consist of:		
Current	**4.1**	4.3
Non-current	**596.4**	626.8
Total borrowings	**600.5**	631.1

1. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

Details of major arrangements

US Private Placement Notes and Debt Facilities

US Private Placement (USPP) notes of US$150.0 million were issued during the year bringing the total issued amount to US$400.0 million (unsecured) with maturities ranging from December 2020 to June 2029. The carrying value of USPP notes at 30 June 2017 is $520.8 million (F16: $348.5 million).

The Group's bank debt facilities were refinanced during the year, with maturity extensions actioned on a portion of existing commitments. As at 30 June 2017 no bank facilities were drawn therefore the carrying value is nil (F16: $201.4 million).

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

The Group is party to a number of finance lease arrangements which have a carrying value of $77.9 million at 30 June 2017 (F16: $85.0 million). The Group's finance lease arrangements have durations up to 14 years.

Financial guarantees

The Group has issued financial guarantees to other persons of $23.7 million (F16: $23.2 million) that could be called upon at any time in the event of a breach of the Group's financial obligations. No payments are expected to eventuate under these financial guarantees as the Group expects to meet its respective obligations to the beneficiaries of these guarantees.

NOTE 17 – BORROWINGS (CONTINUED)

Receivables purchasing agreement

The Group has entered into an uncommitted non-recourse receivable purchasing agreement to sell certain domestic and international receivables, from time to time, to an unrelated entity in exchange for cash. For the year ended 30 June 2017, no amounts had been sold under this arrangement (F16: nil).

Accounting policies

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

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

NOTE 18 – CONTRIBUTED EQUITY

	2017 $M	2016 $M
Issued and paid-up capital		
738,135,033 (F16: 738,135,033) ordinary shares, fully paid	**3,540.5**	3,540.5
Own shares held	**(11.9)**	(6.9)
	3,528.6	3,533.6
Contributed equity at the beginning of the period	**3,533.6**	3,061.3
Shares issued:		
Nil (F16: 86,873,630 shares pursuant to the two for 15 rights issue)	**-**	475.4
Net movement in own shares held	**(5.0)**	(3.1)
Contributed equity at the end of the period	**3,528.6**	3,533.6

Securities purchased on market

The following securities were purchased on market by TWE during the financial year for the purpose of the employee incentive scheme:	NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE
Ordinary Shares	204,300	$11.21
Ordinary Shares	204,300	$11.28
Ordinary Shares	204,300	$11.21
Ordinary Shares	204,300	$11.19
Ordinary Shares	204,300	$11.24
Ordinary Shares	204,300	$11.21
Ordinary Shares	204,300	$11.35
Ordinary Shares	200,255	$11.34

The shares have no par value.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

Treasury shares

Effective from 13 February 2017, the Group engaged a third party to purchase shares in the Company to be used to satisfy share based payment obligations upon vesting under the Group's Employee Equity Plans. Historically, such commitments were satisfied by way of treasury share purchases (i.e. the Group acquiring shares on market directly). Treasury shares that had previously been purchased remain available to satisfy any future vesting under the Group's Employee Equity Plans. A total of 4.9 million (F16: 1.3 million) shares are available at 30 June 2017. During the year the Group purchased 1.6 million ($18.3 million) treasury shares and 3.9 million ($47.6 million) shares under the third party arrangement.

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

NOTE 19 – COMMITMENTS

	2017 $M	2016 $M
Leases		
Non-cancellable leases		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
under one year	**84.6**	98.7
between one year and five years	**269.7**	272.8
over five years	**555.3**	539.4
Total lease commitments	**909.6**	910.9
Capital expenditure and other commitments		
The following expenditure has been contracted but not provided for in the financial statements:		
Capital expenditure	**58.6**	38.6

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

Accounting policies

Leases

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

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

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

Refer to note 34 outlining the expected impact on the Group from the initial adoption of AASB 16 *Leases*.

NOTE 20 – RESERVES

	2017 $M	2016[1] $M
Cash flow hedge reserve	**2.2**	(2.3)
Share based payments reserve	**25.7**	20.4
Foreign currency translation reserve	**(51.8)**	(1.0)
Total reserves	**(23.9)**	17.1

1. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

Cash flow hedge reserve

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

Share based payment reserve

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

Foreign currency translation reserve

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

NOTE 21 – EMPLOYEE EQUITY PLANS

	STIP (RESTRICTED SHARES)	LTIP (PERFORMANCE RIGHTS)	REP (RESTRICTED SHARES/DEFERRED SHARE RIGHTS)	SHARE CELLAR (BROAD-BASED EMPLOYEE SHARE PLAN)
Outstanding at the beginning of the year	**292,482**	**5,787,663**	**1,924,856**	**86,966**
Granted during the year	164,392	1,886,007	168,850	59,060
Vested during the year	–	(2,842,019)	(543,205)	(15,951)
Forfeited during the year	–	(581,659)	(138,752)	(8,487)
Outstanding at the end of the year	**456,874**	**4,249,992**	**1,411,749**	**121,588**
Exercisable at the end of the year	–	–	–	–

The Group operates equity plans as outlined below:

F15 Short-term Incentive Plan (STIP) Restricted Equity

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

- Subject to a mandatory two-year disposal restriction period and continued employment;
- Holders of Restricted Shares are entitled to dividends and to exercise their voting rights during the restriction;
- Will generally be forfeited if the executive is dismissed for cause or resigns. Clawback mechanisms also exist.

F16 STIP Restricted Equity and F17 STIP Restricted Equity

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

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

LTIP

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

For the F15 award (vested at 30 June 2017), Performance Rights are subject to dual performance measures with equal weighting over a performance period of three years.

- Relative Total Shareholder Return (TSR)
- Earnings per Share (EPS) compound annual growth rate (CAGR)
- Will generally be forfeited if the executive is dismissed for cause or resigns. Clawback mechanisms apply.

