Appendix 4E

Preliminary Final Report in respect to

Treasury Wine Estates Limited

For the year ended 30 June 2012

ABN 24 004 373 862

1. Results for announcement to the market

Key information	Year ended 30 June 2012 $m	Year ended 30 June 2011 $m	% Change increase / (decrease)	Amount increase / (decrease) $m
Statutory results (i)				
Revenue from ordinary activities	1,680.6	1,454.1	15.6 %	226.5
Profit (loss) attributable to members of Treasury Wine Estates Limited	89.9	64.1	40.2 %	25.8
Proforma results (i)				
Revenue from ordinary activities	1,680.6	1,775.7	(5.4)%	(95.1)
Earnings before interest, tax, SGARA and material items	210.2	195.2	7.7 %	15.0

Earnings per share	**Year ended 30 June 2012 Cents per share**	**Year ended 30 June 2011 Cents per share**
Statutory basic earnings per share	13.9	18.4
Basic earnings per share, adjusted to exclude SGARA and material items	20.9	18.2 (ii)

Dividends (distributions)	**Cents per share**	**Franking %**
Final dividend (iii) (iv)	7.0 cents	50%
Interim dividend (iii)	6.0 cents	50%
Total dividends paid / payable in respect to the year ended 30 June 2012	13.0 cents	50%

(i) The reader's attention is drawn to note 3 in the attached financial statements. As set out in note 3, the TWE Group's demerger from the Foster's Group resulted in several entities ceasing to be and several entities becoming subsidiaries of Treasury Wine Estates Limited immediately prior to the demerger on 9 May 2011. As the TWE Group structure which generated the consolidated comparative financial result for the year ended 30 June 2011 was significantly different to that which generated the consolidated result for the year ended 30 June 2012, additional non-statutory pro forma financial information in respect to the comparative period has been provided to assist shareholders and other stakeholders in their understanding of the TWE Group's business as it was structured after the demerger. The pro forma financial information in respect to the comparative year ended 30 June 2011 is provided in a separate ASX announcement dated 17 August 2012. In the preparation of the comparative pro forma financial information, adjustments were made to the Group's 2011 statutory results to present a view of performance in that year as if the demerger had been effective from 1 July 2010. Additional adjustments were made in the presentation of pro forma financial information to reflect changes in costs associated with Treasury Wine Estates Limited becoming a standalone listed entity as if those costs had been incurred from 1 July 2010. The results comparison against pro-forma 2011 comparatives included in the above table reflects the impact of these adjustments.

The reconciliations and the pro forma financial information have not been audited.

(ii) Pro forma FY11 EPS of 18.2 cents is based on pro forma FY11 EBITS of $195.2m adjusted for pro forma interest expense (based on FY11 pro forma operating cash flows and closing net debt of $71.7 million) and pro forma tax expense calculated by using an effective tax rate of 35%.

(iii) Non-resident withholding tax is payable on the unfranked component of this dividend as the conduit foreign income component for the period is declared to be nil.

(iv) The record date for determining an entitlement to receipt of the final dividend is Monday 3 September 2012 and the Company expects to pay the dividend on Tuesday 2 October 2012.

2. Preliminary final financial statements

Please refer to the preliminary final report wherein the following are provided:

- Consolidated Statement of Comprehensive Income for the year ended 30 June 2012;
- Consolidated Statement of Financial Position as at 30 June 2012;
- Statement of Changes in Equity for the year ended 30 June 2012;
- Consolidated Statement of Cash Flows for the year ended 30 June 2012;
- Notes to the financial statements.

This report is based on accounts which have been audited. The audit report, which is unmodified, will be made available with the Company's final annual report.

The Company expects to release its final annual report for the year ended 30 June 2012 on 21 September 2012.

3. Net tangible asset backing

Net tangible asset backing per ordinary share	**Year ended 30 June 2012 $**	**Year ended 30 June 2011 $**
Net tangible asset backing per ordinary share	3.10	3.01

4. Details in respect to the Company's annual general meeting

The Annual General Meeting will be held as follows:

Place	The Langham, Melbourne 1 Southgate Avenue, Southbank Melbourne, VIC, Australia
Time	2.00pm, Monday 22 October 2012

5. Further information

Further information can be obtained from:

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $m	2011 $m
Revenue	5	1,680.6	1,454.1
Cost of sales		(1,100.0)	(1,078.4)
Gross profit		**580.6**	**375.7**
Other income	5	32.7	1.7
Selling expenses		(182.1)	(122.5)
Marketing expenses		(90.4)	(65.3)
Administration expenses		(90.1)	(33.6)
Other expenses	6	(104.7)	(137.6)
Share of net profits of associates and joint ventures accounted for using the equity method		0.8	(0.2)
Profit before tax and finance costs		**146.8**	**18.2**
Finance income		3.3	169.5
Finance costs		(9.6)	(103.1)
Net finance income/(cost)	5	(6.3)	66.4
Profit before tax		**140.5**	**84.6**
Income tax expense	7	(50.8)	(20.2)
Net profit		**89.7**	**64.4**
Net profit/(loss) attributable to non-controlling interests		0.2	(0.3)
Net profit attributable to members of Treasury Wine Estates		**89.9**	**64.1**
Other comprehensive income/(loss)			
Cash flow hedges		(0.5)	(1.5)
Tax on cash flow hedges		0.3	0.4
Exchange difference on translation of foreign operations		52.0	(119.7)
Other comprehensive income/(loss) for the year, net of tax		**51.8**	**(120.8)**
Total comprehensive income/(loss) for the year attributable to members of Treasury Wine Estates		141.7	(56.7)
Non controlling interests		(0.2)	0.3
Total comprehensive income/(loss) for the year		**141.5**	**(56.4)**

Earnings per share for profit attributable to the ordinary equity holders of the Company		**Cents Per Share**	**Cents Per Share**
Basic	9	13.9	18.4
Diluted	9	13.8	18.4

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

We draw your attention to note 3 which describes the impact on the comparative period results of Treasury Wine Estates Limited arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Note	2012 $m	2011 $m
Current assets			
Cash and cash equivalents	11	28.6	64.8
Receivables	12	445.2	451.6
Inventories	13	711.5	768.5
Current tax assets		10.9	-
Assets held for sale	15	3.5	12.4
Derivative financial assets	21	0.6	0.7
Total current assets		**1,200.3**	**1,298.0**
Non-current assets			
Receivables	12	2.4	1.0
Inventories	13	362.5	196.7
Investments	14	6.6	8.9
Derivative financial assets	21	0.3	-
Property, plant and equipment	16	931.1	912.7
Agricultural assets	17	195.6	180.5
Intangible assets	18	932.6	927.1
Deferred tax assets	7	189.4	178.8
Total non-current assets		**2,620.5**	**2,405.7**
Total assets		**3,820.8**	**3,703.7**
Current liabilities			
Payables	19	464.0	369.2
Borrowings	22	21.0	1.1
Current tax liabilities		-	11.3
Provisions	23	54.4	47.5
Derivative financial liabilities	21	1.1	0.6
Total current liabilities		**540.5**	**429.7**
Non-current liabilities			
Borrowings	22	43.2	135.4
Deferred tax liabilities	7	293.2	257.9
Provisions	23	4.2	3.9
Derivative financial liabilities	21	0.4	-
Total non-current liabilities		**341.0**	**397.2**
Total liabilities		**881.5**	**826.9**
Net assets		**2,939.3**	**2,876.8**
Equity			
Contributed equity	24	3,042.2	3,045.0
Reserves	25	(345.8)	(233.5)
Retained earnings		239.1	61.0
Total parent entity interest		**2,935.5**	**2,872.5**
Non-controlling interest		3.8	4.3
Total equity		**2,939.3**	**2,876.8**

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

We draw your attention to note 3 which describes the impact on the comparative period results of Treasury Wine Estates Limited arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Contributed Equity $m	Retained Earnings $m	Cash Flow Hedge Reserve $m	Share Based Payments Reserve $m	Foreign Currency Translation Reserve $m	Demerger and other Reserve $m	Total $m	Non-Controlling Interests $m	Total Equity $m
Balance at 30 June 2010	**650.0**	**(2,590.1)**	**1.1**	**-**	**(344.7)**	**24.6**	**(2,259.1)**	**4.0**	**(2,255.1)**
Profit for the year	-	64.1	-	-	-	-	64.1	0.3	64.4
Total other comprehensive income/(loss)	-	-	(1.1)	-	(119.7)	-	(120.8)	-	(120.8)
Total comprehensive income/(loss) for the year	**-**	**64.1**	**(1.1)**	**-**	**(119.7)**	**-**	**(56.7)**	**0.3**	**(56.4)**
Transactions with owners in their capacity as owners directly in equity									
Issue of ordinary shares	3,500.0	-	-	-	-	-	3,500.0	-	3,500.0
Section 258F capital reduction	(1,102.5)	1,102.5	-	-	-	-	-	-	-
Retained earnings attributable to entities acquired and disposed under common control	-	44.0	-	-	-	-	44.0	-	44.0
Share based payment expense	-	-	-	0.2	-	-	0.2	-	0.2
Purchase of own shares	(2.5)	-	-	-	-	-	(2.5)	-	(2.5)
Common control transaction	-	-	-	-	60.0	1,586.6	1,646.6	-	1,646.6
Transfer to/(from) equity accounts	-	1,440.5	-	-	-	(1,440.5)	-	-	-
Balance at 30 June 2011	**3,045.0**	**61.0**	**-**	**0.2**	**(404.4)**	**170.7**	**2,872.5**	**4.3**	**2,876.8**
Profit for the year	-	89.9	-	-	-	-	89.9	(0.2)	89.7
Total other comprehensive income/(loss)	-	-	(0.2)	-	52.0	-	51.8	-	51.8
Total comprehensive income/(loss) for the year	**-**	**89.9**	**(0.2)**	**-**	**52.0**	**-**	**141.7**	**(0.2)**	**141.5**
Transactions with owners in their capacity as owners directly in equity									
Share based payment expense	-	-	-	6.6	-	-	6.6	-	6.6
Purchase of own shares	(2.8)	-	-	-	-	-	(2.8)	-	(2.8)
Dividends to owners of the company	-	(77.7)	-	-	-	-	(77.7)	(0.3)	(78.0)
Common control transaction	-	-	-	-	-	(4.8)	(4.8)	-	(4.8)
Transfer to/(from) equity accounts	-	165.9	-	-	-	(165.9)	-	-	-
Balance at 30 June 2012	**3,042.2**	**239.1**	**(0.2)**	**6.8**	**(352.4)**	**-**	**2,935.5**	**3.8**	**2,939.3**

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

We draw your attention to note 3 which describes the impact on the comparative period results of Treasury Wine Estates Limited arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $m Inflows/ (Outflows)	2011 $m Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers		2,053.5	1,604.9
Payments to suppliers, governments and employees		(1,807.2)	(1,438.2)
Interest received		3.4	6.8
Borrowing costs paid		(10.2)	(31.2)
Income taxes paid		(59.9)	(4.7)
Net cash flows from operating activities	31	**179.6**	**137.6**
Cash flows from investing activities			
Payments for property, plant, equipment and agricultural assets		(69.8)	(74.3)
Payments for intangible assets		(14.2)	-
Payments for investments and other assets		(0.5)	-
Net proceeds from repayment of loans		0.9	0.8
Loans to other parties		(1.2)	-
Proceeds from sale of property, plant and equipment		0.9	3.0
Proceeds from sale of assets held for sale		2.9	10.7
Proceeds from sale of investments & other assets		2.8	-
Other cash receipts		31.5	-
Net cash flows from investing activities		**(46.7)**	**(59.8)**
Cash flows from financing activities			
Payments for shares bought back		(2.8)	(2.5)
Payments to non controlling interests		(0.3)	-
Dividend payments		(77.7)	-
Proceeds from borrowings	22	318.5	200.0
Repayment of borrowings	22	(408.9)	(262.5)
Net cash flows from financing activities		**(171.2)**	**(65.0)**
Total cash flows from activities		**(38.3)**	**12.8**
Cash and cash equivalents at the beginning of the year		64.8	37.1
Proceeds from cash acquired on demerger	4	-	20.3
Effects of exchange rate changes on foreign currency cash flows and cash balances		2.1	(5.4)
Cash and cash equivalents at the end of the year	11, 31	**28.6**	**64.8**

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

We draw your attention to note 3 which describes the impact on the comparative period results of Treasury Wine Estates Limited arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 1 Summary of significant accounting policies

Treasury Wine Estates Limited is a for profit company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

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

Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

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

We draw your attention to note 3 which describes the impact on the Group's comparative period results arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group on 9 May 2011.

