APPENDIX 4E

PRELIMINARY FINAL REPORT IN RESPECT TO TREASURY WINE ESTATES LIMITED FOR THE YEAR ENDED 30 JUNE 2016 ABN 24 004 373 862

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

KEY INFORMATION	YEAR ENDED 30 JUNE 2016 $M	YEAR ENDED 30 JUNE 2015 $M	CHANGE INCREASE/ (DECREASE)	AMOUNT INCREASE/ (DECREASE) $M
Revenue from ordinary activities	2,343.3	1,971.0	18.9%	372.3
Profit attributable to members of Treasury Wine Estates Limited	179.4	77.6	131.2%	101.8
Net profit after tax before material items, SGARA	221.8	142.5	55.6%	79.3
Earnings before interest, tax, SGARA and material items	342.0	225.1	51.9%	116.9

EARNINGS PER SHARE	YEAR ENDED 30 JUNE 2016 CENTS PER SHARE	YEAR ENDED 30 JUNE 2015 CENTS PER SHARE
Basic earnings per share	25.1	11.7
Basic earnings per share, adjusted to exclude SGARA, material items	31.1	21.5

DIVIDENDS (DISTRIBUTIONS)[i]	CENTS PER SHARE	FRANKING %
Final dividend – year ended 30 June 2016 (determined subsequent to balance date)[ii],[iii]	12.0 cents	unfranked
Interim dividend – half year ended 31 December 2015	8.0 cents	unfranked
Final dividend – year ended 30 June 2015	8.0 cents	unfranked

(i) The Dividend Reinvestment Plan of the Company, suspended on 20 August 2014, remains suspended.

(ii) The unfranked component of this dividend is declared to be paid out of conduit foreign income and therefore no non-resident withholding tax is payable.

(iii) The record date for determining an entitlement to receipt of the final dividend is Thursday 1 September 2016 and the Company expects to pay the dividend on Friday 7 October 2016.

2. PRELIMINARY FINAL FINANCIAL STATEMENTS

Please refer to pages 1 through 46 of this report wherein the following are provided:

- Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2016;
- Consolidated statement of financial position as at 30 June 2016;
- Consolidated statement of changes in equity for the year ended 30 June 2016;
- Consolidated statement of cash flows for the year ended 30 June 2016; and
- Notes to the consolidated financial statements.

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

3. NET TANGIBLE ASSET BACKING

NET TANGIBLE ASSET BACKING PER ORDINARY SHARE	YEAR ENDED 30 JUNE 2016 $	YEAR ENDED 30 JUNE 2015 $
Net tangible asset backing per ordinary share	3.49	3.47

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

The Annual General Meeting of the Company will be held at 11.00am (Adelaide time) on Thursday 10 November 2016 at the National Wine Centre, Corner of Botanic and Hackney Roads, Adelaide, South Australia, Australia.

5. FURTHER INFORMATION

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 $M	2015 $M
Revenue	3	**2,343.3**	1,971.0
Cost of sales		**(1,509.5)**	(1,342.7)
Gross profit		**833.8**	628.3
Other income	3	**4.0**	5.6
Selling expenses		**(264.8)**	(214.3)
Marketing expenses		**(111.3)**	(115.3)
Administration expenses		**(148.4)**	(110.3)
Other expenses		**(32.6)**	(61.5)
Profit before tax and finance costs		**280.7**	132.5
Finance income		**13.6**	5.4
Finance costs		**(34.8)**	(27.0)
Net finance costs		**(21.2)**	(21.6)
Profit before tax		**259.5**	110.9
Income tax expense	22	**(80.0)**	(33.3)
Net profit		**179.5**	77.6
Net profit attributable to non-controlling interests		**(0.1)**	–
Net profit attributable to members of Treasury Wine Estates Limited		**179.4**	77.6
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges		**2.4**	(2.3)
Tax on cash flow hedges		**(0.8)**	0.9
Exchange difference on translation of foreign operations		**29.1**	207.5
Other comprehensive income for the year, net of tax		**30.7**	206.1
Total comprehensive income for the year attributable to members of Treasury Wine Estates Limited		**210.1**	283.7
Non-controlling interests		**0.1**	–
Total comprehensive income for the year		**210.2**	283.7

		CENTS PER SHARE	CENTS PER SHARE
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic	7	**25.1**	11.7
Diluted	7	**24.9**	11.6