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

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

Restricted Equity Plan (REP)

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

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

Share Cellar (broad-based Employee Share Plan)

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

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

NOTE 21 – EMPLOYEE EQUITY PLANS (CONTINUED)

Accounting policies

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

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

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

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

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

Active share based payment plans:

Long-term Incentive Plans

The below table outlines the F16 and F17 LTIP plans which have a vesting date post 30 June 2017:

GRANT DATE	04-DEC-15	05-DEC-16
Grant date share price	$7.97	$10.42
Expected share price volatility (%)	34.0	35.0
Expected dividend yield (%)	2.8	2.3
Risk-free interest rate (%)	2.2	1.9
Fair value estimate at grant date – TSR	$6.50	$6.44
Fair value estimate at grant date – ROCE	$7.42	$9.82

Restricted Equity Plans

GRANT DATE	GRANT DATE SHARE PRICE
F14	
18-Dec-13	$4.57
30-Apr-14	$3.81
16-May-14	$4.08
F15	
29-Aug-14	$5.11
24-Sep-14	$4.93
17-Nov-14	$4.52
6-Mar-15	$5.29
F16	
4-Sep-15	$5.98
4-Dec-15	$7.97
F17	
5-Dec-16	$10.42

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: TAXATION

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 22 – INCOME TAX

	2017 $M	2016[1] $M
The major components of income tax expense are:		
Statement of profit or loss		
Current income tax	**75.7**	38.3
Deferred income tax	**41.6**	37.5
Total tax expense	**117.3**	75.8
Deferred income tax expense included in the income tax expense comprises:		
Decrease in deferred tax assets	**42.9**	44.4
(Decrease) in deferred tax liabilities	**(1.3)**	(6.9)
Deferred income tax	**41.6**	37.5

Tax reconciliation

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:

	2017 $M	2016[1] $M
Profit before tax excluding material items	**422.3**	302.0
Material items before tax	**(35.1)**	(52.8)
Profit before tax	**387.2**	249.2
Prima facie income tax expense attributable to profit from operations calculated at the rate of 30% (F16: 30%)	**116.2**	74.8
Tax effect of:		
Non-taxable income and profits, net of non-deductible expenditure	**2.7**	3.9
Other deductible items	**(1.7)**	(0.9)
Tax losses recognised	**(6.0)**	(5.7)
Change in tax rate	**0.4**	0.8
Foreign tax rate differential	**4.4**	0.9
Other	**(0.2)**	2.7
Under/(over) provisions in previous years	**1.5**	(0.7)
Total tax expense	**117.3**	75.8
Income tax expense on operations	**130.4**	90.5
Income tax benefit attributable to material items	**(13.1)**	(14.7)
Income tax expense	**117.3**	75.8

Deferred income tax relates to the following:

	2017 $M	2016[1] $M
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Inventory	**25.2**	52.2
Property, plant and equipment (including vines)	**0.5**	18.4
Accruals	**34.5**	36.5
Provisions	**27.9**	32.6
Foreign exchange	–	2.1
Tax losses	**89.4**	89.8
Other	**30.5**	38.4
Total deferred tax assets	**208.0**	270.0
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Inventory	**11.4**	2.2
Property, plant and equipment (including vines)	**71.6**	86.4
Intangibles	**143.6**	151.6
Foreign exchange	**2.6**	–
Other	**4.7**	4.9
Total deferred tax liabilities	**233.9**	245.1

1. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

NOTE 22 – INCOME TAX (CONTINUED)

	2017 $M	2016[1] $M
Movements in deferred income tax relate to the following:		
Movement in deferred tax assets:		
Opening balance	**270.0**	193.3
(Charged) to the profit or loss	**(42.9)**	(44.4)
Business acquisitions (note 27)	–	135.7
Foreign currency translation	**(6.3)**	5.6
Balance sheet reclassification	**(12.4)**	(22.0)
Other	**(0.4)**	1.8
Closing balance	**208.0**	270.0
Movement in deferred tax liabilities:		
Opening balance	**245.1**	169.0
(Charged) to the profit or loss	**(1.3)**	(6.9)
Business acquisitions (note 27)	–	96.0
Foreign currency translation	**(6.9)**	5.0
Balance sheet reclassification	**(3.6)**	(18.7)
Other	**0.6**	0.7
Closing balance	**233.9**	245.1
Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited to equity	**3.1**	0.8

1. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

Unrecognised tax assets

There are potential future income tax benefits relating to accumulated losses in non-Australian group companies, which have not been brought to account. These possible benefits amount to $43.8 million (F16: $66.6 million).

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

Ongoing tax audits

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

Franking credits

The Australian Tax Consolidation Group has $36.7 million (F16: $9.5 million) franking credits available for subsequent reporting periods.

Key estimate and judgement:

Taxation

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

NOTE 22 – INCOME TAX (CONTINUED)

Accounting policies

Current taxes

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

Deferred taxes

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

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

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

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

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

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss or on the recognition of goodwill.
- Foreign taxes which may arise in the event of retained profits of foreign controlled entities being remitted to Australia as there is no present intention to make any such remittances.

Deferred tax assets and deferred tax liabilities associated with indefinite life intangibles such as brand names are measured based on the tax consequences that would follow from the use and sale of that asset.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Offsetting deferred tax balances

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

NOTE 23 – FINANCIAL RISK MANAGEMENT

Financial risk management framework

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

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

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

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

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

	NOTE	LIQUIDITY RISK (a)	INTEREST RATE RISK (b)	FOREIGN EXCHANGE RISK (c)	CREDIT RISK (d)
Net borrowings	17	×	×	×	×
Receivables	9		×	×	×
Other financial assets	9			×	×
Payables	9	×		×	
Derivative financial assets and liabilities	24, 34		×	×	×

(a) Liquidity risk

Nature of the risk

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

Risk management

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

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

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

	2017 $M	2016 $M
Committed facilities		
Available facilities	**1,178.8**	1,004.8
Amounts utilised	**(520.8)**	(537.0)
Amount unutilised	**658.0**	467.8

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

NOTE 23 – FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Liquidity risk (continued)