Rounding of amounts

The Company is a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission (ASIC), relating to the rounding off of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest tenth of one million dollars or, where the amount is $50,000 or less, zero, unless specifically stated to be otherwise.

Statement of compliance

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

The financial report was authorised for issue by the Board of Directors on 17 August 2012. The directors have the power to amend and reissue the financial statements.

Principles of consolidation

The consolidated financial statements have been prepared for the consolidated entity comprising Treasury Wine Estates Limited ('TWE') as the parent entity, and all its controlled entities. Controlled entities are listed in note 34.

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

The financial reports of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Average exchange rates used in translating profit and loss items in 2012 are AUD$1 = USD 1.0317 and GBP 0.6511 (2011: USD 0.9876 and GBP 0.6205). Year end exchange rates used in translating financial position items in 2012 are AUD$1 = USD 1.0033 and GBP 0.6467 (2011: USD 1.0690 and GBP 0.6650).

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of the Company and its Australian subsidiaries. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Note 1 Summary of significant accounting policies (continued)

Principles of consolidation (continued)

Transactions and balances

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

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

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

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

Foreign group companies

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

(i) assets and liabilities are translated at the closing rate at the statement of financial position date;
(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates for the period; and
(iii) all resulting exchange differences are recognised as a separate component of equity.

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

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

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

Revenue recognition

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

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

Sale of goods

Revenue is recognised when the significant risk and rewards of ownership have passed to the buyer, the amount can be reliably measured and collectability of the related receivable is reasonably assured. Generally, revenue is recognised when goods are despatched or when goods are delivered.

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

Property

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

Note 1 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Interest income

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

Royalties

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

Dividends

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

Borrowing costs

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

Acquisition of assets

The purchase method of accounting is used for all asset acquisitions regardless of whether equity instruments or other assets are required. Cost is measured as the fair value of cash, shares issued or liabilities undertaken at the date of acquisition. Costs directly attributable to the acquisition are expensed when they are incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity. Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to its present value as at the date of acquisition.

Impairment of assets

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

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

Impairment losses are recognised in statement of comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the statement of comprehensive income. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Impairment losses recognised for goodwill are prohibited from being reversed.

Note 1 Summary of significant accounting policies (continued)

Cash and cash equivalents

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

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

Trade receivables

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

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

All receivables are regularly reviewed and a provision for impairment of trade receivables is established when there is objective evidence that all amounts may not be collectible according to the original terms of the sales transaction. Bad debts are written-off when identified.

Other receivables

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

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

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

Inventories

Inventories of finished goods, raw materials and stores and work in progress are valued at the lower of cost (using average or FIFO basis) and estimated net realisable value. Cost of manufactured goods is determined on a consistent basis, comprising raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity, but exclude borrowing costs.

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 the marketing, selling and distribution.

Inventories of wine stocks, shown as work in progress at cost, have been classified between current and non-current based on sales projections for the ensuing year.

Investments in associates and joint ventures

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

Under this method, the Group's share of profits or losses are recognised in the statement of comprehensive income and its share of movements in reserves are recognised in the Group's consolidated other comprehensive income. The cumulative post acquisition changes in the Group's share of net assets of the associate, less any impairment losses, are adjusted against the cost of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise any further losses, unless it has an obligation on behalf of the associate. Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses, when applicable, in the consolidated statement of comprehensive income. Associates are those entities over which the Group has significant influence, but not control and which is neither a subsidiary nor a joint venture.

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

Joint ventures are accounted for by incorporating the proportionate interests in the assets, liabilities and expenses of a joint venture activity into the financial statements under the appropriate headings.

Note 1 Summary of significant accounting policies (continued)

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale investments, as appropriate.

When financial assets are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets at fair value through the profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on investments held for trading are recognised in the statement of comprehensive income.

Held-to-maturity investment

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Interest bearing investments that are intended to be held-to-maturity are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or in the event of impairment, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified within any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

For investments where there is no active market or no quoted market price, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment; discounted cash flow analysis and option pricing models.

Impairment of financial assets

Financial assets carried at amortised cost

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

Note 1 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

Derecognition of financial assets

The derecognition of a financial asset takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold or all the cash flows attributable to the instrument are passed through to an independent third party. The derecognition of financial assets takes place when the rights to receive cash flow from the assets expire or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency contracts, interest rate swaps and options to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts and options are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Forecast intra-group transactions qualify as a hedged item when the transaction is highly probable, not in the functional currency of the entity entering into the transaction and the foreign currency risk will affect the consolidated position. Gains or losses recognised directly in equity are reclassified into profit and loss in the same period or periods the foreign currency risk affects consolidated profit and loss.

In relation to fair value hedges (interest rate swaps) which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the statement of 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 comprehensive income such that it is fully amortised by maturity.

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

Note 1 Summary of significant accounting policies (continued)

Derivative financial instruments (continued)

When the hedged firm commitment results in the recognition of an asset or a liability, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

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

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

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 net profit or loss for the year.

Leases

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Where an asset is acquired by means of a finance lease, which effectively transfers to the Group substantially all the risks and benefits incidental to ownership of the leased item, costs are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of comprehensive income.

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

Property, plant & equipment

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

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

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

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

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

Residual values, useful lives and amortisation methods are reviewed annually and adjusted where applicable.

Note 1 Summary of significant accounting policies (continued)

Property, plant & equipment (continued)

Derecognition and disposal

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

Intangible assets

Brand names

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

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

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

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

Goodwill

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

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

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

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

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

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

IT development and software

Costs incurred in developing information technology (IT) products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost

Note 1 Summary of significant accounting policies (continued)

Intangible assets (continued)

reduction are capitalised as intangible IT assets. Following initial recognition, IT assets are carried at cost less any accumulated amortisation. Costs incurred in developing IT assets include the cost of purchased software and labour used in the development of software, and software licenses and are amortised over the expected useful life of the intangible asset (4 - 10 years).

Agricultural assets

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

The fair value of picked grapes and olives is recognised as income in the statement of comprehensive income in the year of harvest.

Assets held for sale and discontinued operations

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

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

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

Interest-bearing loans and borrowings

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on issuance.

Gains and losses are recognised in the statement of comprehensive income in the event that the liabilities are derecognised.

Payables

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

Trade payables are normally settled within 60 days from the end of the month from which the invoice is received unless alternate terms have been agreed with the supplier.

Employee benefits

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

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

Note 1 Summary of significant accounting policies (continued)

Employee benefits (continued)

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

Termination benefits

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

Superannuation

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

Shared-based payment transactions

The Group provides benefits to employees in the form of share-based payment awards, whereby employees render services in exchange for shares or performance rights over shares under the Group's Employee Share Plan. Information relating to this plan is set out in note 27.

The fair value of the shares granted is determined by reference to observed market values. The fair value of the TSR component of performance rights is independently determined at grant date by an external valuer using a Monte Carlo simulation. The non-market performance conditions (ROCE and EPS) do not impact the value of the non-market component of shares and performance rights. For the non-market components, the fair value is independently determined based on the share price less the present value of dividends. The impact of non-market conditions are taken into account in the expensing process (described below).

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

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

Provisions

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

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

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Dividends

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Note 1 Summary of significant accounting policies (continued)

Restructuring

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

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

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

Onerous contracts

Provisions recognised in relation to onerous contracts are recognised where the unavoidable costs of meeting the obligations under these contracts exceed the expected benefits expected to be received.

Income tax

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

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

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

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

Deferred income tax assets and liabilities are measured at the local tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws applicable to the origin of the temporary differences) that have been enacted or substantively enacted at the statement of financial position date.

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

No provision has been made for foreign taxes which may arise in the event of retained profits of foreign controlled entities being remitted to Australia as there is no present intention to make any such remittances.

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

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

Tax consolidation legislation

Treasury Wine Estates Limited (TWE) formed a consolidated group for income tax purposes with each of its Australian resident subsidiaries on 21 May 2011.

Note 1 Summary of significant accounting policies (continued)

Income tax (continued)

Tax consolidation legislation (continued)

The head entity, TWE and the controlled entities in the tax consolidation group continue to account for their own current and deferred tax amounts. These tax amounts are measured on a "group allocation" approach, under which the current and deferred tax amounts for the tax-consolidated group are allocated among each reporting entity in the group.

Prior to TWE's demerger from the Foster's Group on 9 May 2011, TWE's Australian subsidiaries were included in the Foster's Australian tax consolidated group. Settlement of a tax receivable or payable by Foster's Group that were referrable to TWE's Australian subsidiaries were accounted for as a return of contributions to/from owners.

Contributions to/from owners in respect to these tax transactions entered into the calculation of the 'demerger and other reserve' balance in the comparative period.

Contributed equity

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

Earnings per share

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

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

Operating Segments

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

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

The Group has identified the following reportable segments:

(i) Australia & New Zealand (ANZ)
This segment is responsible for the manufacture, sale and marketing of wine within Australia and New Zealand.

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

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

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

Types of products and services
TWE's wine portfolio includes some of the world's leading premium wine brands such as Penfolds, Beringer, Lindeman's, Wolf Blass and Rosemount.

Note 1 Summary of significant accounting policies (continued)

Operating Segments (continued)

Accounting policies and inter-segment transactions
The price is set on an arm's length basis which is eliminated on consolidation.

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

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

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

Major customers
The Group has one customer whose revenues represent 18.2% (2011: 17.6%) of the Group's reported revenues.

New Accounting Standards and Interpretations

The Group has adopted the following new and revised Accounting Standards issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations. The adoption of these standards did not have any effect on the financial position or performance of the Group.

Reference	Title
AASB 1054	Australian additional disclosures
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project
AASB 124	Related party disclosures
AASB 2009-12	Amendments to Australian Accounting Standards
AASB 2010-4	Further amendments to Australian Accounting Standards arising from the annual improvements project
AASB 2010-5	Amendments to Australian Accounting Standards
AASB 2010-6	Amendments to Australian Accounting Standards - disclosures to transfers of financial assets

Recently issued or amended accounting standards

The following Australian Accounting Standards have recently been issued or amended but are not yet effective and have not been adopted for this annual reporting period:

AASB 9 Financial Instruments, AASB 2009-11, AASB 2010-7 these amendments affect the valuation and recognition of certain types of financial assets and liabilities and are not expected to have a significant impact on the financial statements other than disclosure. In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

AASB 10 Consolidated Financial Statements, AASB 2011-7 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. This standard is not expected to have a significant impact on the financial statements and becomes applicable 1 January 2013.

AASB 11 Joint Arrangements based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. This standard is not expected to have a significant impact on the financial statements and becomes applicable 1 January 2013.

Note 1 Summary of significant accounting policies (continued)

New Accounting Standards and Interpretations (continued)

AASB 12 Disclosure of interests in other entities the standard includes disclosure requirements for entities covered under AASB 10 and 11. This standard is not expected to have a significant impact on the financial statements and becomes applicable 1 January 2013.

AASB 2011-4 Amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements the AASB removed the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures in 2011, to achieve consistency with the international standards and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements and becomes applicable 1 July 2013.