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	NOTE	2016 $M	2015 $M
Current assets			
Cash and cash equivalents	9	**256.1**	122.1
Receivables	9	**603.4**	504.9
Inventories	9	**904.0**	704.2
Current tax assets		**–**	18.2
Assets held for sale	13	**98.8**	91.2
Other current assets		**4.2**	3.1
Total current assets		**1,866.5**	1,443.7
Non-current assets			
Inventories	9	**678.4**	533.8
Property, plant and equipment	10	**1,154.5**	928.8
Agricultural assets	11	**340.0**	255.1
Intangible assets	12	**1,060.2**	791.1
Deferred tax assets	22	**252.2**	193.3
Derivative financial assets		**14.8**	0.1
Other non-current assets		**10.6**	3.9
Total non-current assets		**3,510.7**	2,706.1
Total assets		**5,377.2**	4,149.8
Current liabilities			
Bank overdraft	9	**4.0**	13.0
Trade and other payables	9	**653.1**	455.2
Current tax liabilities		**18.4**	5.2
Provisions	15	**77.4**	90.3
Other current liabilities		**5.0**	7.0
Total current liabilities		**757.9**	570.7
Non-current liabilities			
Trade and other payables	9	**72.3**	5.4
Borrowings	17	**626.6**	324.4
Deferred tax liabilities	22	**273.7**	194.1
Derivative financial liabilities		**8.6**	1.4
Other non-current liabilities		**3.0**	3.1
Total non-current liabilities		**984.2**	528.4
Total liabilities		**1,742.1**	1,099.1
Net assets		**3,635.1**	3,050.7
Equity			
Contributed equity	18	**3,533.6**	3,061.3
Reserves	20	**20.5**	(23.3)
Retained earnings		**78.3**	10.1
Total parent entity interest		**3,632.4**	3,048.1
Non-controlling interest		**2.7**	2.6
Total equity		**3,635.1**	3,050.7

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	CONTRIBUTED EQUITY $M	RETAINED EARNINGS $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	OTHER RESERVES $M	TOTAL $M	NON-CONTROLLING INTERESTS $M	TOTAL EQUITY $M
Balance at 30 June 2014	**3,051.4**	**17.2**	**(234.2)**	**11.8**	**2,846.2**	**2.6**	**2,848.8**
Profit for the year	–	77.6	–	–	77.6	–	77.6
Total other comprehensive income/(loss)	–	–	207.5	(1.4)	206.1	–	206.1
Total comprehensive income/(loss) for the year	**–**	**77.6**	**207.5**	**(1.4)**	**283.7**	**–**	**283.7**
Transactions with owners in their capacity as owners directly in equity							
Share-based payment expense	–	–	–	3.1	3.1	–	3.1
Net changes in contributed equity	9.9	–	–	(10.1)	(0.2)	–	(0.2)
Dividends to owners of the Company	–	(84.7)	–	–	(84.7)	–	(84.7)
Balance at 30 June 2015	**3,061.3**	**10.1**	**(26.7)**	**3.4**	**3,048.1**	**2.6**	**3,050.7**
Profit for the year	–	179.4	–	–	179.4	0.1	179.5
Total other comprehensive income	–	–	29.1	1.6	30.7	–	30.7
Total comprehensive income for the year	**–**	**179.4**	**29.1**	**1.6**	**210.1**	**0.1**	**210.2**
Transactions with owners in their capacity as owners directly in equity							
Share-based payment expense	–	–	–	14.5	14.5	–	14.5
Issue of ordinary shares	486.5	–	–	–	486.5	–	486.5
Transaction costs on issue of ordinary shares	(11.1)	–	–	–	(11.1)	–	(11.1)
Purchase of own shares	(4.5)	–	–	–	(4.5)	–	(4.5)
Vested deferred shares and share rights	1.4	–	–	(1.4)	–	–	–
Dividends to owners of the Company	–	(111.2)	–	–	(111.2)	–	(111.2)
Balance at 30 June 2016	**3,533.6**	**78.3**	**2.4**	**18.1**	**3,632.4**	**2.7**	**3,635.1**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 $M INFLOWS/ (OUTFLOWS)	2015 $M INFLOWS/ (OUTFLOWS)
Cash flows from operating activities			
Receipts from customers		**2,991.5**	2,511.9
Payments to suppliers, governments and employees		**(2,542.2)**	(2,279.8)
Borrowing costs paid		**(35.1)**	(27.4)
Income taxes paid		**(10.8)**	(34.2)
Interest received		**13.4**	5.3
Net cash flows from operating activities	8	**416.8**	175.8
Cash flows from investing activities			
Payments for property, plant, equipment and agricultural assets		**(114.9)**	(78.8)
Payments for intangible assets		**(18.9)**	(12.0)
Business acquisitions, net of cash acquired		**(803.7)**	–
Proceeds from sale of property, plant and equipment		**86.8**	6.8
Other cash payments		**–**	(1.3)
Net cash flows from investing activities		**(850.7)**	(85.3)
Cash flows from financing activities			
Proceeds from issue of shares net of transaction costs		**475.4**	–
Dividend payments		**(111.2)**	(84.7)
Proceeds from borrowings		**470.7**	190.9
Repayment of borrowings		**(258.7)**	(189.5)
Proceeds from settlement of currency swaps and other derivatives		**10.3**	47.0
Other cash payments		**(4.5)**	(0.1)
Net cash flows from financing activities		**582.0**	(36.4)
Total cash flows from activities		**148.1**	54.1
Cash and cash equivalents at the beginning of the year		**109.1**	52.0
Effects of exchange rate changes on foreign currency cash flows and cash balances		**(5.1)**	3.0
Cash and cash equivalents at end of the year[1]	9	**252.1**	109.1