Level of exposure at balance date

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

	MATURING IN:						
	6 MONTHS OR LESS $M	6 MONTHS TO 1 YEAR $M	1 TO 2 YEARS $M	2 TO 5 YEARS $M	OVER 5 YEARS $M	CONTRACTUAL TOTAL $M	CARRYING AMOUNT $M
2017							
Non-derivative financial liabilities							
Bank loans[1]	–	–	–	–	–	–	**(3.0)**
Finance leases	**4.4**	**4.1**	**8.2**	**24.5**	**63.5**	**104.7**	**77.9**
Other loans	–	–	**0.8**	–	–	**0.8**	**0.8**
US Private Placement Notes	**10.4**	**9.3**	**18.7**	**152.0**	**486.4**	**676.8**	**520.8**
Trade payables	**279.5**	–	–	–	–	**279.5**	**279.5**
Other payables (financial liabilities)	**383.0**	–	–	–	–	**383.0**	**383.0**
Derivative financial liabilities							
Foreign exchange contracts	**0.1**	**0.2**	**0.2**	–	–	**0.5**	**0.5**
Interest rate swaps	**0.9**	**1.3**	**2.6**	**7.8**	**3.9**	**16.5**	**4.2**
Total financial liabilities	**678.3**	**14.9**	**30.5**	**184.3**	**553.8**	**1,461.8**	**1,263.7**
2016[2]							
Non-derivative financial liabilities							
Bank loans[1]	2.9	2.9	139.6	72.6	–	218.0	196.6
Bank overdraft	4.0	–	–	–	–	4.0	4.0
Finance leases	4.2	4.2	8.6	25.3	73.9	116.2	85.0
Other loans	–	–	0.8	–	–	0.8	0.8
US Private Placement Notes	6.2	5.8	11.6	135.0	267.0	425.6	348.5
Trade payables	289.1	–	–	–	–	289.1	289.1
Other payables (financial liabilities)	364.9	–	–	–	–	364.9	364.9
Derivative financial liabilities							
Foreign exchange contracts	0.6	0.7	–	–	–	1.3	1.3
Interest rate swaps	0.8	0.6	1.0	2.2	0.8	5.4	0.1
Total financial liabilities	672.7	14.2	161.6	235.1	341.7	1,425.3	1,290.3

1. Loans are stated net of capitalised facility finance costs. At reporting date, the balance of bank loans is US$nil million (F16: US$150 million) against capitalised facility finance costs of $3.0 million (F16: $4.8 million) to be amortised over the facility period.
2. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

NOTE 23 – FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Interest rate risk

Nature of the risk

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

Risk management

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

A combination of interest rate swaps were exchanged to obtain the desired ratio of fixed and floating interest rates. At 30 June 2017, interest rate swap contracts were in use to exchange fixed interest rates on $260.4 million (US$200.0 million) of US Private Placement notes to floating rates. The swaps mature in December 2023, June 2027 and June 2029. Please refer note 23(a) for the profile and timing of cash flows over the next five years.

Level of exposure at balance date

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

	2017 $M	2016 $M
Financial assets		
Cash and cash equivalents	**240.8**	256.1
Total assets	**240.8**	256.1
Financial liabilities		
Bank overdraft	–	4.0
US Private Placement Notes[1]	**195.3**	67.1
Bank loans	–	67.1
Total liabilities	**195.3**	138.2

1. Net of hedged amounts.

Sensitivity analysis

The table below shows the impact by currency denomination if the Group's weighted average floating interest rates change from the year-end rates of 0.67% (F16: 1.10%) with all other variables held constant.

	SENSITIVITY		PRE-TAX IMPACT ON PROFIT			
	2017	2016	2017		2016	
CURRENCY			+ $M	– $M	+ $M	– $M
USD	**+ / – 25bp**	+ / – 25bp	**(0.1)**	**0.1**	(0.2)	0.2
AUD	**+ / – 25bp**	+ / – 25bp	**0.0**	**0.0**	0.2	(0.2)
GBP	**+ / – 25bp**	+ / – 25bp	**0.1**	**(0.1)**	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.

NOTE 23 – FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Foreign exchange risk

Nature of the risk

The Group is exposed to foreign exchange risk through:

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

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

Risk management

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

A proportion of expenses are hedged over time up to a period of three years. The timing, nominal amount and average price of the instruments in place at 30 June 2017 are disclosed in the table below.

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

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

Open foreign currency hedges at 30 June 2017

CURRENCY	HEDGE TYPE	HEDGE VALUE (NOTIONAL AUD)	AVERAGE HEDGE RATE
AUD/USD	Forward	18.0	0.74
	Option Collar	100.2	0.81
	Total	**118.2**	
AUD/GBP	Forward	15.0	0.58
	Option Collar	85.4	0.62
	Total	**100.4**	
EUR/GBP	Option Collar	5.4	0.87
	Total	**5.4**	
USD/GBP	Forward	13.3	1.29
	Option Collar	13.3	1.24
	Total	**26.6**	
ZAR/GBP	Forward	3.7	18.75
	Option Collar	3.2	17.32
	Total	**6.9**	

NOTE 23 – FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Foreign exchange risk (continued)

Level of exposure at balance date

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

ALL BALANCES TRANSLATED TO AUD	AUD $M	USD $M	GBP $M	OTHER $M	TOTAL $M
2017					
Net debt					
Cash and cash equivalents	**18.3**	**108.3**	**56.8**	**57.4**	**240.8**
Loan receivable	**0.9**	–	–	–	**0.9**
Bank loans[1]	**1.5**	**1.5**	–	–	**3.0**
US Private Placement Notes (net of fair value hedge)	–	**(520.8)**	–	–	**(520.8)**
Lease liabilities	**(0.3)**	**(77.6)**	–	–	**(77.9)**
Other loan payable	**(0.8)**	–	–	–	**(0.8)**
Net debt	**19.6**	**(488.6)**	**56.8**	**57.4**	**(354.8)**
Other financial assets/(liabilities)					
Trade receivables (net of the allowance for doubtful debts)	**211.0**	**122.9**	**83.2**	**57.4**	**474.5**
Other receivables	**55.6**	**31.6**	**1.0**	**15.6**	**103.8**
Trade and other payables	**(282.3)**	**(330.8)**	**(63.0)**	**(43.8)**	**(719.9)**
Net other assets/(liabilities)	**(15.7)**	**(176.3)**	**21.2**	**29.2**	**(141.6)**
2016[2]					
Net debt					
Cash and cash equivalents	61.8	53.8	84.4	56.1	256.1
Bank overdraft	–	–	–	(4.0)	(4.0)
Loan receivable	0.9	–	–	–	0.9
Bank loans[1]	4.8	(201.4)	–	–	(196.6)
US Private Placement Notes (net of fair value hedge)	–	(335.6)	–	–	(335.6)
Lease liabilities	(0.5)	(84.5)			(85.0)
Other loan payable	(0.8)	–	–	–	(0.8)
Net debt	66.2	(567.7)	84.4	52.1	(365.0)
Other financial assets/(liabilities)					
Trade receivables (net of the allowance for doubtful debts)	238.9	178.3	60.8	71.0	549.0
Other receivables	5.9	11.0	2.4	2.0	21.3
Trade and other payables	(262.4)	(351.3)	(79.9)	(32.7)	(726.3)
Net other assets/(liabilities)	(17.6)	(162.0)	(16.7)	40.3	(156.0)