Note 2 Critical accounting estimates and judgements in applying the Company's accounting policies

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

Net realisable value of inventory

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

Agriculture

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

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

Taxation

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

Impairment of assets

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

Useful life of intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite. Brand names that have indefinite lives are not amortised. Management use judgement in determining whether an individual brand will have a finite life or an indefinite life. In making this determination, management make 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, and the history of

Note 2 Critical accounting estimates and judgements in applying the Company's accounting policies (continued)

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

Note 3 Treasury Wine Estates Limited demerger

In the comparative period effective from 9 May 2011 Treasury Wine Estates Limited (the Company) and its controlled entities (collectively referred to as the Group) demerged from Foster's Group, and the Company was listed as a separate standalone entity on the Australian Securities Exchange on 10 May 2011.

The demerger of the Group required Foster's Group to undertake an internal corporate restructure immediately prior to the demerger becoming effective. The internal corporate restructure resulted in several entities ceasing to be, and several entities becoming, subsidiaries of the Company immediately prior to the demerger. In addition, a number of assets and liabilities were transferred between the Group and Foster's Group.

The Group's comparative period statutory financial information only includes the results of the entities, assets and liabilities that became part of the Group under the corporate restructure for the period from 9 May 2011 to 30 June 2011, including the Group's business in the EMEA region and certain activities in the ANZ region.

To assist shareholders and other stakeholders in their understanding of the Group's business as it was structured after the demerger, pro forma financial information for the year ended 30 June 2011 is provided in a separate ASX announcement dated 17 August 2012. In the preparation of the pro forma financial information, adjustments were made to the Group's statutory results to present a view of performance as if the internal corporate restructure associated with the demerger had been effective from 1 July 2010. Additional adjustments were made in the presentation of pro forma financial information to reflect changes in costs associated with Treasury Wine Estates Limited becoming a standalone listed entity as if those costs had been incurred from 1 July 2010.

Note 4 Businesses acquired and disposed

Pursuant to the Demerger Agreement with Foster's Group, certain assets, liabilities and legal entities were acquired and divested by Group in the comparative period, namely the year ended 30 June 2011.

These transactions occurred while under the common control of Foster's Group and for consolidation purposes were accounted for in the comparative period as transactions between entities under common control by Group. No acquisition accounting in the form of a purchase price allocation was undertaken. The Group elected to account for the business combination under common control at carrying value and accordingly all assets and liabilities acquired by the Group in the comparative period as a result of the demerger were recognised at values consistent with the carrying value of those assets and liabilities in Foster's Group's accounts immediately prior to the demerger.

The assets and liabilities that moved with and were recognised by Group in the comparative period following the demerger are as follows:

	2011 $m
Cash and cash equivalents	20.3
Trade receivables	69.1
Other receivables	15.5
Inventory	52.3
Property, Plant and equipment	0.9
Intangible assets – brand names	163.5
Intangible assets – IT development costs capitalised	50.8
Trade payables	(10.3)
Other payables	(40.5)
Provisions	(1.1)
Net tax balances	13.5
Net identifiable assets and liabilities recognised	**334.0**

Note 4 Businesses acquired and disposed (continued)

The assets and liabilities that remained with Foster's in the comparative period and were no longer recognised by the Group following the demerger were as follows:

	2011 $m
Investments	52.7
Interest Payable	(7.5)
Net tax balances	19.9
External borrowings	(521.4)
Net identifiable assets and liabilities derecognised	**(456.3)**

The net amount payable in respect to the preceding acquisition and disposal transactions was reflected in the comparative period as an increase in the net debt owed by the Group to Foster's, which, pursuant to the Demerger Agreement with Foster's was subsequently forgiven in the amount of $1.66 billion.

As all of the above transactions were undertaken at the direction of and while under the common control of Foster's, these transactions were recognised for consolidation purposes in the equity account called the demerger and other reserve in the comparative period. The $1.59 billion initially reflected in the demerger reserve in the comparative period represented the net amount of the reorganisation activities and transactions undertaken at the direction of Foster's as part of the demerger process.

Note 5 Revenue, income and expenses

	2012 $m	2011 $m
Revenue		
Sales revenue*	1,640.8	1,441.0
Other revenue	39.8	13.1
Total revenue	**1,680.6**	**1,454.1**
Other income		
IT contract settlement receipt	31.5	-
Net profit on disposal of		
- property, plant and equipment	1.2	1.7
Total other income	**32.7**	**1.7**
Depreciation of property, plant and equipment	(66.1)	(71.7)
Amortisation of intangible assets	(1.6)	(0.2)
Net agriculture valuation movement	(23.4)	(24.1)

**Sales revenue is net of trade discounts and volume rebates*

The Group's policy is to state sales revenue net of trade discounts and volume rebates. Total sales revenue as disclosed in the 2011 annual report in respect to the year ended 30 June 2011 of $1,461.8m has been restated down by $20.8m to $1,441.0m to reflect the reclassification of amounts that are more properly considered to be discounts and rebates in nature.

Note 5 Revenue, income and expenses (continued)

	2012 $m	2011 $m
Finance income		
- Foster's Group entities (formerly related parties)	-	162.8
- other persons	3.3	6.7
Finance costs		
- Foster's Group entities (formerly related parties)	-	(85.8)
- other persons	(9.6)	(17.3)
Net finance income/(cost)	**(6.3)**	**66.4**
Other disclosures		
Doubtful debts expense	(0.1)	(1.2)
Write-down in value of inventories	-	(1.1)
Rental expense relating to operating leases	(36.5)	(20.0)
Impairment of non-current assets:		
- property, plant and equipment (note 16)	(7.0)	-
- intangible assets (note 18)	(35.8)	-
- assets held for sale (note 15)	-	(2.5)

Note 6 Material items

The following individually material items below are included within other expenses with the exception of IT contract settlement receipt which is included in other income;

	2012 $m	2011 $m
Individually material items included in profit/(loss) before income tax:		
Restructuring and redundancy costs (tax benefit applicable $7.0m)	**(22.8)**	-
Net gains arising from fixed asset valuation assessments (tax expense applicable $3.3m)	**7.6**	-
IT contract settlement receipt (tax benefit applicable nil)	**31.5**	-
Loss on derecognition of abandoned asset and stranded costs (tax benefit applicable $6.2m)	**(56.3)**	-
Total material items (tax benefit applicable $9.9m)	**(40.0)**	-

Included in the $7.6m net gains arising from fixed asset valuation assessments is a gain of $14.6m attributable to the release of a provision held in respect to assets previously classified as 'assets held for sale'.

Total consolidated material items after tax is $30.1 million (2011: nil)

Note 7 Income tax

	2012 $m	2011 $m
The major components of income tax expense/(benefit) are:		
Current income tax	**32.6**	(15.8)
Deferred income tax	**18.2**	36.0
Total tax expense	**50.8**	20.2
Deferred income tax expense included in the income tax expense comprises		
- decrease/(increase) in deferred tax assets	**(0.5)**	24.7
- increase in deferred tax liabilities	**18.7**	11.3
Deferred income tax	**18.2**	36.0

The amount of income tax expense as shown in the statement of comprehensive income differs from the prima facie income tax expense attributable to earnings. The differences are reconciled as follows:

	2012 $m	2011 $m
Profit before tax excluding material items	**180.5**	84.6
Material items before tax	**(40.0)**	-
Profit before tax including material items	**140.5**	84.6
Prima facie income tax expense attributable to profit from operations calculated at the rate of 30% (2011: 30%) tax effect of:	**42.2**	25.4
Non taxable income and profits, net of non-deductible expenditure	**6.2**	(1.3)
Other deductible items	**(1.5)**	(0.6)
Tax losses recouped	**-**	(2.4)
Change in tax rate	**(1.5)**	(4.4)
Foreign tax rate differential	**(0.3)**	3.3
Other	**9.2**	(4.5)
Under/(over) provisions in previous years	**(3.5)**	4.7
Total tax expense including material items	**50.8**	20.2
Income tax expense on operations	**60.7**	20.2
Income tax benefit attributable to material items	**(9.9)**	-
Income tax expense including material items	**50.8**	20.2

Note 7 Income tax (continued)

	2012 $m	2011 $m
Deferred income tax relates to the following:		
Movement in deferred tax assets:		
Opening balance	**178.8**	262.4
- credited/(charged) to the income statement	**0.5**	(24.7)
- foreign currency translation	**9.3**	(41.9)
- balance sheet reclassification	**0.5**	-
- other	**0.3**	(17.0)
Closing balance	**189.4**	178.8
Movement in deferred tax liabilities:		
Opening balance	**257.9**	310.2
- (credited)/charged to the income statement	**18.7**	11.3
- foreign currency translation	**16.5**	(63.6)
- other	**0.1**	-
Closing balance	**293.2**	257.9
Amounts recognised directly in equity Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity:		
Current tax - debited/(credited) directly to equity	**4.4**	-
Net deferred tax - debited/(credited) directly to equity	**7.0**	(4.7)
Total current and deferred tax recognised directly in equity	**11.4**	(4.7)

Deferred tax asset

There are potential future income tax benefits relating to accumulated losses overseas which have not been brought to account. These possible benefits amount to $98.7 million (2011: $97.7 million).

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

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

Note 7 Income tax (continued)

	2012 $m	2011 $m
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Inventory	**21.6**	19.6
Fixed assets	**1.4**	0.2
Accruals	**16.4**	16.0
Provisions	**72.7**	69.8
Deferred interest	**-**	1.6
Foreign exchange	**0.4**	2.1
Tax losses	**58.2**	62.9
Other	**18.7**	6.6
Total deferred tax assets	**189.4**	178.8
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Inventory	**29.9**	22.2
Fixed assets	**127.5**	113.5
Intangibles	**127.1**	120.6
Foreign exchange	**1.0**	1.1
Other	**7.7**	0.5
Total deferred tax liabilities	**293.2**	257.9

Treasury Wine Estates Limited (TWE) formed a consolidated group for income tax purposes with each of its Australian resident subsidiaries on 21 May 2011.

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 co-operates with these enquiries as and when they arise.

Note 8 Segment results

2012	ANZ	Americas	Asia	EMEA	Corporate	Intersegment Elimination	Consolidated
	$m	$m	$m	$m	$m	$m	$m
Total revenue comprises							
Net sales revenue	574.1	707.5	106.2	253.0	-		1,640.8
Other revenue	35.1	0.2	0.2	0.7	3.6		39.8
Inter-segment revenue	365.8	10.9	-	41.5	-	(418.2)	-
Total segment revenue (excl other income/interest)	**975.0**	**718.6**	**106.4**	**295.2**	**3.6**	**(418.2)**	**1,680.6**
Management EBITS	**109.0**	**79.0**	**41.2**	**5.7**	**(24.7)**		**210.2**
SGARA profit/(loss)	(6.9)	(16.5)	-	-	-		(23.4)
Material items	(1.5)	(6.4)	-	(3.2)	(28.9)		(40.0)
Management EBIT	**100.6**	**56.1**	**41.2**	**2.5**	**(53.6)**		**146.8**
Net finance income/(costs)							(6.3)
Consolidated profit before tax							**140.5**
Depreciation of property, plant and equipment	**43.6**	**21.3**	**-**	**1.1**	**0.1**		**66.1**
Amortisation of intangible assets	**-**	**-**	**-**	**-**	**1.6**		**1.6**
Share of profit of associates & joint ventures	**0.8**	**-**	**-**	**-**	**-**		**0.8**
Capital expenditure	**41.3**	**27.1**	**-**	**1.2**	**23.0**		**92.6**
Segment assets (excl intersegment assets)	**1,891.0**	**1,312.7**	**34.2**	**313.1**	**269.8**		**3,820.8**

We draw your attention to note 3 which describes the impact on the comparative period results of Treasury Wine Estates Limited arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 8 Segment results (continued)

2011	ANZ	Americas	Asia	EMEA	Corporate	Intersegment Elimination	Consolidated
	$m	$m	$m	$m	$m	$m	$m
Total revenue comprises							
Net sales revenue	529.1	773.9	81.9	56.1	-		1,441.0
Other revenue	9.5	1.6	0.2	0.6	1.2		13.1
Inter-segment revenue	255.8	6.7	-	19.5	-	(282.0)	-
Total segment revenue (excl other income/interest)	**794.4**	**782.2**	**82.1**	**76.2**	**1.2**	**(282.0)**	**1,454.1**
Management EBITS	**7.7**	**88.2**	**26.2**	**6.2**	**(86.0)**		**42.3**
SGARA profit/(loss)	(18.3)	(5.8)	-	-	-		(24.1)
Material items	-	-	-	-	-		-
Management EBIT	**(10.6)**	**82.4**	**26.2**	**6.2**	**(86.0)**		**18.2**
Net finance income/(costs)							66.4
Consolidated profit before tax							**84.6**
Depreciation of property, plant and equipment	**46.9**	**23.7**	**-**	**1.1**	**-**		**71.7**
Amortisation of intangible assets	**-**	**-**	**-**	**-**	**0.2**		**0.2**
Share of profit of associates & joint ventures	**(0.2)**	**-**	**-**	**-**	**-**		**(0.2)**
Capital expenditure	**40.5**	**29.6**	**-**	**0.9**	**0.1**		**71.1**
Segment assets (excl intersegment assets)	**1,855.5**	**1,247.4**	**26.6**	**309.3**	**264.9**		**3,703.7**

We draw your attention to note 3 which describes the impact on the comparative period results of Treasury Wine Estates Limited arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 8 Segment results (continued)

Management EBITS

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

Segment assets

Segment assets represent those working capital and non-current assets which are located in the respective segments. Cash, tax and Corporate related assets are included in the Corporate segment.