1. Represented by cash at bank of $256.1 million and bank overdraft of $(4.0) million (F15: cash at bank of $122.1 million and bank overdraft of $(13.0) million).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: ABOUT THIS REPORT

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1 – ABOUT THIS REPORT

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

Accounting policies have been adopted in preparing the consolidated financial statements of the Company and of its controlled entities (collectively, the 'Group'), and these policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting policies that are critical to understanding the financial statements as a whole are set out in this section. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. Further policies, including the impact of upcoming changes to accounting standards, are set out in note 33.

Basis of preparation

The financial report is a general purpose financial report which:

- Has been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Is on a historical cost basis, except for derivative financial instruments, agricultural assets and the assets and liabilities acquired in a business combination which have been measured at fair value;
- Contains comparative information that has been adjusted to align with the presentation of the current period, where necessary; and
- Is presented in Australian dollars with all values rounded to the nearest tenth of one million dollars unless otherwise stated, in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.*

Key estimates and judgements

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

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

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

Statement of compliance

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

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

The notes to the financial statements

The notes include additional information required to understand the financial statements that is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if the amount in question is significant because of its size, nature or incidence or it helps to explain the impact of significant changes in the business, for example, acquisitions and asset write-downs.

The notes are organised into the following sections:

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

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

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

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

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

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

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

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

NOTE 1 – ABOUT THIS REPORT (CONTINUED)

Principles of consolidation

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

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

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

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

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

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars, which is also the functional currency of the 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.

Foreign group companies

As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into Australian dollars at the rate of exchange ruling at the balance sheet date and the income statements are translated at the average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

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

Transactions and balances

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

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

Average exchange rates used in translating profit and loss items in F16 are:

A$1 = US$ 0.728 (F15: US$ 0.837)
A$1 = GB£ 0.492 (F15: GB£ 0.530)

Year-end exchange rates used in translating financial position items in F16 are:

A$1 = US$ 0.745 (F15: US$ 0.767)
A$1 = GB£ 0.554 (F15: GB£ 0.488)

Fair value measurement

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

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

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

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

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

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

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

Subsequent events

On 4 July 2016, the Company announced the divestment of its non-core Commercial brand portfolio in the US, representing the sale of 12 brands and comprising circa 1 million cases of non-core Commercial wine.

On 21 July 2016, the Company announced the appointment to the Board of a US-based independent non-executive director, Ms Lauri Shanahan, effective 1 November 2016. On 11 August 2016, the Company announced the appointment of Linnsey Caya as Group General Counsel, replacing outgoing Group General Counsel and Company Secretary Paul Conroy, effective 12 September 2016, and the appointment of Fiona Last as Company Secretary, effective 1 September 2016.

Since the end of the financial year, the Directors declared a final unfranked dividend of 12 cents per share. This dividend has not been recognised as a liability in the financial statements at 30 June 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: EARNINGS

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1 – ABOUT THIS REPORT (CONTINUED)

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

NOTE 2 – SEGMENT INFORMATION

The Group's segments

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

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

During the year, the business structure was reorganised to better reflect the way the Group is currently being managed. Effective 1 July 2015, the regional results of Middle East and Africa are reported within Asia (previously combined with Europe) and the results of Latin America are reported within Europe (previously combined with Americas).

Following the re-organisation, the Group reviewed the allocation method for corporate charges across the segments. This has resulted in a change to the method used to allocate certain costs. To facilitate comparability over reporting periods, comparatives have been restated to incorporate these changes.

The identified reportable segments in the Group are below:

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

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

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

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

Presentation of segment results

Management EBITS

The principal profit metric for internal management reporting is Management earnings before interest, tax, SGARA and material items (EBITS). Management EBITS is profit from continuing operations excluding the effect of net finance costs, tax, material items and the net profit effects of fair valuing agricultural assets (SGARA). Corporate charges are allocated to each segment on a proportionate basis linked to segment revenue or head count depending on the nature of the charge.