1. Includes capitalised borrowing costs of $3.0 million (F16: $4.8 million).
2. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

Sensitivity analysis

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

	SENSITIVITY ASSUMPTION[1]		PRE-TAX IMPACT ON PROFIT ($M)				IMPACT ON EQUITY ($M)			
	2017	2016	2017		2016		2017		2016	
CURRENCY			+	–	+	–	+	–	+	–
United States Dollar	**9.3%**	12.3%	**(0.9)**	**1.0**	(0.2)	0.2	**(130.4)**	**162.2**	(178.0)	230.2
Great British Pound[2]	**9.8%**	13.1%	**(0.3)**	**0.4**	–	(0.1)	**(24.1)**	**30.0**	(25.3)	37.1
Euro	**9.3%**	11.1%	**(0.3)**	**0.4**	(3.8)	4.7	**(3.3)**	**4.1**	(5.3)	6.0
Canadian Dollar	**7.9%**	9.1%	**(1.6)**	**1.8**	(1.8)	2.2	**0.8**	**(0.9)**	(0.9)	1.1
New Zealand Dollar[2]	**7.0%**	8.8%	–	–	–	–	**(9.1)**	**10.4**	(9.6)	11.4

1. Australian dollar versus individual currencies. Implied one year currency volatility at reporting date (Source: Bloomberg).
2. The '–' denotes a balance that is less than $100,000.

NOTE 23 – FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Credit risk

Nature of the risk

Counterparty credit risk arises primarily from the following assets:

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

Risk management

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

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

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

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

Level of exposure at balance date

The maximum counterparty credit risk exposure at 30 June 2017 in respect of derivative financial instruments was $4.1 million (F16: $5.1 million) and in respect of cash and cash equivalents was $67.4 million (F16: $53.7 million). The Group's authorised counterparties are restricted to banks and financial institutions whose long term credit rating is at or above a Standard and Poor's rating of A- (or Moody's equivalent rating of A3), with any exceptions requiring approval from the Board. Commercial paper investments are restricted to counterparties whose short term credit rating is at or above a Standard and Poor's rating of A-1 (or Moody's equivalent rating of P-2). The magnitude of credit risk in relation to receivables is generally the carrying amount, net of any provisions for doubtful debts. The ageing of the consolidated Group trade receivables (net of provisions) is outlined below:

	2017 $M	2016 $M
Not past due	**455.1**	521.4
Past due 1–30 days	**13.4**	16.8
Past due 31–60 days	**2.3**	6.0
Past due 61 days+	**3.7**	4.8
Total	**474.5**	549.0

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

NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS

At reporting date there were $312.2 million (Australian dollar equivalent) net face value of outstanding foreign exchange contracts at contract rates (F16: $192.0 million) and interest rate swaps of $390.6 million (F16: $402.8 million). These instruments are regarded as being Level 2 under AASB's Fair Value measurement hierarchy.

NOTE 25 – FAIR VALUES

The fair values of cash and cash equivalents, financial assets and most financial liabilities approximate their carrying value. The fair value of the US Private Placement Notes is $590.1 million (F16: $401.6 million). There have been no reclassifications of financial assets from fair value to cost, or from cost or amortised cost to fair value during the year.

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

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

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

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

NOTE 26 – CLASS ACTION

On 28 August 2017, the Company reached an agreement to settle the previously announced shareholder class action commenced by Brian Jones (represented by Maurice Blackburn) on 2 July 2014 relating to historical market disclosures that occurred in 2013. The settlement of the claim, which is subject to Court approval, was announced to Justice Foster in the Federal Court on 28 August 2017. It is expected that the Court will consider approval of the settlement in September or early October 2017. The settlement is fully insured and will have no impact on the Company's financial results, and is without admission of liability.

A second class action was commenced in the Supreme Court of Victoria on 22 December 2014 by Melbourne City Investments Pty Ltd (MCI) on behalf of shareholders who acquired the Company's shares on or after 17 August 2012 and who held those shares on 15 July 2013. This proceeding was commenced following an earlier proceeding commenced by MCI having been permanently stayed by order of the Supreme Court of Victoria as being an abuse of process, and the High Court having refused MCI special leave to appeal this decision. On 5 July 2016 Justice Foster of the Federal Court ordered the second MCI proceeding also be permanently stayed as an abuse of process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: GROUP COMPOSITION

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 27 – BUSINESS ACQUISITIONS

There have been no business acquisitions for the year ended 30 June 2017.

Diageo Chateau & Estates

On 1 January 2016 the Company acquired 100% of the ordinary shares of Diageo Chateau & Estates, a company incorporated in the US. This included the acquisition of related assets in the UK. The acquisition accounting for this transaction has now been finalised.

The final acquisition accounting resulted in a $41.3 million increase to the goodwill recognised on acquisition, predominately attributable to non-current assets. There was no impact to the Group's profit/loss as a result of these changes. Refer to note 33(a) for further details in relation to the finalisation of the acquisition accounting.

Acquisition of assets

The acquisition method of accounting is used for all asset acquisitions regardless of whether equity instruments or other assets are acquired.

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 generally included in the asset's carrying amount. 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.