	2012	2011
Note 9 Earnings per share	**Cents Per Share**	**Cents Per Share**
Basic earnings per share		
Basic earnings per share (cents) based on net profit attributable to members of Treasury Wine Estates Limited	13.9	18.4
Diluted earnings per share		
Diluted earnings per share (cents) based on net profit attributable to members of Treasury Wine Estates Limited	13.8	18.4
Weighted average number of shares	**Number**	**Number**
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (in thousands)	647,227	348,003
Effect of potentially dilutive securities:		
Deferred shares (in thousands)	3,504	152
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share (in thousands)	650,731	348,155
Earnings reconciliation		
Basic earnings per share	**$m**	**$m**
Net profit	89.7	64.4
Net (profit)/loss attributable to non-controlling interests	0.2	(0.3)
Net profit attributable to members of Treasury Wine Estates Limited used in calculating basic earnings per share	89.9	64.1
Diluted earnings per share		
Net profit	89.7	64.4
Net (profit)/loss attributable to non-controlling interests	0.2	(0.3)
Net profit attributable to members of Treasury Wine Estates Limited used in calculating diluted earnings per share	89.9	64.1

We draw your attention to note 3 which describes the impact on the comparative period results of Treasury Wine Estates Limited arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

	2012 $m	2011 $m
Note 10 Dividends		
Dividends declared and paid during the year on ordinary shares:		
Final dividend for 2011 of 6.0 cents per share	38.8	-
Interim dividend for 2012 of 6.0 cents per share	38.8	-
	77.7	-
Dividends declared after balance date		
Since the end of the financial year, the directors declared a final dividend of 7.0 cents per share (2011: 6.0 cents) 50% franked (2011: 50%). This dividend has not been recognised as a liability in the financial statements at year end	45.3	38.8
Franking credit balance		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2011: 30%)	8.1	10.5

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for franking credits or debits which will arise upon the payment or receipt, respectively, of tax balances disclosed in the statement of financial position.

The payment of the final dividend declared post year end will result in a reduction in the franking account balance of $9.7m (2011: $8.3m).

	2012 $m	2011 $m
Note 11 Cash and cash equivalents		
Cash at bank and on hand	27.4	63.7
On deposit	1.2	1.1
Total cash and cash equivalents	**28.6**	64.8

Note 12 Receivables

Current		
Trade debtors	389.7	367.3
Provision for doubtful debts	(1.0)	(2.0)
Other debtors	37.3	71.7
Loans to other persons	-	0.7
Prepayments and deferred expenses	19.2	13.9
Total current receivables	**445.2**	451.6
Non-current		
Other debtors	1.2	1.0
Loans to other persons	1.2	-
Total non-current receivables	**2.4**	1.0

Accounts receivable balances are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Refer to note 1 policy for recognition of receivables.

Note 12 Receivables (continued)

Foreign exchange transaction disclosures

Total trade and other receivables balances, net of provisions for doubtful debts at the reporting date, were denominated in the following currencies as set out in note 20(d).

All Balances Translated to AUD	AUD $m	USD $m	GBP $m	Other $m	Total $m
2012					
Trade receivables (net of provision for doubtful debts)	162.9	152.8	36.1	36.9	388.7
Other receivables	23.9	4.3	4.3	7.2	39.7
Total receivables	**186.8**	**157.1**	**40.4**	**44.1**	**428.4**
2011					
Trade receivables (net of provision for doubtful debts)	131.8	167.8	35.0	30.7	365.3
Other receivables	52.8	10.7	6.9	3.0	73.4
Total receivables	184.6	178.5	41.9	33.7	438.7

Credit risk

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

All prospective accounts are required to complete a credit application, and if from a non-listed entity 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 credit terms permitted for individual customers on the basis of risk. Past due accounts are subject to a number of collection activities which range from telephone contact, suspension of orders through to legal action. Past due accounts are reviewed monthly with specific focus on accounts that are greater than 90 days overdue and are subject to provisions for doubtful debts after assessing the debtor for recoverability.

The ageing of the consolidated group trade receivables net of provisions for doubtful debt is outlined below:

Ageing of trade receivables net of provisions for doubtful debt	2012 $m	2011 $m
Not past due	353.3	276.5
Past due 1-30 days	27.0	83.9
Past due 31-60 days	3.6	3.1
Past due 61 days+	4.8	1.8
Total	**388.7**	365.3
Comprising		
Current	**388.7**	365.3

There are no other receivables that are overdue.

There are no values included within the not past due balance for trade debtors which have had their terms renegotiated. Terms may be extended on a temporary basis to support promotional activity. This may only occur with the approval of finance management.

Note 12 Receivables (continued)

Credit risk (continued)

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

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

As at 30 June 2012 the amount of the provision for doubtful debts was $1.0 million (2011: $2.0 million). The movement in the provision for trade doubtful debts is:

Movement in provision for trade doubtful debts

	2012 $m	2011 $m
Opening provision for trade doubtful debts	(2.0)	(1.5)
Add additional provisions raised	(0.1)	(1.2)
Less amounts used	1.2	1.0
Foreign exchange differences	(0.1)	(0.3)
Closing provision for doubtful debts	**(1.0)**	(2.0)

Note 13 Inventories

	2012 $m	2011 $m
Current		
Raw materials and stores	19.9	18.1
Work in progress	381.4	473.6
Finished goods	310.2	276.8
Total current inventories	**711.5**	768.5
Non-current		
Work in progress	362.5	196.7
Total non-current inventories	**362.5**	196.7
Total inventories	**1,074.0**	965.2

Note 14 Investments

	2012 $m	2011 $m
Investments accounted for using the equity method	6.6	8.9
Total investments	**6.6**	8.9

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

			Ownership Interest	
Name of Entity	**Country of Incorporation**	**Reporting Date**	**2012 %**	**2011 %**
Fiddlesticks LLC	United States of America	31 December	50.0	50.0
Judd Road Vineyards Limited	New Zealand	30 June	-	50.0
Make Wine Pty. Ltd.	Australia	30 June	-	50.0
Make Wine Trust	Australia	30 June	-	50.0
Oak Vale Vineyard Limited	New Zealand	30 June	-	50.0
Rapuara Vintners Limited	New Zealand	30 June	50.0	50.0

Note 15 Assets held for sale

	2012 $m	2011 $m
Assets		
Production, distribution facilities	3.5	12.4
Total assets classified as held for sale	**3.5**	**12.4**

Assets held for sale include Australian vineyards and wineries.

Note 16 Property, plant and equipment

	2012 $m	2011 $m
Land		
At cost	**280.8**	**265.8**
Freehold buildings and improvements		
At cost	333.3	319.4
Accumulated depreciation and impairment	(131.0)	(120.2)
	202.3	**199.2**
Leasehold buildings and improvements		
At cost	49.2	46.4
Accumulated depreciation and impairment	(28.8)	(25.1)
	20.4	**21.3**
Plant and equipment		
At cost	1,100.9	1,034.2
Accumulated depreciation and impairment	(695.5)	(635.7)
Projects in progress at cost	22.2	27.9
	427.6	**426.4**
Total property, plant and equipment	**931.1**	**912.7**

Reconciliations

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

	Land		Freehold Buildings		Leasehold Buildings		Plant and Equipment		Total	
	2012 $m	2011 $m	2012 $m	2011 $m	2012 $m	2011 $m	2012 $m	2011 $m	2012 $m	2011 $m
Carrying amount at start of year	**265.8**	303.5	**199.2**	215.5	**21.3**	30.8	**426.4**	456.1	**912.7**	1,005.9
Additions	**1.3**	-	**5.4**	5.1	**1.1**	1.0	**56.0**	65.0	**63.8**	71.1
Assets classified as held for sale	**5.1**	-	**0.4**	-	**-**	-	**4.7**	-	**10.2**	-
Disposals	**-**	-	**(0.1)**	-	**-**	(1.0)	**(3.4)**	(0.3)	**(3.5)**	(1.3)
Impairment	**-**	-	**(0.8)**	-	**(0.6)**	-	**(5.6)**	-	**(7.0)**	-
Depreciation expense	**-**	-	**(5.1)**	(5.9)	**(2.7)**	(4.0)	**(58.3)**	(61.8)	**(66.1)**	(71.7)
Foreign currency translation	**8.6**	(37.7)	**3.3**	(15.5)	**1.3**	(5.5)	**7.8**	(32.6)	**21.0**	(91.3)
Carrying amount at end of year	**280.8**	265.8	**202.3**	199.2	**20.4**	21.3	**427.6**	426.4	**931.1**	912.7

	2012 $m	2011 $m
Note 17 Agricultural assets		
Agricultural assets	195.6	180.5
Total agricultural assets	**195.6**	**180.5**

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

TWE has total vineyard resources of around 10,956 hectares (2011: 11,015 hectares). These vineyards provide the Group with access to some of Australia's highest quality super premium fruit from regions such as the Barossa Valley in central South Australia, Coonawarra in south-eastern South Australia and the Hunter Valley in New South Wales. Other Australian vineyards are also located in the Clare Valley, Eden Valley, Great Western, Heathcote, Langhorne Creek, the Limestone Coast, McLaren Vale, Margaret River, Mornington Peninsula, Mudgee, Murray Valley, Padthaway, Robe, and the Yarra Valley. The Group also holds vineyards in North America (mainly Napa Valley and Sonoma County), Italy and New Zealand.

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

Of the total land area under vine around 1,800 hectares (2011: 1,784 hectares) is under lease arrangements. The Group also has around seven hectares (2011: seven hectares) of olive groves in Tuscany a region of Italy.

During the fiscal year, the Group owned and leased vineyards yielded 87,646 tonnes of grapes (2011: 79,652 tonnes). Northern Hemisphere harvest of vines normally occurs in September - October, with Southern hemisphere harvest around March - April.

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

The measurement basis for vines and grapes as prescribed by AASB 141 'Agriculture' has resulted in a net loss before tax of $23.4 million (2011: loss before tax of $24.1 million) comprising a decrement in vines valuation of nil (2011: nil) and loss on grape valuation of $23.4 million (2011: $24.1 million loss) being recognised.