Segment accounting policies

Segment assets and liabilities

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

Intersegment transactions

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

Corporate charges

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

Segment loans payable and loans receivable

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

Other

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

NOTE 2 – SEGMENT INFORMATION (CONTINUED)

2016	ANZ $M	AMERICAS $M	ASIA $M	EUROPE $M	INTERSEGMENT ELIMINATION $M	TOTAL SEGMENT $M	UNALLOCATED/ CORPORATE $M	CONSOLIDATED $M
Total revenue comprises:								
Net sales revenue	590.7	991.0	293.2	357.7	–	2,232.6	–	2,232.6
Other revenue	93.8	11.2	(0.3)	1.6	–	106.3	4.4	110.7
Intersegment revenue	426.0	28.5	0.1	29.6	(484.2)	–	–	–
Total segment revenue (excl other income/interest)	**1,110.5**	**1,030.7**	**293.0**	**388.9**	**(484.2)**	**2,338.9**	**4.4**	**2,343.3**
Management EBITS	**92.3**	**136.3**	**102.0**	**47.7**	–	**378.3**	**(36.3)**	**342.0**
SGARA loss	14.3	(22.8)	–	–	–	(8.5)	–	(8.5)
Material items	(5.9)	(32.6)	0.4	(8.3)	–	(46.4)	(6.4)	(52.8)
Management EBIT	**100.7**	**80.9**	**102.4**	**39.4**	–	**323.4**	**(42.7)**	**280.7**
Net finance costs								(21.2)
Consolidated profit before tax								**259.5**
Depreciation of property, plant and equipment	**46.6**	**36.8**	**0.4**	**2.1**	–	**85.9**	**2.7**	**88.6**
Amortisation of intangible assets	**1.0**	**2.0**	–	–	–	**3.0**	**7.4**	**10.4**
Assets held for sale	**39.7**	**59.1**	–	–	–	**98.8**	–	**98.8**
Capital expenditure	**62.1**	**51.8**	**0.4**	**2.2**	–	**116.5**	**17.3**	**133.8**
Segment assets (excl intersegment assets)	**2,136.5**	**2,268.8**	**51.5**	**356.6**	–	**4,813.4**	**563.8**	**5,377.2**
Segment liabilities (excl intersegment liabilities)	**278.9**	**464.8**	**19.7**	**94.2**	–	**857.6**	**884.5**	**1,742.1**

NOTE 2 – SEGMENT INFORMATION (CONTINUED)

2015	ANZ $M	AMERICAS $M	ASIA $M	EUROPE $M	INTERSEGMENT ELIMINATION $M	TOTAL SEGMENT $M	UNALLOCATED/ CORPORATE $M	CONSOLIDATED $M
Total revenue comprises:								
Net sales revenue	586.3	776.2	208.6	286.1	–	1,857.2	–	1,857.2
Other revenue	94.9	13.2	–	0.9	–	109.0	4.8	113.8
Intersegment revenue	386.1	2.0	0.2	22.1	(410.4)	–	–	–
Total segment revenue (excl other income/interest)	1,067.3	791.4	208.8	309.1	(410.4)	1,966.2	4.8	1,971.0
Management EBITS	88.9	83.2	72.9	16.0	–	261.0	(35.9)	225.1
SGARA loss	(11.1)	(7.8)	–	–	–	(18.9)	–	(18.9)
Material items	(37.8)	(26.9)	(0.8)	(1.1)	–	(66.6)	(7.1)	(73.7)
Management EBIT	40.0	48.5	72.1	14.9	–	175.5	(43.0)	132.5
Net finance costs								(21.6)
Consolidated profit before tax								110.9
Depreciation of property, plant and equipment	48.9	22.0	–	2.3	–	73.2	2.0	75.2
Amortisation of intangible assets	0.8	–	–	–	–	0.8	8.5	9.3
Assets held for sale	21.7	69.5	–	–	–	91.2	–	91.2
Capital expenditure	48.9	27.2	0.4	2.1	–	78.6	12.2	90.8
Segment assets (excl intersegment assets)	2,053.5	1,346.9	56.3	315.0	–	3,771.7	378.1	4,149.8
Segment liabilities (excl intersegment liabilities)	254.1	177.2	23.3	67.6	–	522.2	576.9	1,099.1

NOTE 3 – REVENUE AND OTHER INCOME

	2016 $M	2015 $M
Revenue		
Net sales revenue*	**2,232.6**	1,857.2
Other revenue	**110.7**	113.8
Total revenue	**2,343.3**	1,971.0
Other income		
Net profit on disposal of property, plant and equipment and agricultural assets	**4.0**	4.8
Other receipts	**–**	0.8
Total other income	**4.0**	5.6

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

NOTE 3 – REVENUE AND OTHER INCOME (CONTINUED)

Types of products and services

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

The Group also distributes beer and cider under licence in New Zealand and provides contract bottling services to third parties.

Sales approach

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

The Group has two major customers whose revenues represent 15.4% (F15: 17.4%) and 9.0% (F15: 10.2%) of reported revenues. The customers are in the Americas and ANZ segments respectively.