Key estimate and judgement:

Business combinations

Business combinations (acquisitions of subsidiaries) are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer. Acquisition-related costs are expensed as incurred, and included in administration expenses.

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. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. Under the acquisition method, the Group has up to 12 months post the acquisition date to finalise the fair value of identifiable assets and liabilities.

NOTE 28 – SUBSIDIARIES

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

ENTITY NAME	COUNTRY OF INCORPORATION
Equity holding of 100% (F16: 100%)	
Aldershot Nominees Pty. Ltd.*	Australia
B Seppelt & Sons Limited*	Australia
Beringer Blass Distribution S.R.L.	Italy
Beringer Blass Italia S.R.L.	Italy
Beringer Blass Wine Estates Chile Limitada	Chile
Beringer Blass Wine Estates Limited	UK
Beringer Blass Wines Pty. Ltd.*	Australia
Bilyara Vineyards Pty. Ltd.*	Australia
Cellarmaster Wines (UK) Limited	UK
Cellarmaster Wines Holdings (UK) Limited	UK
Coldstream Australasia Limited*	Australia
Cuppa Cup Vineyards Pty. Ltd.	Australia
Devil's Lair Pty. Ltd.	Australia
Ewines Pty. Ltd.	Australia
FBL Holdings Limited	UK
Il Cavaliere del Castello di Gabbiano S.r.l.	Italy
Interbev Pty. Ltd.*	Australia
Island Cooler Pty. Ltd.[a]	Australia
James Herrick Wines Limited	UK
Leo Buring Pty. Ltd.	Australia
Lindeman (Holdings) Limited*	Australia
Lindemans Wines Pty. Ltd.	Australia
Mag Wines Pty. Ltd	Australia
Majorca Pty. Ltd.*	Australia
MBL Packaging Pty. Ltd.[b]	Australia
Mildara Holdings Pty. Ltd.*	Australia
North America Packaging (Pacific Rim) Corporation	USA
Penfolds Wines Pty Ltd	Australia
Piat Pere et Fils B.V.	Netherlands
Premium Land, Inc.	USA
Robertsons Well Pty. Ltd.	Australia
Robertsons Well Unit Trust	Australia
Rosemount Estates Pty. Ltd.	Australia
Rothbury Wines Pty. Ltd.*	Australia
SCW905 Limited*	Australia
Seaview Wynn Pty. Ltd.*	Australia
Southcorp Australia Pty. Ltd.*	Australia
Southcorp Brands Pty. Ltd.*	Australia
Southcorp International Investments Pty. Ltd.*	Australia
Southcorp Limited*	Australia
Southcorp NZ Pty. Ltd.*	Australia
Southcorp Whitegoods Pty. Ltd.	Australia
Southcorp Wines Asia Pty. Ltd.	Australia
Southcorp Wines Europe Limited	UK
Southcorp Wines Pty. Ltd.*	Australia
Southcorp XUK Limited	UK
T'Gallant Winemakers Pty. Ltd.	Australia
The New Zealand Wine Club Limited	UK

NOTE 28 – SUBSIDIARIES (CONTINUED)

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

* Entity is a member of the Closed Group under the Deed of Cross Guarantee (refer to note 30) and relieved from the requirement to prepare audited financial statements by ASIC Corporations (Wholly owned Companies) Instrument 2016/785.

(a) These entities were deregistered on 3 July 2016.

(b) This entity was deregistered on 13 July 2016.

(c) This entity was formerly Diageo Chateau & Estates.

(d) This entity was deregistered on 28 November 2016.

NOTE 28 – SUBSIDIARIES (CONTINUED)

Equity holding of less than 100%

ENTITY NAME	COUNTRY OF INCORPORATION	% OF HOLDING 2017	% OF HOLDING 2016
Fiddlesticks LLC	USA	**50.0**	50.0
Graymoor Estate Joint Venture	Australia	**48.8**	48.8
Graymoor Estate Pty. Ltd.	Australia	**48.8**	48.8
Graymoor Estate Unit Trust	Australia	**48.8**	48.8
North Para Environment Control Pty. Ltd.	Australia	**69.9**	69.9

NOTE 29 – PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2017 $M	2016 $M
Balance sheet		
Current assets	**6,398.9**	6,837.7
Total assets	**8,749.9**	9,187.4
Current liabilities	**4,863.9**	5,131.3
Total liabilities	**4,863.9**	5,131.3
Net assets	**3,886.0**	4,056.1
Shareholders' equity		
Issued capital	**3,540.5**	3,540.5
Share based payments reserve	**25.8**	20.4
Retained earnings	**319.7**	495.2
Total equity	**3,886.0**	4,056.1
Profit for the year	**9.1**	500.1
Total comprehensive income	**9.1**	500.1

(b) Financial guarantees

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

(c) Class action

Refer note 26 for class actions pending.

(d) Tax consolidation legislation

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

NOTE 30 – DEED OF CROSS GUARANTEE

Under the terms of ASIC Corporations (Wholly owned Companies) Instrument 2016/785, certain wholly owned controlled entities have been granted relief from the requirement to prepare audited financial reports. It is a condition of the class order that the Company and each of the relevant subsidiaries enter into a Deed of Cross Guarantee whereby each company guarantees the debts of the companies party to the Deed. The member companies of the Deed of Cross Guarantee are regarded as the 'Closed Group' and identified in note 28.

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 2017 are set out below.