Reconciliations

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

	2012 $m	2011 $m
Carrying amount at start of year	180.5	193.7
Acquisitions	6.0	3.2
Disposal	(0.2)	-
Transfers from/(to) assets held for sale	6.7	-
Fair value increment/(decrement)	(2.8)	2.5
Foreign currency translation	5.4	(18.9)
Carrying amount at end of year	**195.6**	**180.5**

Note 18 Intangible assets

	2012 $m	2011 $m
Brand names and licences		
Brand names and licences at cost	892.9	871.4
IT development costs		
At cost	36.8	50.8
Accumulated amortisation	(1.8)	(0.2)
	35.0	**50.6**
Goodwill		
Goodwill at cost	4.7	5.1
Total intangible assets	**932.6**	**927.1**

Reconciliations

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

	Brand Names and Licences		IT Development Costs		Goodwill		Total	
	2012 $m	2011 $m	2012 $m	2011 $m	2012 $m	2011 $m	2012 $m	2011 $m
Carrying amount at start of year	**871.4**	789.7	**50.6**	-	**5.1**	5.3	**927.1**	795.0
Acquisitions	**1.0**	163.5	**21.8**	50.8	**-**	-	**22.8**	214.3
Transfer from/(to) assets held for sale	**-**	-	**-**	-	**-**	-	**-**	-
Impairment	-	-	**(35.8)**	-	-	-	**(35.8)**	-
Amortisation expense	**-**	-	**(1.6)**	(0.2)	**-**	-	**(1.6)**	(0.2)
Foreign currency translation	**20.5**	(81.8)	**-**	-	**(0.4)**	(0.2)	**20.1**	(82.0)
Carrying amount at end of year	**892.9**	871.4	**35.0**	50.6	**4.7**	5.1	**932.6**	927.1

IT development costs

A strategic review of information technology infrastructure identified $35.8m of assets which were impaired and accordingly these assets have been written off as being surplus to the Group's needs. This amount is included in the $56.3m loss on derecognition of assets as disclosed in note 6.

Recoverable amount of cash generating units (CGUs)

For the purpose of impairment testing, the Group's CGUs have been reviewed and determined as follows:
- Australia and New Zealand (ANZ)
- Americas
- Europe, Middle East and Africa (EMEA)

For the purposes of testing for impairment, the carrying amount of each individual CGU's net assets has been compared to their recoverable amount, with the recoverable amount being calculated as the higher of fair value less costs to sell and value in use. Fair value less costs to sell has been calculated using a discounted cash flow methodology. In each instance, future cash flow projections for a five year period have been determined based on expectations about future performance. Foreign currency denominated cash flows are converted at the estimated exchange rates for the period in question. Discount rates used to present value nominal cash flows are similarly consistent with the time period over which cash flows are estimated. When considering the recoverable amount, the net present value of cash flows has also been compared to reasonable earnings multiples for comparable wine and beverage companies.

Australia and New Zealand (ANZ)

The carrying value of the ANZ CGU's net assets was determined to be not in excess of their recoverable amount and accordingly no impairment was evident in the current or comparative periods.

Note 18 Intangible Assets (continued)

Americas

The carrying value of the Americas CGU's net assets was determined to be not in excess of their recoverable amount and accordingly no impairment was evident in the current or comparative period.

EMEA

The carrying value of the EMEA CGU's net assets was determined to be not in excess of their recoverable amount and accordingly no impairment was evident in the current or comparative period.

Key assumptions and sensitivities

The fair value less cost to sell and value in use tests are sensitive to a number of assumptions which are discussed in turn below:

The discount rates used in the respective CGU impairment tests were:

	2012	2011
ANZ	14.0%	14.0%
Americas	13.5%	13.5%
EMEA	14.0%	14.0%

Exchange rate – the fair value less costs to sell CGU tests converted forecast foreign currency cash flows at the exchange rate expected to be in place at the time of the forecast transaction. Most foreign currency cash flows are denominated in USD and GBP. The recoverable amount test included a forecast USD exchange rate of A$1 – USD $1.03 for 2012 declining over a five year forecast period to A$1 = USD $0.91 (2011: A$1 = USD $1.00 declining over a five year forecast period to A$1 = USD $0.92) and a GBP exchange rate of A$1 = GBP 0.66 for 2012 and declining over a five year forecast period to A$1 = GBP 0.56 (2011: A$1 = 0.62 graduating up over a five year forecast period to A$1 = GBP 0.55).

A material difference to recoverable amount may result from applying a different discount rate, exchange rate or long-term growth rate assumption to the recoverable amount calculation.

A change of +0.5% in the discount rate would impair the Americas CGU by $35.8 million (2011: $38.5 million). A change in the ANZ and EMEA CGUs discount rate of +0.5% would not cause the carrying amount to exceed the recoverable amount. A change of -0.5% in the discount rate would not cause the carrying amount to exceed the recoverable amount.

A change of +5 cents/ pence in both the USD and the GBP exchange rate would not cause the carrying amount to exceed the recoverable amount of the ANZ, Americas and EMEA CGUs.

A change of -0.5% in the long term growth rate would impair the Americas CGU by $24.1 million (2011: $18.5 million). A change in the ANZ and EMEA CGUs long term growth rate of -0.5% would not cause the carrying amount to exceed the recoverable amount.

Goodwill and indefinite life brand names have been allocated to individual cash-generating units (CGU) according to business segment and country of operation.

A CGU level summary of all indefinite life intangibles is presented below:

	Americas		EMEA		ANZ		Total	
	2012 $m	2011 $m	2012 $m	2011 $m	2012 $m	2011 $m	2012 $m	2011 $m
Carrying amount of goodwill	**-**	-	**4.7**	5.1	**-**	-	**4.7**	5.1
Carrying amount of indefinite life brand names	**337.0**	316.3	**166.0**	166.2	**389.9**	388.9	**892.9**	871.4

Impairment losses have not been recognised directly in equity and there have been no reversals of impairment losses recognised during the year.

We draw your attention to note 3 which describes the impact on the comparative period results of Treasury Wine Estates Limited arising from transactions and restructuring activities undertaken as part of the demerger from Foster's Group Limited.

Note 18 Intangible Assets (continued)

Indefinite life brand names

Brand names with a carrying value of $892.9 million (2011: $871.4 million) are assessed as having an indefinite useful life. The indefinite useful life reflects management's intention to continue to manufacture or distribute these brands to generate net cash inflows into the foreseeable future. Management's annual review of indefinite life brands has not identified any factors that would significantly restrict the market or the brand position in the market (such as contractual, customer or consumer constraints). The annual review of grape supply has also demonstrated the ability to manufacture and distribute the brands into the foreseeable future. The key individual brand names in the wine portfolio are Penfolds, Beringer, Rosemount, Lindemans and Wolf Blass.

	2012 $m	2011 $m
Note 19 Payables		
Current		
Trade creditors	174.9	126.5
Other creditors	289.1	242.7
Total current payables	**464.0**	**369.2**

Trade payables are normally settled within 60 days (2011: 60 days) from the date of invoice unless alternate terms have been agreed by the supplier and do not incur interest expense. Other creditors are settled when they become due and payable.

Foreign exchange transaction disclosures

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

All Balances Translated to AUD	AUD $m	USD $m	GBP $m	Other $m	Total $m
2012					
Trade creditors	105.3	44.8	9.1	15.7	174.9
Other creditors	153.2	76.3	37.3	22.3	289.1
Total creditors	258.5	121.1	46.4	38.0	464.0
2011					
Trade creditors	71.2	37.7	7.6	10.0	126.5
Other creditors	130.2	64.8	29.9	17.8	242.7
Total creditors	201.4	102.5	37.5	27.8	369.2

Note 20 Financial risk management objectives and policies

Capital structure and financial risk management framework

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

Note 20 Financial risk management objectives and policies (continued)

Capital structure and financial risk management framework (continued)

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

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

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

	Note	Liquidity	Interest Rate	Foreign Exchange	Credit
Net debt	22	X	X	X	
Receivables	12	X		X	X
Other financial assets				X	X
Payables	19	X		X	
Derivative financial assets and liabilities	21			X	X

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

(a) Liquidity risk

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

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

	2012 $m	2011 $m
Committed arrangements/facilities available to the Group:		
Arrangements to provide standby funds and/or support facilities	**500.0**	500.0
Amounts utilised	**(44.9)**	(137.5)
Amount of credit unused	**455.1**	362.5

The Group is in compliance with all undertakings under its various financing arrangements. Unutilised facilities totalling $455.1 million (2011: $362.5 million) have maturity dates beyond twelve months of balance date.

TWE, in managing the Group's liquidity risk, will have regard to the Group's ability and cost of access to alternate funding sources for short to medium term refinancing requirements, core assets and working capital funding requirements.

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

Note 20 Financial risk management objectives and policies (continued)

2012	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
Bank loans *	**20.5**	**0.5**	**43.8**	**-**	**-**	**64.8**	**63.0**
Other Loans	**-**	**1.0**	**0.2**	**-**	**-**	**1.2**	**1.2**
Foreign exchange contracts	**0.9**	**0.2**	**0.4**	**-**	**-**	**1.5**	**1.5**
Trade creditors	**174.9**	**-**	**-**	**-**	**-**	**174.9**	**174.9**
Other creditors	**289.0**	**0.1**	**-**	**-**	**-**	**289.1**	**289.1**
Total financial liabilities	**485.3**	**1.8**	**44.4**	**-**	**-**	**531.5**	**529.7**
2011							
Bank loans *	2.1	1.5	2.9	137.6	-	144.1	135.4
Other Loans	-	1.1	-	-	-	1.1	1.1
Foreign exchange contracts	0.6	-	-	-	-	0.6	0.6
Trade creditors	126.5	-	-	-	-	126.5	126.5
Other creditors	242.7	-	-	-	-	242.7	242.7
Total financial liabilities	371.9	2.6	2.9	137.6	-	515.0	506.3

**Bank loans are stated net of capitalised facility borrowing costs in this table.*

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

(b) Capital Management

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

The key objectives include:

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

In order to maximise the capital structure, management may alter the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, vary discretionary capital expenditure, draw down additional debt or sell assets to reduce debt in line with the strategic objectives and operating plans of the Group.

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

- an earnings to net interest expense ratio and a total net indebtedness to earnings before interest, tax, depreciation, amortisation and self-generating and regenerating assets ratio.

(c) Interest rate risk

The Group's approach to managing interest rate risk is to balance its exposure to fixed and floating interest rates in accordance with policies determined by the Board using approved derivative instruments and having regard to cash flow volatility and interest coverage.

Note 20 Financial risk management objectives and policies (continued)

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

	2012 $m	2011 $m
Financial assets		
Cash and cash equivalents	**28.6**	64.8
Other loans	**1.2**	-
Total assets	**29.8**	64.8
Financial liabilities		
Bank loans	**(63.0)**	(135.4)
Total liabilities	**(63.0)**	(135.4)

TWE Treasury, in managing the Group's interest rate risk, will have regard to the underlying operating cash flows available to service the Group's interest obligations. The majority of the Group's interest rate risk arises from borrowings. Other sources of interest rate risk for the Group may include interest bearing investments, creditor's accounts offering a discount and debtors accounts on which discounts are offered. The Group's interest rate exposure may be managed using derivative financial instruments, which includes interest rate swaps, interest rate options and forward rate agreements.

The following sensitivity analysis shows the impact if the consolidated group's weighted average floating interest rates had changed from the year-end rates of 2.17% (2011: 2.14%) with all other variables held constant.

Currency	Sensitivity Assumption		Pre-Tax Impact on Profit			
	2012	2011	2012		2011	
			- $m	+ $m	- $m	+ $m
United States dollar	**+ / - 25bp**	+ / - 25bp	**0.2**	**(0.2)**	0.3	(0.3)
Australian dollar	**+ / - 25bp**	+ / - 25bp	-	-	-	-
Great Britain pound	**+ / - 25bp**	+ / - 25bp	-	-	-	-

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 (2011: nil impact).

(d) Foreign exchange risk

The focus of the Group's foreign exchange risk management activities is on its transactional foreign exchange exposure in relation to the underlying currency net cash flows. The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the controlled entities, primarily Australian dollars (AUD), United States dollars (USD) and Great British Pounds (GBP). The currencies in which these transactions are primarily denominated are AUD, USD, GBP, Euros (EUR), New Zealand dollars (NZD), Swedish Krona (SEK) and Norwegian Krone (NOK).