Accounting policies

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

The following specific criteria are also applied:

Wine

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

Property

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

Royalties

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

Bottling services

Revenue is recognised when the relevant service has been completed.

Key estimate and judgement:

Volume discounts and rebates

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

NOTE 4 – OTHER EARNINGS DISCLOSURES

	2016 $M	2015 $M
Rental expense relating to operating leases	**(63.6)**	(53.6)
Net foreign exchange (losses)/gains	**(5.0)**	(8.8)
Salaries and wages expense	**(369.0)**	(336.7)
Share based payments expense	**(14.5)**	(3.1)

NOTE 4 – OTHER EARNINGS DISCLOSURES (CONTINUED)

Accounting policies

Agricultural valuation movement

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

Finance income

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

Finance costs

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

Operating leases

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

Employee benefits

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

Superannuation

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

NOTE 5 – MATERIAL ITEMS

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

	2016 $M	2015 $M
Individually material items included in profit before income tax:		
Acquisition transaction costs[1]	**(24.5)**	–
Restructuring, redundancy and onerous lease costs[2]	**(30.0)**	(48.0)
Reversal of write-down/(write-down) of assets	**1.7**	(18.9)
Inventory (write-down)	**–**	(4.6)
Earthquake related loss	**–**	(2.2)
Total material items (before tax)	**(52.8)**	(73.7)
Tax effect of material items	**14.7**	24.1
Total material items (after tax)	**(38.1)**	(49.6)

F16

1. Represents transaction costs ($24.5 million) in relation to business acquisitions (note 27).
2. Comprises costs in relation to executing supply chain optimisation programs and implementing overhead reductions arising from changes to the Group's supply chain network and integrating businesses acquired.

F15

The Group recognised costs in relation to executing its supply chain optimisation programs, implementing overhead reductions, onerous contracts and write-downs of assets as a result of implementing supply chain network changes. The Group also recognised earthquake damages in the Napa region and asset write-downs in relation to Asti winery and vineyard assets. Write-down of assets in F15 relates to property, plant and equipment which became redundant as a result of implementing supply network changes.

Material items

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

NOTE 6 – DIVIDENDS

	2016 $M	2015 $M
Dividends declared and paid on ordinary shares:		
Final dividend for F15 of 8.0 cents per share (F14 7.0 cents per share)	**52.1**	45.6
Interim dividend for F16 of 8.0 cents per share (F15: 6.0 cents per share)	**59.1**	39.1
	111.2	84.7
Dividends declared after balance date		
Since the end of the financial year, the directors declared a final dividend of 12.0 cents per share (F15: 8.0 cents) unfranked (F15: unfranked). This dividend has not been recognised as a liability in the financial statements at year end.	**88.6**	52.1

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

NOTE 7 – EARNINGS PER SHARE

	2016 CENTS PER SHARE	2015 CENTS PER SHARE
Basic EPS		
Basic EPS (cents) based on net profit attributable to members of Treasury Wine Estates Limited	**25.1**	11.7
Diluted EPS		
Diluted EPS (cents) based on net profit attributable to members of Treasury Wine Estates Limited	**24.9**	11.6

	NUMBER	NUMBER
Weighted average number of shares		
Weighted average number of ordinary shares on issue used in the calculation of basic EPS (in thousands)	**713,696**	662,952
Effect of potentially dilutive securities:		
Deferred shares (in thousands)	**7,220**	4,070
Weighted average number of ordinary shares on issue used in the calculation of diluted EPS (in thousands)	**720,916**	667,022

	$M	$M
Earnings reconciliation		
Basic and diluted EPS		
Net profit	**179.5**	77.6
Net profit attributable to non-controlling interests	**(0.1)**	–
Net profit attributable to members of Treasury Wine Estates Limited used in calculating basic and diluted EPS	**179.4**	77.6

In accordance with AASB 133 *Earnings per Share*, the comparative earnings per share calculations have been restated for the bonus element of the two-for-fifteen share rights issue undertaken in October 2015. The previously reported June 2015 weighted average number of shares has been adjusted by a factor of 1.02, being the market price of one ordinary share at the close of the last day at which the shares traded together with the rights $6.57, divided by the theoretical ex-rights value per share of $6.46.