NOTE 30 – DEED OF CROSS GUARANTEE (CONTINUED)

	2017 $M	2016[1] $M
Extract of the statement of profit or loss and other comprehensive income		
Profit before tax	**267.1**	760.2
Income tax expense	**(75.2)**	(64.1)
Net profit after tax	**191.9**	696.1
Retained earnings at beginning of the year	**500.3**	(84.6)
External dividends	**(184.6)**	(111.2)
Retained earnings at end of the year	**507.6**	500.3
Statement of financial position		
Current assets		
Cash and cash equivalents	**14.2**	66.7
Receivables	**1,618.4**	1,557.8
Inventories	**391.5**	332.8
Investments	**1.8**	–
Assets held for sale	**20.2**	21.5
Other current assets	**4.0**	5.3
Total current assets	**2,050.1**	1,984.1
Non-current assets		
Inventories	**473.0**	400.2
Investments	**3,182.6**	3,183.7
Property, plant and equipment	**498.3**	489.9
Agricultural assets	**–**	–
Intangible assets	**408.1**	397.9
Deferred tax assets	**45.2**	38.8
Other non-current assets	**1.5**	2.6
Total non-current assets	**4,608.7**	4,513.1
Total assets	**6,658.8**	6,497.2
Current liabilities		
Trade and other payables	**281.4**	250.3
Borrowings	**2,190.3**	2,117.2
Current tax liabilities	**49.8**	14.8
Provisions	**33.7**	40.7
Other current liabilities	**4.1**	5.0
Total current liabilities	**2,559.3**	2,428.0
Non-current liabilities		
Deferred tax liabilities	**21.6**	3.1
Other non-current liabilities	**4.1**	5.0
Total non-current liabilities	**25.7**	8.1
Total liabilities	**2,585.0**	2,436.1
Net assets	**4,073.8**	4,061.1
Equity		
Contributed equity	**3,540.5**	3,540.5
Reserves	**25.7**	20.3
Retained earnings	**507.6**	500.3
Total equity	**4,073.8**	4,061.1

1. Comparative balances have been restated to reflect the final purchase price accounting for the Diageo acquisition and a change in accounting standards relating to Agricultural Assets. Refer to note 33 for details.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 31 – RELATED PARTY DISCLOSURES

Ownership interests in related parties

All material ownership interests in related parties are disclosed in note 28 to the financial statements.

Parent entity

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

Transactions with entities in the wholly-owned Group

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

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

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

Transactions with other related parties

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

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

Key management personnel compensation:

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

	2017 $	2016 $
Short-term employee benefits	**10,067,918**	10,082,195
Post-employment benefits	**88,765**	110,954
Share based payments	**7,552,707**	4,349,147
Termination benefits	**400,000**	1,143,607
Total	**18,109,390**	15,685,903

Additionally, compensation paid to non-executive directors was $1,823,109 (F16: $1,461,001).

NOTE 32 – REMUNERATION OF AUDITORS

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

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

	2017 $	2016 $
Audit and review of financial statements and other audit work under the *Corporations Act 2001*	**1,542,780**	1,744,205
Associate firms of Auditor	**381,680**	468,924
Audit and review services	**1,924,460**	2,213,129
Other non-audit services	**156,887**	367,447
Total	**2,081,347**	2,580,576

The Group engages KPMG to provide other non-audit services where their expertise and experience best qualifies them to provide the appropriate service and as long as stringent independence requirements are satisfied. In the year ended 30 June 2017, KPMG earned fees in respect to the provision of advisory and taxation services.

NOTE 33 – COMPARATIVE BALANCES

In these financial statements, comparative balances have been restated to reflect the finalisation of the acquisition accounting for Diageo Chateau & Estates and the impact of the initial application of AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants*, and the consequential amendments to AASB 116 *Property, Plant and Equipment* and AASB 141 *Agriculture*. The following sections explain the changes which have been reflected in the restated comparative balances. Each restatement is presented independently; a consolidated presentation of the impact is presented in the Australian Securities Exchange announcement dated 17 August 2017.

(a) Acquisition of Diageo Chateau & Estates

On 1 January 2016 the Company acquired 100% of the ordinary shares of Diageo Chateau & Estates, a company incorporated in the US. This included the acquisition of related assets in the UK. The acquisition accounting for this transaction has now been finalised.

The final acquisition accounting resulted in a $41.3 million increase to the goodwill recognised on acquisition, predominately attributable to non-current assets. There was no impact to the Group's profit/loss as a result of these changes.

Comparative financial information has been restated to reflect the finalisation of the acquisition accounting. The following table summarises the changes made to the provisional acquisition accounting, prior to the impact of the adoption of AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants*, and the consequential amendments to AASB 116 *Property, Plant and Equipment* and AASB 141 *Agriculture*, as discussed in note 33(b).

	FAIR VALUE RECOGNISED ON ACQUISITION (FINAL) $M	FAIR VALUE RECOGNISED ON ACQUISITION (PROVISIONAL) $M
Assets		
Trade and other receivables	109.5	109.5
Inventories	377.7	386.0
Property, plant and equipment	220.8	264.5
Agricultural assets	79.9	82.1
Intangible assets	198.8	198.8
Deferred tax assets	135.7	117.9
	1,122.4	**1,158.8**
Liabilities		
Cash overdraft	1.7	1.7
Trade and other payables	185.5	184.6
Onerous contract provisions	10.9	8.2
Employee entitlement provisions	1.1	1.1
Borrowings	85.3	85.1
Deferred tax liabilities	96.0	94.9
	380.5	**375.6**
Total identifiable net assets at fair value	**741.9**	**783.2**
Hedge loss recognised against purchase price	(5.9)	(5.9)
Goodwill arising on acquisition	94.0	52.7
Purchase consideration[1]	**830.0**	**830.0**

1. Total purchase consideration of $830.0 million was paid in two instalments in F16 ($803.6 million) and F17 ($26.4 million).

NOTE 33 – COMPARATIVE BALANCES (CONTINUED)

(b) Initial application of AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants*

Effective from 1 July 2016, the Group has adopted AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants*, and the consequential amendments to AASB 116 *Property, Plant and Equipment* and AASB 141 *Agriculture*. These amendments distinguish bearer plants (i.e. grape vines), from other biological assets (i.e. grapes). The updated standards consider bearer plants, which are solely used to grow produce over their productive lives, as similar to an item of machinery. Bearer plants are now accounted for under AASB 116. Agricultural produce growing on bearer plants remains within the scope of AASB 141 and continues to be measured at fair value less costs to sell.

Comparative financial information has been restated to reflect the above in accordance with relevant transitional requirements and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The changes reflect:

- Reclassification of the value of bearer plants from Agricultural assets to Property, plant and equipment;
- Depreciation expense in connection with bearer plants; and
- The consequential tax impact of the above.