To manage the foreign exchange risk arising on these transactions, the Board has approved a risk management framework utilising derivative financial instruments which include forward exchange contracts and foreign exchange options. Transactions can be hedged for up to three years with a declining percentage of cover the further the time frame to the anticipated transaction. Only exposures that are forecast as being highly probable are hedged. In implementing the framework, TWE Treasury will have regard to the underlying currency net cash flows of the Group, comprising operating, investing and financing cash flows. Details of foreign exchange options and forward exchange contracts at reporting date are outlined in note 21.

Note 20 Financial risk management objectives and policies (continued)

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

All balances translated to AUD	AUD	USD	GBP	Other	Total
2012	**$m**	**$m**	**$m**	**$m**	**$m**
Cash and cash equivalents	**17.9**	**1.5**	**2.2**	**7.0**	**28.6**
Loan receivable	**1.2**	**-**	**-**	**-**	**1.2**
Bank loans	**(20.0)**	**(43.0)**	**-**	**-**	**(63.0)**
Other loan payable	**(1.0)**	**-**	**(0.2)**	**-**	**(1.2)**
Net debt	**(1.9)**	**(41.5)**	**2.0**	**7.0**	**(34.4)**
2011					
Cash and cash equivalents	13.8	11.3	8.1	31.6	64.8
Bank loans	-	(135.4)	-	-	(135.4)
Other loans	(1.1)	-	-	-	(1.1)
Net debt	12.7	(124.1)	8.1	31.6	(71.7)

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

Currency *	Sensitivity Assumption **		Pre-Tax Impact on Profit				Impact on Equity			
	2012	2011	**2012**		2011		**2012**		2011	
			+	-	+	-	+	-	+	-
			$m	**$m**	$m	$m	**$m**	**$m**	$m	$m
United States Dollar	13.3%	14.2%	(3.2)	4.1	(1.7)	2.3	(102.8)	137.6	(109.1)	145.2
Great Britain Pound	10.9%	12.2%	(0.5)	0.6	(4.1)	5.2	(0.4)	5.8	(10.1)	12.8
Euro	10.7%	12.4%	(2.4)	3.0	(2.3)	3.0	(2.4)	3.0	(2.9)	3.7
Canadian Dollar	8.8%	10.0%	(1.8)	2.2	(1.6)	2.0	-	-	-	-
New Zealand Dollar	7.4%	9.1%	(1.0)	1.2	(0.1)	0.1	(6.1)	7.1	(6.8)	8.1

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

(e) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, derivative instruments (including financial guarantees). Credit risk for financial assets which have been recognised in the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts. The maximum counterparty credit risk exposure at 30 June in respect of derivative financial instruments was $0.7 million (2011 $0.6 million) and in respect to cash and other investments were nil (2011: nil).

The Group's counterparty credit risk management philosophy is to limit its loss from default by any one counterparty by dealing only with financial institution counterparties of good credit standing, setting maximum exposure limits for each counterparty, and taking a conservative approach to the calculation of counterparty credit limit usage.

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

(f) Fair values

The fair values of cash and cash equivalents and financial assets and financial liabilities in respect of bank loans and derivatives approximate their carrying value. There have been no reclassifications of financial assets from fair value to cost, or from cost or amortised cost to fair value during the year.

Note 20 Financial risk management objectives and policies (continued)

(f) Fair values (continued)

The fair values of derivative financial instruments used to hedge interest rate and foreign exchange risks are based upon market prices, or models using inputs observed from the market, where markets exist or have been determined by discounting the expected future cash flows by the current interest rate for financial assets and financial liabilities with similar risk profiles.

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

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

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

	2012 Carrying Amount $m	2011 Carrying Amount $m	**2012 Fair Value $m**	2011 Fair Value $m
Cash and deposits	28.6	64.8	28.6	64.8
Loans and receivables				
Trade debtors	388.7	365.3	388.7	365.3
Other debtors	38.5	72.7	38.5	72.7
Loan Receivable	1.2	0.7	1.2	0.7
Financial assets designated as hedged items				
Foreign exchange contracts	0.9	0.7	0.9	0.7
Total financial assets	457.9	504.2	457.9	504.2
Financial liabilities at amortised cost				
Payables	464.0	369.2	464.0	369.2
Bank loans	63.0	135.4	63.0	135.4
Other Loans	1.2	1.1	1.2	1.1
Financial liabilities designated as hedged items				
Foreign exchange contracts	1.5	0.6	1.5	0.6
Total financial liabilities	529.7	506.3	529.7	506.3

Bank loans represent loans denominated in USD.

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

Note 21 Derivative financial instruments

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Note 21 Derivative financial instruments (continued)

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

	2012 $m	2011 $m
Financial assets		
Current foreign exchange contracts	**0.6**	0.7
Non-current foreign exchange contracts	**0.3**	-
Financial liabilities		
Current foreign exchange contracts	**1.1**	0.6
Non-current foreign exchange contracts	**0.4**	-

The fair value of forward exchange contracts and options are determined using forward exchange market rates at the end of the reporting period.

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

The Group's foreign currency transactions are primarily denominated in AUD, USD, EUR, GBP, CAD, NZD, SEK and NOK. At year end there were $371.1 million (Australian dollar equivalent) net face value of outstanding foreign exchange contracts at contract rates (2011: $33.2 million).

Hedge of Transactional Foreign Currency

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

	2012 $m	2011 $m
Cash flow hedge reserve - opening	-	1.1
Amount recognised in equity during the year	**0.8**	-
Amount removed from equity during the year	**(0.3)**	(1.1)
Cash flow hedge reserve - closing	**0.5**	-

Note 22 Borrowings	2012 $m	2011 $m
Current		
Unsecured	20.0	-
Other	1.0	1.1
Total current borrowings	**21.0**	**1.1**
Non-current		
Unsecured	43.0	135.4
Other	0.2	-
Total non-current borrowings	**43.2**	**135.4**
Total net borrowings consist of:		
Current	21.0	1.1
Non-current	43.2	135.4
Total net borrowings	**64.2**	**136.5**

Details of major arrangements

Bank loans have an interest rate of 2.17% at year end (2011: 2.14%).

Receivable Purchasing Agreement

Treasury Wine Estates EMEA Limited has entered into an uncommitted, non-recourse receivable purchasing agreement to sell certain receivables, from time to time, to an unrelated entity in exchange for cash. The facility limit under the receivable purchasing agreement is GBP 40 million. As at 30 June 2012, Treasury Wine Estates EMEA Limited had sold receivable balances equivalent to GBP 15.4 million in exchange for cash (2011: GBP 20.5 million).

Financial Guarantees

The parent entity has financial guarantees to banks and other financiers of $45.6 million (2011: $137.5 million) and to other persons of $27.2 million (2011: $27.1 million) that could be called upon at any time in the event of a breach of the Group's financial obligations. The Company does not expect any payments will eventuate under these financial guarantees as the Company and the Group are expected to meet their respective obligations to the beneficiaries of these guarantees.

Note 23 Provisions	2012 $m	2011 $m
Current		
Employee entitlements	40.1	38.4
Other	14.3	9.1
Total current provisions	**54.4**	**47.5**
Non-current		
Employee entitlements	4.2	3.9
Total non current provisions	**4.2**	**3.9**

Note 23 Provisions (continued)

	Onerous Contracts $m	Restructuring $m	Warranties/ Other $m	Total $m
2012				
Carrying amount at start of year	**3.1**	**3.3**	**2.7**	**9.1**
Charged/(credited) to comprehensive income	**10.6**	**-**	**(1.1)**	**9.5**
Payments	**(1.3)**	**(3.2)**	**-**	**(4.5)**
Foreign currency translation	**0.2**	**-**	**-**	**0.2**
Carrying amount at end of year	**12.6**	**0.1**	**1.6**	**14.3**
2011				
Carrying amount at start of year	5.1	13.4	4.7	23.2
Charged/(credited) to comprehensive income	-	(0.3)	1.1	0.8
Payments	(1.0)	(9.8)	(3.1)	(13.9)
Foreign currency translation	(1.0)	-	-	(1.0)
Carrying amount at end of year	3.1	3.3	2.7	9.1

Onerous contract provisions are held for onerous oak barrel lease contracts, wine grape supply contracts that are surplus to requirements and information technology infrastructure support and service contracts identified as being surplus to the Group's needs.

Restructuring provision balances mainly comprise costs associated with 2009 strategic wine review and previously announced Australian winery restructuring activities. Provisions are also held for acquired legacy Southcorp matters. Redundancy provisions are disclosed in employee entitlements.

The Group recognised warranty provisions for potential claims and exposures from acquired Southcorp contractual arrangements in 2005.

Note 24 Contributed equity

	Note	2012 Shares Million	2011 Shares Million
Paid up capital			
Ordinary fully paid shares	(a),(b)	**647.2**	647.2

(a) Ordinary shares

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

	Note	2012	2011
Movements			
Opening balance		**647.2**	650.0
Issued for consideration		-	3,500.0
Share capital consolidation	(c)	-	(4,150.0)
Shares issued under the Foster's demerger scheme	(d)	-	647.2
Closing balance		**647.2**	647.2

(b) Restricted shares

Included within ordinary fully paid shares are 1.5 million (2011: 0.6 million) shares which are available to satisfy any entitlements which vest under the Group's restricted share plan. Details in respect to the Group's restricted share plans are set out in note 27.

(c) Share consolidation

Immediately prior to demerger the Company undertook a share consolidation whereby all shares on issue were converted to one ordinary share.

Note 24 Contributed equity (continued)

(d) Fosters demerger scheme
Under the Foster's Group demerger scheme, one Treasury Wine Estate Limited share was offered for every three Foster's Group Limited ordinary shares held on the record date, being 16 May 2011, thereby resulting in the issue of 647.2 million ordinary shares.

Note 25 Reserves	Note	2012 $m	2011 $m
Cash flow hedge reserve	(a)	(0.2)	-
Share based payments reserve	(b)	6.8	0.2
Demerger reserve	(c)	-	170.7
Foreign currency translation reserve	(d)	(352.4)	(404.4)
Total reserves		**(345.8)**	**(233.5)**

Nature and purpose of reserves

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

(b) Share based payment reserve
This reserve records the value of shares under the TWE Long Term Incentive Plan offered to employees as part of their remuneration. Refer to note 27 for further details of this plan.

(c) Demerger and other reserve
This reserve records the transactions that have been recognised for consolidation purposes between the Group and Foster's Group Limited. As all transactions related to the demerger were concluded during the financial year ended 30 June 2012 the residual balance in the demerger reserve has been transferred to retained earnings.

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

Note 26 Key Management Personnel ('KMP') disclosures

Key Management Personnel compensation

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

	2012 $	2011 $
Short term employee benefits	6,783,845	3,402,712
Post-employment benefits	163,012	141,266
Share-based payments	1,596,543	206,669
Termination benefits	487,947	-
Total	**9,031,347**	**3,750,647**

Equity instrument disclosures relating to key management personnel

The number of shares in the Company held by each director and other key management personnel of the Group, including their related parties, together with the number of performance rights granted by the Group as compensation during the years 2012 and 2011, are shown in the tables below.