Calculation of earnings per share

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

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

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

NOTE 8 – NET CASH FLOWS FROM OPERATING ACTIVITIES

	2016 $M	2015 $M
Reconciliation of net cash flows from operating activities to profit after income tax		
Profit for the year	**179.5**	77.6
Depreciation and amortisation	**99.0**	84.5
Valuation decrement on agricultural assets	**8.5**	18.9
(Reversal of asset write-downs)/asset write-downs	**(1.7)**	18.9
Share-based payments expense	**14.5**	3.1
Other	**3.1**	(5.3)
Net cash provided by operating activities before change in assets and liabilities	**302.9**	197.7
Change in working capital and tax balances, net of effects from acquisition/disposal of controlled entities		
Receivables	**0.2**	(63.8)
Inventories	**(1.0)**	65.7
Derivative financial assets/liabilities	**(3.1)**	1.2
Payables	**72.2**	(29.0)
Net tax balances	**69.2**	(0.8)
Provisions	**(23.6)**	4.8
Net cash flows from operating activities	**416.8**	175.8

NOTE 9 – WORKING CAPITAL

	2016 $M	2015 $M
Current		
Cash and cash equivalents	**256.1**	122.1
Receivables (a)	**603.4**	504.9
Inventories (b)	**904.0**	704.2
Bank overdraft	**(4.0)**	(13.0)
Trade and other payables	**(653.1)**	(455.2)
Total current	**1,106.4**	863.0
Non-current		
Inventories (b)	**678.4**	533.8
Trade and other payables	**(72.3)**	(5.4)
Total non-current	**606.1**	528.4

(a) Receivables

	2016 $M	2015 $M
Current		
Trade receivables	**554.0**	468.9
Allowance for doubtful debts	**(5.0)**	(3.3)
Other receivables	**20.6**	14.1
Prepayments	**33.8**	25.2
Total current receivables	**603.4**	504.9

(b) Inventories

	2016 $M	2015 $M
Current		
Raw materials and stores	**27.5**	22.9
Work in progress	**414.8**	368.8
Finished goods	**461.7**	312.5
Total current inventories	**904.0**	704.2
Non-current		
Work in progress	**566.6**	452.2
Finished goods	**111.8**	81.6
Total non-current inventories	**678.4**	533.8
Total inventories	**1,582.4**	1,238.0

Inventories of wine stocks are classified between current and non-current based on sales projections for the ensuing year. Inventories recognised as an expense during the year and included in cost of sales amounted to $1,417.1 million (F15: $1,170.0 million). In F16, the write-down of inventories to net realisable value amounted to $23.4 million (F15: $16.9 million). The reversal of write-downs amounted to $7.3 million (F15: $3.5 million). These amounts are included in cost of sales.

NOTE 9 – WORKING CAPITAL (CONTINUED)

Accounting policies

Cash and cash equivalents

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

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

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

Receivables

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

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

Inventories

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

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

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

Trade and other payables

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

Key estimate and judgement:

Volume discounts and rebates

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

Net realisable value of inventory

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

Forecast demand and market prices can vary significantly over the holding period up to the likely date of sale. Estimating the most likely conditions at the expected point of sale is therefore more challenging over the longer term. Non-current inventory is $678.4 million (F15: $533.8 million) and its estimated selling price is therefore a key estimate.

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

	LAND		FREEHOLD BUILDINGS		LEASEHOLD BUILDINGS		PLANT AND EQUIPMENT		TOTAL	
	2016 $M	2015 $M	2016 $M	2015 $M	2016 $M	2015 $M	2016 $M	2015 $M	2016 $M	2015 $M
Cost	**378.7**	342.4	**423.8**	377.0	**81.2**	64.7	**1,314.3**	1,201.7	**2,198.0**	1,985.8
Projects in progress at cost	–	–	–	–	–	–	**110.5**	51.4	**110.5**	51.4
Accumulated depreciation and impairment	**(42.0)**	(42.7)	**(210.0)**	(191.7)	**(32.8)**	(48.4)	**(869.2)**	(825.6)	**(1,154.0)**	(1,108.4)
Carrying amount at end of year	**336.7**	299.7	**213.8**	185.3	**48.4**	16.3	**555.6**	427.5	**1,154.5**	928.8
Reconciliations										
Carrying amount at start of year	**299.7**	299.0	**185.3**	198.6	**16.3**	15.0	**427.5**	445.7	**928.8**	958.3
Additions	–	0.1	**25.4**	1.4	**0.9**	–	**75.6**	60.9	**101.9**	62.4
Business acquisitions (note 27)	**62.5**	–	**25.5**	–	**39.8**	–	**136.7**	–	**264.5**	–
Assets held for sale	**(26.5)**	(30.1)	**(21.2)**	(14.0)	**(0.3)**	(1.4)	**(33.1)**	(34.0)	**(81.1)**	(79.5)
Disposals	**(3.0)**	(0.1)	**(1.1)**	(0.1)	**(0.1)**	–	**(0.6)**	(1.6)	**(4.8)**	(1.8)
(Write-downs)/reversals	–	–	**0.3**	(0.5)	**(0.2)**	(0.3)	**1.6**	(8.4)	**1.7**	(9.2)
Depreciation expense	–	–	**(7.6)**	(6.1)	**(3.0)**	(1.4)	**(78.0)**	(67.7)	**(88.6)**	(75.2)
Transfers	–	0.1	**4.5**	(9.1)	**(4.9)**	2.0	**23.8**	9.0	**23.4**	2.0
Foreign currency translation	**4.0**	30.7	**2.7**	15.1	**(0.1)**	2.4	**2.1**	23.6	**8.7**	71.8
Carrying amount at end of year	**336.7**	299.7	**213.8**	185.3	**48.4**	16.3	**555.6**	427.5	**1,154.5**	928.8