The following tables summarise the impact of the adjustments on the comparative financial information.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (EXTRACT)	30 JUNE 2016 $M	INCREASE/ (DECREASE) $M	30 JUNE 2016 $M (RESTATED)
Cost of sales	(1,509.5)	(7.8)	(1,517.3)
Other expenses	(28.6)	(2.5)	(31.1)
Profit before tax	259.5	(10.3)	249.2
Income tax (expense)	(80.0)	4.2	(75.8)
Net profit attributed to members of Treasury Wine Estates Limited	179.4	(6.1)	173.3
Earnings per share for profit attributable to the ordinary equity holders of the Company			
– Basic	25.1 cents per share	(0.8) cents per share	24.3 cents per share
– Diluted	24.9 cents per share	(0.9) cents per share	24.0 cents per share

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EXTRACT)	30 JUNE 2016 $M	INCREASE/ (DECREASE) $M	30 JUNE 2016 $M (RESTATED)
Property, plant and equipment	1,154.5	206.4	1,360.9
Agricultural assets	340.0	(302.0)	38.0
Deferred tax liabilities	273.7	(29.7)	244.0
Reserves	20.5	(3.4)	17.1
Retained earnings	78.3	(64.1)	14.2
Non-controlling interest	2.7	0.7	3.4

NOTE 34 – OTHER ACCOUNTING POLICIES

New Accounting Standards and Interpretations

Since 30 June 2016 the Group has adopted the following new and amended accounting standards:

REFERENCE	TITLE	APPLICATION
AASB 1057	*Application of Australian Accounting Standards*	1 January 2016
AASB 2014-3	*Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
AASB 2014-4	*Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
AASB 2014-6	*Amendments to Australian Accounting Standards – Agriculture: Bearer Plants*	1 January 2016
AASB 2015-1	*Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*	1 January 2016
AASB 2015-2	*Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*	1 January 2016
AASB 2015-9	*Amendments to Australian Accounting Standards – Scope and Application Paragraphs*	1 January 2016

Other than AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants*, the adoption of these standards did not have a significant impact on the consolidated financial statements. Refer to note 33 for disclosures of the impact of AASB 2014-6.

Issued but not yet effective accounting standards

The following Australian Accounting Standards and Interpretations have been issued or amended but are not yet effective and the Group has not yet adopted them at 30 June 2017:

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

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

NOTE 34 – OTHER ACCOUNTING POLICIES (CONTINUED)

Issued but not yet effective accounting standards (continued)

AASB 16 *Leases*

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

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

The Group intends to apply the full retrospective transition option.

The Group is in the process of performing an initial assessment based on the existing operating leases and expects to disclose a more detailed assessment during 2018.

Other accounting policies

Financial assets

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

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

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

Amortised cost

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

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

Impairment of financial assets

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

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

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

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

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

Derecognition of financial assets

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

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

Derivatives

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

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

NOTE 34 – OTHER ACCOUNTING POLICIES (CONTINUED)

Other accounting policies (continued)

Hedge accounting

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

Initial recognition

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

Re-balancing

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

Discontinuation

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

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

Fair value hedges

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

Cash flow hedges

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

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

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

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2017

In the Directors' opinion:

(a) The financial statements and notes 1 to 34 are in accordance with the *Corporations Act 2001*, including:

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

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;

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

(c) there are reasonable grounds to believe that members of the Closed Group identified in note 28 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee described in note 30.

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

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

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

Paul Rayner
Chairman

Michael Clarke
Chief Executive Officer

30 August 2017

Independent Auditor's Report

To the shareholders of Treasury Wine Estates Limited

Report on the audit of the Financial Report

Opinion

In our opinion, the accompanying ***Financial Report*** of Treasury Wine Estates Limited is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

We have audited the ***Financial Report*** of the Group.

The ***Financial Report*** comprises the:

- Consolidated statement of financial position as at 30 June 2017;
- Consolidated statement of profit or loss, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of Treasury Wine Estates Limited (the Company) and the entities it controlled at the year end and from time to time during the financial year.

Basis for opinion

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

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

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Profession Standards Legislation.

Key Audit Matters

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

- valuation of inventory;
- recognition of discounts and rebates; and
- Global Enterprise Resource Planning ("ERP") implementation.

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

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

Valuation of inventory (total finished goods and work in progress inventory was $1,676.5 million)

Refer to Note 9 Working Capital of the Financial Report.

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

forecast future prices.	process; and • assessing the Group's inventory valuation methodologies and the Group's disclosures in respect of inventory valuation against the requirements of relevant accounting standards.

Recognition of discounts and rebates (Net sales revenue, which is net of trade discounts and volume rebates, was $2,401.7 million)	
Refer to Note 3 Revenue of the Financial Report.	
The key audit matter	**How the matter was addressed in our audit**

Net sales revenue is recorded at the time that goods are shipped to customers based on the price specified in the sales agreement, net of any estimated discount or rebate. In some cases, the discount or rebate will not be finally determined or paid until the inventory is depleted from the customer's warehouse, which may be some time after the sale date. Sales agreement terms and historical trends are used to estimate the discounts.
 	
At year end, amounts for discounts and rebates that have been incurred and not yet paid are estimated and accrued. Estimating these costs at the year-end is considered a key audit matter due to the judgements required and the number of unique customer arrangements they relate to. For example, judgement is required to estimate the accrual where discounts and rebates are dependent on distributors or retailers achieving annual sales targets and the performance year does not align to the Group's financial year.
	Our audit procedures included:
	• considering the appropriateness of the Group's accounting policy for the recognition and measurement of net sales revenue, including the policy for recording discounts and rebates, by assessing compliance with applicable accounting standards;
	• testing the estimation of discounts and rebates accruals. We used underlying documentation such as customer agreements, shipment and depletion data, claims for discounts and rebates along with cash payments made. We evaluated the estimate, for a sample of customers, by:
	  • checking amounts to the agreements,
	  • analysing sales and depletion to date and depletion programs that will take place in future periods against sales budgets, depletion plans and actual claims, to validate the estimate of discounts and rebates incurred but not yet paid; and
	  • checking claims and/or cash payments since year end for discounts and rebates recorded as incurred but not yet paid at year end.
	• testing key controls in significant jurisdictions for calculating, reviewing and approving discounts and rebates;
	• challenging the nature and quantum of the amounts recorded by reference to historical sales, rebates paid and discounts paid. We also tested, on a sample basis, the nature and level of such costs back to agreed terms;
	• assessing the accuracy of the accrual in previous years in order to challenge the Group's current year

	estimation processes; and • considering the Group's disclosures in respect to revenue, discounts and rebates accruals against accounting standard requirements.