Note 26 Key Management Personnel ('KMP') disclosures (continued)

Equity instrument disclosures relating to key management personnel (continued)

	Balance at Start of Year	Shares Aquired During the Year as Part of Remuneration	Shares Aquired through the Year through the Vesting of LTIP	Other Shares Aquired During the Year	Other Changes During the Year	Balance of Shares Held at End of Year
2012						
Non-executive Directors						
MG Ould	32,573	-	-	-	-	32,573
ML Cattermole	61,214	-	-	-	-	61,214
WL Every-Burns	1,667	-	-	25,000	-	26,667
P Rayner	-	-	-	35,000	-	35,000
P Hearl	-	-	-	-	-	-
Director total	**95,454**	**-**	**-**	**60,000**	**-**	**155,454**
Executive KMP						
DCM Dearie	118,015	14,257	-	-	-	132,272
M Fleming	110,974	-	-	-	-	110,974
P Conroy	111,538	18,501	-	-	(13,491)	116,548
S McNab	22,033	40,150	-	-	-	62,183
B Williams	-	10,647	-	-	-	10,647
Key management personnel total	**362,560**	**83,555**	**-**	**-**	**(13,491)**	**432,624**
Grand total	**458,014**	**83,555**	**-**	**60,000**	**(13,491)**	**588,078**
2011						
Non-executive Directors						
MG Ould	-	-	-	32,573	-	32,573
ML Cattermole	-	-	-	61,214	-	61,214
WL Every-Burns	-	-	-	1,667	-	1,667
PA Rayner	-	-	-	-	-	-
Director total	**-**	**-**	**-**	**95,454**	**-**	**95,454**
Executive KMP						
DCM Dearie	-	-	-	118,015	-	118,015
M Fleming	-	-	-	110,974	-	110,974
S Brauer	-	-	-	33,974	-	33,974
PR Jackson	-	-	-	126,803	-	126,803
AN Davie	-	-	-	64,344	-	64,344
Key management personnel total	**-**	**-**	**-**	**454,110**	**-**	**454,110**
Grand total	**-**	**-**	**-**	**549,564**	**-**	**549,564**

Other transactions with key management personnel and their personally-related entities

TWE and the Group entered into transactions which are insignificant in amount with key management personnel 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 TWE 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

Note 26 Key Management Personnel ('KMP') disclosures (continued)

policies of those companies. The companies are therefore not considered to be related parties for the purpose of the disclosure requirements of AASB 124 "Related Party Disclosures".

Note 27 Employee equity plans

As at 30 June 2012, the Group has the share-based payment arrangements outlined in this note.

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

The following equity plans operate under the Group's umbrella Employee Share Plan:

- Long Term Incentive Plan (LTIP)
- Restricted Share Plan

STIP Deferred Share Plan

Under the STIP Deferred Share Plan, one third of a participant's STIP award that vests is delivered in the form of Deferred Shares. The Deferred Shares are subject to a mandatory two year disposal restriction period and continued employment with the Group. Participants are entitled to dividends and to exercise their voting rights attached to the Deferred Shares during the restriction period.

LTIP

Under the LTIP, eligible participants receive a grant of performance rights which entitles participants to receive shares in the Company (Shares) at no cost at the end of the performance period subject to the achievement of performance conditions (Performance Rights). No dividends on shares are payable to participants prior to vesting. Plans entered into are outlined below;

- For the current period awards, Performance rights are subject to dual performance measures with equal weighting over a performance period of three years. The performance measures are relative Total Shareholder Return (TSR) and Earnings per Share (EPS) compound annual growth rate (CAGR).

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

Restricted Share Plan

Under the Restricted Share Plan, eligible participants receive a grant of shares at no cost that are subject to a restriction period during which participants cannot deal with the shares (Restricted Shares). Restricted shares are subject to forfeiture if the participant resigns from the Group prior to the conclusion of the restriction period applicable to the offer. Participants are entitled to dividends and to exercise their voting rights attached to the shares during the restriction period. Plans entered into are outlined below;

- Demerger Restricted Shares

In the prior period one-off Demerger Restricted Shares were granted to eligible participants to create immediate alignment with shareholder interest, drive performance during the period post-demerger and for the purposes of retention.

- Targeted Restricted Shares

Targeted Restricted Shares are awarded as a sign on incentives to compensate employees for foregoing equity compensation in their previous organisation, and as a retention incentive.

Note 27 Employee equity plans (continued)

Fair value of awards

The grant-date fair value of the LTIP performance rights granted during the year ended 30 June 2012 is detailed below. The TSR component is valued using a Monte-Carlo simulation. The valuation model uses standard option pricing inputs, including the term of the award, share price at grant date, exercise price, expected annual dividend yield, expected risk-free interest rate for the performance period and expected share price volatility.

For the ROCE and EPS component of the LTIP awards, a likely vesting outcome due the performance hurdle is overlaid onto the fair value, derived from the current share price less the present value of dividends. The likely vesting outcome reflects the performance to date against targets.

Plan	Grant date	Expiry date	Balance start of year No.	Granted during year No.	Forfeited during year No.	Exercised during year No.	Balance end of year No.	Grant date share price $	Fair values estimate at grant date $	Expected dividend yield (i) %	Expected share price volatility (ii) %	Risk free interest rate (iii) %
2012												
STIP Deferred Share Plan												
STI	15-Sep-11	14-Sep-13	-	710,638	24,335	94,745	591,558	3.36	N/A	N/A	N/A	N/A
LTIP												
ROCE	8-Jun-11	30-Sep-12	493,707	-	68,229	6,634	418,844	3.46	3.33	3.5	20.0	4.8
ROCE	8-Jun-11	30-Sep-13	532,072	-	101,907	26,719	403,446	3.46	3.22	3.5	20.0	4.9
TSR	8-Jun-11	30-Sep-12	493,707	-	63,266	11,597	418,844	3.46	1.09	3.5	20.0	4.8
TSR	8-Jun-11	30-Sep-13	532,072	-	98,317	30,309	403,446	3.46	0.86	3.5	20.0	4.9
TSR	25-Nov-11	30-Jun-14	-	393,586	-	-	393,586	3.76	2.61	3.5	33.0	3.0
EPS	25-Nov-11	30-Jun-14	-	393,586	-	-	393,586	3.76	3.43	3.5	33.0	3.0
EPS	13-Apr-12	30-Jun-14	-	3,405,181	141,971	12,476	3,250,734	4.35	4.06	3.1	30.0	3.3
TSR	13-Apr-12	30-Jun-14	-	3,405,181	141,971	12,476	3,250,734	4.35	3.21	3.1	30.0	3.3
Restricted Share Plans												
Demerger	3-Jun-11	5-May-14	743,784	-	40,956	-	702,828	3.42	N/A	N/A	N/A	N/A
Targeted	29-Aug-11	30-Jun-14	-	18,493	-	-	18,493	3.24	N/A	N/A	N/A	N/A
Targeted	3-Feb-12	3-Feb-14	-	138,267	-	46,089	92,178	3.48	N/A	N/A	N/A	N/A
Targeted	1-Jun-12	1-Jun-15	-	4,512	-	-	4,512	4.43	N/A	N/A	N/A	N/A
2011												
LTIP												
ROCE	8-Jun-11	30-Sep-12	-	493,707	-	-	493,707	3.46	3.33	3.5	20.0	4.8
ROCE	8-Jun-11	30-Sep-13	-	532,072	-	-	532,072	3.46	3.22	3.5	20.0	4.9
TSR	8-Jun-11	30-Sep-12	-	493,707	-	-	493,707	3.46	1.09	3.5	20.0	4.8
TSR	8-Jun-11	30-Sep-13	-	532,072	-	-	532,072	3.46	0.86	3.5	20.0	4.9
Restricted Share Plans												
Demerger	3-Jun-11	5-May-14	-	743,784	-	-	743,784	3.42	N/A	N/A	N/A	N/A

(i) The dividend yield is based on historic and future yield estimates

(ii) In the absence of a significant trading history, the volatility assumption is based on the actual historical volatility of TWE's daily closing share price since listing

(iii) The risk free rate is derived from the yield on Australian Government Bonds of appropriate term

Note 28 Employee benefits

	2012 $m	2011 $m
The aggregate amount of employee benefits is comprised of:		
Accrued wages, salaries and on-costs	43.0	27.0
Provisions (current)	40.1	38.4
Provisions (non-current)	4.2	3.9
Total employee benefits	**87.3**	**69.3**

The aggregate of employee entitlement provisions is $44.3 million (2011: $42.3 million).

The total employee benefits incurred during the year were $243.4m (2011: $231.8 million). The variance in employee expense amounts between the 2012 and 2011 reflect variances in head count, wage rates and exchange rates.

	2012	2011
Employee numbers		
Number of full-time equivalent employees at the reporting date	**3,129**	**3,319**

Note 29 Remuneration of auditors

	2012 $'000	2011 $'000
Amount received, or due and receivable, by the auditors for:		
Auditing and reviewing the financial statements		
- auditors of TWE	830	910
- associated firms of TWE auditors	770	701
Total audit and other assurance		
- auditors of TWE	830	910
- associated firms of TWE auditors	770	701
	1,600	1,611
Total other services		
- auditors of TWE	80	-
	80	-
Total fees earned		
- auditors of TWE	910	910
- associated firms of TWE auditors	770	701
Total remuneration of auditors	**1,680**	**1,611**

The Group employs its statutory auditor PricewaterhouseCoopers to provide other non-audit services where their expertise and experience best qualifies them to provide the appropriate service and as long as stringent independence requirements are satisfied. In the year ended 30 June 2012, PricewaterhouseCoopers earned fees in respect to the provision of taxation services.

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

Note 30 Commitments

	2012 $m	2011 $m
Leases		
Non cancellable operating leases		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
- under 1 year	39.2	37.9
- between 1 year and 5 years	73.6	77.7
- over 5 years	62.3	60.6
Total lease commitments	**175.1**	**176.2**
Capital expenditure and other commitments		
The following expenditure has been contracted but not provided for in the financial statements:		
Capital expenditure	**13.8**	**23.7**

The Group leases property under operating leases expiring from 1 to 17 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated.

Note 31 Notes to the cash flow statement

Reconciliation of cash

For the purpose of the cash flow statements, cash includes cash at bank and on hand and on short term deposit, and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:

	2012 $m	2011 $m
Cash at bank and on hand (note 11)	28.6	64.8
Reconciliation of net cash flows from operating activities to profit/(loss) after income tax		
Profit for the year	89.7	64.4
Depreciation and amortisation	67.7	71.9
Contributions from associates	(0.8)	0.2
Profit on disposal of non-current assets	(1.2)	(1.7)
Valuation (increment)/decrement on agricultural assets	2.8	(2.5)
Revaluation gains on assets held for sale	(8.2)	-
Cash payments investing activities	(31.5)	3.6
Asset impairment charges - intangibles	35.8	-
Asset impairment charges - PPE	7.0	-
Share based payments expense	6.6	0.2
Net foreign exchange differences	9.8	-
Change in working capital, net of effects from acquisition/disposal of controlled entities		
- receivables	5.4	(255.5)
- inventories	(108.8)	102.1
- derivative financial assets/liabilities	0.8	8.4
- payables	94.8	147.3
- net tax balances	2.5	13.4
- provisions	7.2	(14.2)
Net cash flows from operating activities	**179.6**	**137.6**

Note 32 Non-Director related party disclosures

Ownership interests in related parties
All material ownership interests in related parties are disclosed in note 34 to the financial statements.

Parent Entity
The ultimate parent entity within the Group is Treasury Wine Estates Limited, which is domiciled and incorporated in Australia.

Transactions with entities in the wholly-owned Group
Transactions between the Company and entities in 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.

In the comparative period, prior to demerger and subsequent listing of Treasury Wine Estates Limited on the ASX, the ultimate parent entity of Treasury Wine Estates Limited was Fosters Group Limited.

Transactions with FGL Group
Transactions between entities within TWE, whilst a wholly owned subsidiary of FGL (Fosters Group Limited and its controlled entities), and FGL in the comparative period included:

- advancement and repayment of loans by FGL to TWE entities
- provision by FGL of management, accounting and administrative assistance
- purchases and sales of products and services
- interest expense/income paid/received by TWE for money borrowed
- transfer of tax related balances for tax consolidation purposes
- provision of transactional banking facilities on behalf of TWE; and
- acting as an employer for certain TWE employees, including responsibility for payroll and superannuation.

With the exception of some interest-free loans provided by FGL and the sale of inventory by TWE's Australian entities to FGL for sale within Australia which occurred at nil margin, all other transactions were conducted according to normal commercial terms and conditions. Sales between TWE and FGL of $407.2million were made in the comparative period.

Amounts owing to and from entities in the Group and entities in the Foster's Group in the prior period were dealt with on demerger in the manner set out in Note 3 and 4.