Included within plant and equipment are 'Projects in progress' of $110.5 million (F15: $51.4 million), which are assets under construction and therefore not yet depreciated. The cost of construction includes the cost of materials used in construction, direct labour on the project, and an allocation of overheads.

Accounting policies

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

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

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

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

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

De-recognition and disposal

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

NOTE 11 – AGRICULTURAL ASSETS

	2016 $M	2015 $M
Agricultural assets	**340.0**	255.1
Total agricultural assets	**340.0**	255.1

Reconciliations

	2016 $M	2015 $M
Carrying amount at start of year	**255.1**	229.9
Additions	**13.0**	16.5
Business acquisitions (note 27)	**82.1**	–
Disposals	**(0.9)**	(1.2)
Assets held for sale	**(2.5)**	(4.5)
Fair value (decrease)	**(2.8)**	–
Transfers	**(7.9)**	(6.5)
Foreign currency translation	**3.9**	20.9
Carrying amount at end of year	**340.0**	255.1

Grape growing and sourcing

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

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

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

Vineyard resources

	2016 HECTARES	2015 HECTARES
Australia	**8,939**	9,149
New Zealand	**339**	339
United States	**4,002**	2,484
Italy	**145**	145
	13,425	12,117

The area under vine shown above:

- Includes 3,657 hectares (F15: 2,006 hectares) under lease arrangements and seven hectares (F15: seven hectares) of olive groves in Tuscany, a region of Italy.
- Yielded 100,737 tonnes of grapes (F15: 77,998 tonnes). This excludes grapes harvested from vines acquired from Diageo Chateau & Estates.

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

Impact on profit or loss (SGARA)

	2016 $M	2015 $M
Decrease in vines	**(2.8)**	–
Decrease in grapes	**(5.7)**	(18.9)
Net agricultural valuation movement	**(8.5)**	(18.9)

NOTE 11 – AGRICULTURAL ASSETS (CONTINUED)

Accounting policies

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

The net change in their fair value over the year is recognised within 'Other Expenses' in the statement of profit or loss and other comprehensive income.

Prior to harvest, grapes are considered as part of the agricultural asset and included in its fair value. Harvested grapes are transferred to inventory initially at fair value and are then subsequently accounted for in the cost of inventory (see note 9).

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

Fair value determination

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

Vines

Determined with reference to both independent valuations of the relevant vineyards and the market price of purchased vines (rootlings).

Grapes prior to harvest

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

Harvested grapes

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

Key estimate and judgement:

Fair value of vines

Key to estimating the value of vines is the identification of factors that could have a long-term impact on the viability of the vines and the measurement of the impact a change in these factors have on the valuation of vines. These are typically site dependent.

In addition, the estimated fair value of both vines and unharvested grapes could change if:

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

NOTE 12 – INTANGIBLE ASSETS

	BRAND NAMES AND LICENCES		IT DEVELOPMENT COSTS		GOODWILL		TOTAL	
	2016 $M	2015 $M	2016 $M	2015 $M	2016 $M	2015 $M	2016 $M	2015 $M
Cost	**1,407.3**	1,194.9	**45.4**	35.2	**709.2**	655.0	**2,161.9**	1,885.1
Projects in progress at cost	–	–	**23.4**	12.2	–	–	**23.4**	12.2
Accumulated amortisation and impairment	**(473.3)**	(463.2)	**(31.2)**	(22.7)	**(620.6)**	(620.3)	**(1,125.1)**	(1,106.2)
Carrying amount at end of year	**934.0**	731.7	**37.6**	24.7	**88.6**	34.7	**1,060.2**	791.1
Reconciliations								
Carrying amount at start of year	**731.7**	688.8	**24.7**	22.0	**34.7**	36.3	**791.1**	747.1
Additions	–	–	**18.9**	12.0	–	–	**18.9**	12.0
Business acquisitions (note 27)	**198.8**	–	**0.3**	–	**52.7**	–	**251.8**	–
Assets held for sale	–	(3.4)	–	–	–	–	–	(3.4)
Amortisation expense	–	–	**(10.4)**	(9.3)	–	–	**(10.4)**	(9.3)
Transfer from other asset classes	–	–	**4.2**	–	–	–	**4.2**	–
Foreign currency translation	**3.5**	46.3	**(0.1)**	–	**1.2**	(1.6)	**4.6**	44.7
Carrying amount at end of year	**934.0**	731.7	**37.6**	24.7	**88.6**	34.7	**1,060.2**	791.1