Global Enterprise Resource Planning ("ERP") implementation	
The key audit matter	**How the matter was addressed in our audit**
The Group continues to rationalise and simplify its finance processes through the global roll-out of an enterprise resources planning system (ERP), which includes the financial reporting general ledger. The roll out introduced heightened audit and financial reporting risk as controls and processes that had been established and embedded over a number of years are updated and migrated into the new IT environment. There was a risk of breakdown in controls within the new IT system (automated controls) during the roll-out transitioned during the year and an increased risk of inaccurate or incomplete migration of financial data. This in turn created the possibility of errors in the preparation and fair presentation of the Group's financial statements, which is why this is a key audit matter.	Our audit procedures included: • understanding the Group's project governance and data migration plan specific to the ERP roll-out, through reading underlying documentation such as business process mapping documents and speaking to key operational and IT management; • testing key automated and manual controls around financial reporting risks within the new ERP. Of particular focus were general IT controls, such as who can access the system, and the process over changes to the system; and • independently re-assessing the accuracy of financial data migrated to the new system on a sample basis, for regions where the new ERP was rolled out to during the year, with the involvement of KPMG's Information Technology specialists.

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Treasury Wine Estates Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2017.

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

KPMG

KPMG

Paul J McDonald

Paul J McDonald
Partner
Melbourne
30 August 2017

DETAILS OF SHAREHOLDERS, SHAREHOLDINGS AND TOP 20 SHAREHOLDERS

DETAILS OF SHAREHOLDERS AND SHAREHOLDINGS

Holding of securities

LISTED SECURITIES 9 AUGUST 2017	NO. OF HOLDERS	NO. OF SHARES	% HELD BY TOP 20
Fully paid ordinary shares	60,526	738,135,033	88.63

SIZE OF HOLDING NUMBER	NUMBER
1 – 1,000	42,003
1,001 – 5,000	16,244
5,001 – 10,000	1,500
10,001 – 100,000	713
100,001 and over	66
Total	**60,526**

As at 9 August 2017, the number of shareholders holding less than a marketable parcel of $500 worth of shares, based on the closing market price on that date of $12.69 per share, is 562.

TWENTY LARGEST SHAREHOLDERS – 9 AUGUST 2017

RANK	SHAREHOLDER	NO. OF FULLY PAID ORDINARY SHARES	% OF FULLY PAID ORDINARY SHARES
1.	HSBC Custody Nominees	311,843,125	42.25
2.	J P Morgan Nominees Australia	181,760,602	24.62
3.	Citicorp Nominees Pty Limited	75,383,643	10.21
4.	National Nominees Limited	32,729,164	4.43
5.	BNP Paribas Nominees Pty Ltd	31,035,483	4.20
6.	Australian Foundation Investment Company Limited	6,573,334	0.89
7.	CPU Share Plans Pty Ltd	3,633,323	0.49
8.	AMP Life Limited	2,101,952	0.28
9.	National Nominees Limited <N A/C>	1,391,000	0.19
10.	UBS Nominees Pty Ltd	1,305,853	0.18
11.	Milton Corporation Limited	1,194,085	0.16
12.	Avanteos Investments Limited <ENCIRCLE IMA A/C>	972,302	0.13
13.	Avanteos Investments Limited <2477966 DNR A/C>	836,908	0.11
14.	RBC Investor Services Australia Nominees Pty Ltd <BKMINI A/C>	698,595	0.09
15.	BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd Drp	582,064	0.08
16.	Djerriwarrh Investments Limited	531,584	0.07
17.	Mirrabooka Investments Limited	450,000	0.06
18.	Amcil Limited	425,000	0.06
19.	Bond Street Custodians Limited <PURE INDEXED EQUITIES A/C>	401,940	0.05
20.	Australian Pioneer Pty Ltd	387,663	0.05
Total		**654,237,620**	**88.63**

SUBSTANTIAL SHAREHOLDERS – 9 AUGUST 2017

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

INSTITUTION	INTEREST (% OF ISC)
The Capital Group Companies	7.82
Artisan Partners	5.77
Blackrock Group	5.15

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday 18 October 2017 at 11.00am (Adelaide time) at the National Wine Centre of Australia, Adelaide, South Australia, with a live webcast available via the Company's website. Full details are contained in the Company's Notice of Meeting provided to shareholders and available on the Company's website prior to the meeting.

VOTING RIGHTS

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

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

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

SECURITIES EXCHANGE LISTING

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

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

SHARE BUY-BACK

On 17 August 2017, TWE announced an on-market share buy-back of up to $300 million which is expected to commence in early September 2017.

SHARE REGISTER AND OTHER ENQUIRIES

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

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

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

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

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

ADR Depositary and Transfer Agent:
The Bank of New York Mellon
462 South 4th Street, Suite 1600
Louisville KY 40202
United States
Postal address: PO Box 505000
Louisville KY 40233 – 5000
United States
Telephone: +1 (201) 680 6825 (888 269 2377 – toll free)

ELECTRONIC COMMUNICATIONS

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

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

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

TAX FILE NUMBERS, AUSTRALIAN BUSINESS NUMBERS OR EXEMPTIONS

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

CHANGE OF ADDRESS

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

SHAREHOLDER WINE OFFER – CELLARDOOR.CO

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

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

Shareholders can register for Cellardoor.co by calling 1300 846 863 or by visiting https://cellardoor.co/shareholders2017. Information about Cellardoor.co is also included in the welcome letter provided to new shareholders.

TREASURY WINE ESTATES LIMITED

ABN 24 004 373 862

COMPANY SECRETARY

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

REGISTERED OFFICE

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Southbank Victoria 3006
Australia

Telephone: +61 3 8533 3000