Note 33 Events subsequent to reporting date

Since 30 June 2012, the directors have declared a final dividend of 7 cents per ordinary share. The total amount of the final dividend is $45.3 million (2011: $38.8m). This has not been provided for in the 30 June 2012 financial statements (refer to note 10).

As announced on 20 July 2012, non-executive director, Mr Paul Rayner, will become the Company's new Chairman, succeeding Mr Max Ould, from 1 September 2012. The Board also announced that three new non-executive directors namely Mr Ed Chan, Mr Garry Hounsell and Mr Michael Cheek would be joining the Board effective from 1 September 2012. The appointment of the new non-executive directors was conditional upon receipt of approval from a number of state based liquor licensing authorities.

There are no other matters or circumstances which 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.

Note 34 Controlled entities

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

Entity	Notes	Country of Incorporation	Equity Holding 2012 %	Equity Holding 2011 %
Aldershot Nominees Pty. Ltd.*		Australia	**100**	100
B Seppelt & Sons Limited*		Australia	**100**	100
Beringer Blass Distribution S.R.L.		Italy	**100**	100
Beringer Blass Italia S.R.L.		Italy	**100**	100
Beringer Blass Wine Estates Chile Limitada		Chile	**100**	100
Beringer Blass Wine Estates Limited		UK	**100**	100
Beringer Blass Wines Pty. Ltd.*		Australia	**100**	100
Bilyara Vineyards Pty. Ltd.*		Australia	**100**	100
Cellarmaster Wines (UK) Limited		UK	**100**	100
Cellarmaster Wines Holdings (UK) Limited		UK	**100**	100
Coldstream Australasia Limited*		Australia	**100**	100
Cuppa Cup Vineyards Pty. Ltd.		Australia	**100**	100
Devil's Lair Pty. Ltd.		Australia	**100**	100
Ewines Pty. Ltd.		Australia	**100**	100
FBL Holdings Limited		UK	**100**	100
Foster's Wine Estates Sales Company	(a)	USA	**100**	100
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
Greg Norman Estates Joint Venture		Australia	**70**	70
Il Cavaliere del Castello di Gabbiano S.r.l.		Italy	**100**	100
Interbev Pty. Ltd.*		Australia	**100**	100
Invin Wines Pty. Ltd.		Australia	**100**	100
Island Cooler Pty. Ltd.		Australia	**100**	100
James Herrick Wines Limited		UK	**100**	100
Leo Buring Pty. Ltd.		Australia	**100**	100
Lindeman (Holdings) Limited*		Australia	**100**	100
Lindemans Wines Pty. Ltd.		Australia	**100**	100
Mag Wines Pty. Ltd		Australia	**100**	100
Majorca Pty. Ltd.*		Australia	**100**	100
MBL Packaging Pty. Ltd.		Australia	**100**	100
Mildara Holdings Pty. Ltd.*		Australia	**100**	100
North America Packaging (Pacific Rim) Corporation		USA	**100**	100
North Para Environment Control Pty. Ltd.		Australia	**69.9**	69.9
Penfolds Wines Pty Ltd		Australia	**100**	100
Premium Land, Inc.		USA	**100**	100
Raust International Investments BV		Netherlands	**100**	100
RH Wines Pty. Ltd		Australia	**100**	100
Robertsons Well Pty. Ltd.		Australia	**100**	100
Robertsons Well Unit Trust		Australia	**100**	100
Rosemount Estates Pty. Ltd.		Australia	**100**	100
Rothbury Wines Pty. Ltd.*		Australia	**100**	100
Roxburgh Vineyards Pty. Ltd.		Australia	**100**	100

Note 34 Controlled entities (continued)

Entity	Notes	Country of Incorporation	Equity Holding 2012 %	Equity Holding 2011 %
SCA 605 Pty. Ltd.		Australia	**100**	100
SCW 905 Limited*		Australia	**100**	100
Seaview Wynn Pty. Ltd.*		Australia	**100**	100
Selion Pty. Ltd.		Australia	**100**	100
Southcorp Australia Pty. Ltd.*		Australia	**100**	100
Southcorp Brands Pty. Ltd.*		Australia	**100**	100
Southcorp International Investments Pty. Ltd.*		Australia	**100**	100
Southcorp Limited*		Australia	**100**	100
Southcorp NZ Pty. Ltd.*		Australia	**100**	100
Southcorp Whitegoods Pty. Ltd.		Australia	**100**	100
Southcorp Wines Asia Pty. Ltd.		Australia	**100**	100
Southcorp Wines Europe Limited		UK	**100**	100
Southcorp Wines NZ Limited		New Zealand	**100**	100
Southcorp Wines Pty. Ltd.*		Australia	**100**	100
Southcorp XUK Limited		UK	**100**	100
T'Gallant Winemakers Pty. Ltd.		Australia	**100**	100
The New Zealand Wine Club Limited		UK	**100**	100
The Rothbury Estate Pty. Ltd.*		Australia	**100**	100
Tolley Scott & Tolley Limited*		Australia	**100**	100
Treasury Americas Inc		USA	**100**	100
Treasury Wine Brands Pty Limited		Australia	**100**	100
Treasury Wine Estates (China) Holding Co Pty Ltd*		Australia	**100**	100
Treasury Wine Estates Shanghai Co Ltd	(b)	China	**100**	100
Treasury Wine Estates (Matua) Limited		New Zealand	**100**	100
Treasury Wine Estates (NZ) Holding Co Pty Ltd*		Australia	**100**	100
Treasury Wine Estates (NZ) Limited		New Zealand	**100**	100
Treasury Wine Estates Asia (SEA) Pte Limited		Singapore	**100**	100
Treasury Wine Estates (UK) Holding Co Pty Ltd*		Australia	**100**	100
Treasury Wine Estates Americas Company		USA	**100**	100
Treasury Wine Estates Asia Pty. Ltd.		Australia	**100**	100
Treasury Wine Estates Australia Limited*		Australia	**100**	100
Treasury Wine Estates Barossa Vineyards Pty. Ltd.		Australia	**100**	100
Treasury Wine Estates Canada, Inc.		Canada	**100**	100
Treasury Wine Estates Denmark ApS		Denmark	**100**	100
Treasury Wine Estates EMEA Limited		UK	**100**	100
Treasury Wine Estates Finland Oy		Finland	**100**	100
Treasury Wine Estates Group Pty Limited		Australia	**100**	100
Treasury Wine Estates Holdings Inc.		USA	**100**	100
Treasury Wine Estates Limited*		Australia	**100**	100
Treasury Wine Estates Netherlands B.V	(c)	Netherlands	**100**	-
Treasury Wine Estates Norway AS		Norway	**100**	100
Treasury Wine Estates Sweden AB		Sweden	**100**	100
Treasury Wine Estates UK Brands Limited		UK	**100**	100
Treasury Wine Estates Vintners Limited*		Australia	**100**	100

Note 34 Controlled entities (continued)

Entity	Notes	Country of Incorporation	Equity Holding 2012 %	Equity Holding 2011 %
TWE Finance (Aust) Limited*		Australia	**100**	100
TWE Finance (UK) Limited		UK	**100**	100
TWE Insurance Company Pte. Ltd.		Singapore	**100**	100
TWE Share Plans Pty Ltd		Australia	**100**	100
TWE US Finance Co.		USA	**100**	100
VEA Pty. Ltd.		Australia	**100**	100
Wolf Blass Wines Pty. Ltd.*		Australia	**100**	100
Woodley Wines Pty. Ltd.		Australia	**100**	100
Wynn Winegrowers Pty. Ltd.		Australia	**100**	100
Wynns Coonawarra Estate Pty. Ltd		Australia	**100**	100

* Entity is a member of the Closed Group under the Deed of Cross Guarantee (refer to note 35) and relieved from the requirement to prepare audited financial statements by ASIC Class Order (98/1418).

Notes

(a) This entity is in the process of being dissolved
(b) Formerly Foster's Beverage Trading (Shanghai) Co. Ltd
(c) Incorporated on 19 January 2012

Note 35 Deed of Cross Guarantee

Under the terms of ASIC class order 98/1418, certain wholly-owned controlled entities have been granted relief from the requirement to prepare audited financial reports. It is a condition of the class order that the Company and each of the relevant subsidiaries enter into a Deed of Cross Guarantee whereby each company guarantees the debts of the companies party to the Deed. The member companies of the Deed of Cross Guarantee are regarded as the 'Closed Group' and identified in note 34 'Controlled Entities'.

A summarised consolidated statement of 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 2012 are set out below.

	2012 $m	2011 $m
Extract of the statement of comprehensive income		
Profit before tax	75.0	560.8
Income tax expense	(28.7)	(0.1)
Net profit after tax	**46.3**	560.7
Retained earnings at beginning of the year	(43.6)	(2,044.8)
Transfer from reserves	247.1	1,440.5
External dividends	(77.7)	-
Retained earnings at end of the year	**172.1**	(43.6)

Note 35 Deed of Cross Guarantee (continued)

	2012 $m	2011 $m
Current assets		
Cash and cash equivalents	**17.4**	5.3
Receivables	**1,426.3**	1,217.6
Inventories	**358.1**	411.5
Current tax assets	**13.5**	-
Non-current assets classified as held for sale	**3.5**	7.8
Derivative financial instruments	**1.3**	0.7
Total current assets	**1,820.1**	1,642.9
Non-current assets		
Receivables	**1.2**	-
Inventories	**277.7**	155.5
Investments accounted for using the equity method	**-**	3.0
Other financial assets	**2,852.3**	2,852.3
Derivative financial assets	**0.7**	-
Property, plant and equipment	**464.1**	467.3
Agricultural assets	**68.6**	61.6
Intangible assets	**420.9**	435.7
Retirement benefit assets	**0.5**	0.5
Deferred tax assets	**50.9**	38.7
Total non-current assets	**4,136.9**	4,014.6
Total assets	**5,957.0**	5,657.5
Current liabilities		
Payables	**249.0**	201.1
Borrowings	**2,399.1**	2,132.4
Current tax liabilities	**-**	10.5
Derivative financial liabilities	**1.5**	0.6
Provisions	**48.0**	39.0
Total current liabilities	**2,697.6**	2,383.6
Non-current liabilities		
Deferred tax liabilities	**32.3**	17.6
Derivative financial liabilities	**0.7**	-
Total non-current liabilities	**33.0**	17.6
Total liabilities	**2,730.6**	2,401.2
Net assets	**3,226.4**	3,256.3
Equity		
Contributed equity	**3,047.5**	3,047.5
Reserves	**6.8**	252.4
Retained earnings	**172.1**	(43.6)
Total equity	**3,226.4**	3,256.3

Note 36 Parent entity financial information

(a) Summary financial information
The individual financial statements for the parent entity show the following aggregate amounts:

	2012 $'000	2011 $'000
Balance sheet		
Current assets	**5,591.4**	5,516.5
Total assets	**7,459.3**	7,384.5
Current liabilities	**4,338.7**	4,275.8
Total liabilities	**4,338.7**	4,275.8
Net assets	**3,120.6**	3,108.7
Shareholders' equity		
Issued capital	**3,047.5**	3,047.5
Share-based payments	**6.8**	0.2
Retained earnings	**66.3**	61.0
Total equity	**3,120.6**	3,108.7
Profit for the year	**83.0**	61.0
Total comprehensive income	**83.0**	61.0

(b) Contingent liabilities of the parent entity
The parent entity did not have any contingent liabilities as at 30 June 2012 or 30 June 2011.

Note 37 Contingent liabilities

Subsequent to 30 June 2012, the Group received notice from the landlord of one of the Group's Australian vineyards terminating a lease and claiming an entitlement to a fixed cash payment as a result of a change in control event brought about by the Group's demerger from Foster's Group Limited in May 2011. The Group denies it has any obligation to make the payment and will defend any such claim. In the event of any liability to make a payment, the Group believes that it is entitled to be fully indemnified by Foster's Group Limited as a result of a specific indemnification deed that was agreed with Foster's Group Limited immediately prior to the demerger.