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

	ANZ		AMERICAS		EUROPE		TOTAL	
	2016 $M	2015 $M	2016 $M	2015 $M	2016 $M	2015 $M	2016 $M	2015 $M
Goodwill								
Carrying amount at start of year	**34.7**	36.3	–	–	–	–	**34.7**	36.3
Business acquisitions (note 27)	–	–	**42.0**	–	**10.7**	–	**52.7**	–
Foreign currency translation	**2.5**	(1.6)	**(0.1)**	–	**(1.2)**	–	**1.2**	(1.6)
Carrying amount at end of year	**37.2**	34.7	**41.9**	–	**9.5**	–	**88.6**	34.7
Brand names and licences								
Carrying amount at start of year	**480.9**	481.2	**247.9**	204.7	**2.9**	2.9	**731.7**	688.8
Business acquisitions (note 27)	–	–	**198.8**	–	–	–	**198.8**	–
Assets held for sale	–	–	–	(3.4)	–	–	–	(3.4)
Foreign currency translation	**0.3**	(0.3)	**3.1**	46.6	**0.1**	–	**3.5**	46.3
Carrying amount at end of year	**481.2**	480.9	**449.8**	247.9	**3.0**	2.9	**934.0**	731.7

Indefinite life brands

Brand names with a carrying value of $934.0 million (F15: $731.7 million) are assessed as having an indefinite useful life. The indefinite useful life reflects the Group's intention to continue to manufacture or distribute these brands to generate net cash inflows into the foreseeable future.

Key estimate and judgement:

Useful life of brand names

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

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

NOTE 12 – INTANGIBLE ASSETS (CONTINUED)

Accounting policies

Brand names and licences

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

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

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

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

Goodwill

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

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

IT development and software

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

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

NOTE 13 – ASSETS HELD FOR SALE

	2016 $M	2015 $M
Disposal groups held for sale	**98.8**	91.2
Total assets classified as held for sale	**98.8**	91.2

Americas segment

The Americas assets held for sale comprise assets acquired as part of the Diageo Chateau & Estates acquisition ($59.1 million) which are surplus to requirements and include Paicines and Acacia wineries as well as Rutherford House. The carrying value of total assets held for sale include land and buildings $41.0 million, plant and equipment $17.2 million and agricultural assets of $0.9 million.

ANZ segment

The ANZ assets held for sale relate to Ryecroft winery, Matua Auckland winery as well as select vineyard assets which are surplus to requirements. The carrying value comprises land and buildings $14.4 million, plant and equipment $24.2 million and vineyards $1.1 million.

Accounting policies

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

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

NOTE 14 – IMPAIRMENT OF NON-FINANCIAL ASSETS

In F16, the recoverable amounts of cash generating units (CGUs) exceed their carrying values and as a result no impairment has been recognised (F15: Nil). There were no indications that previously recognised impairment losses should be reversed (F15: Nil). The recoverable amount was determined through a value in use calculation.

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

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

Accounting policies

Timing of Impairment Testing

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

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

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

Approach to Impairment Testing

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

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

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

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

Reversals of Impairment

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

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

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

Key estimate and judgement:

Impairment testing key assumptions

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

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

This approach is consistent with the prior period.

Long-term growth rates
Cash flow forecasts beyond a five-year period are extrapolated using a growth rate of 2.5% (F15: 2.7%).

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

	2016	2015
Americas	**13.7%**	12.7%
Europe	**11.6%**	13.5%
ANZ	**12.8%**	13.1%

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

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

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

NOTE 15 – PROVISIONS

	2016 $M	2015 $M
Current		
Employee entitlements	**38.8**	36.9
Other	**38.6**	53.4
Total current provisions	**77.4**	90.3

Other provisions

	ONEROUS CONTRACTS $M	RESTRUCTURING $M	OTHER $M	TOTAL $M
2016				
Carrying amount at start of year	**8.7**	**41.1**	**3.6**	**53.4**
Business acquisitions (note 27)	**8.2**	**0.1**	**–**	**8.3**
Charged/(credited) to profit or loss	**(4.2)**	**16.1**	**–**	**11.9**
Payments	**(2.9)**	**(30.2)**	**(3.1)**	**(36.2)**
Foreign currency translation	**0.1**	**0.3**	**0.8**	**1.2**
Carrying amount at end of year	**9.9**	**27.4**	**1.3**	**38.6**
2015				
Carrying amount at start of year	8.9	32.0	8.2	49.1
Charged/(credited) to profit or loss	5.0	35.7	(1.3)	39.4
Payments	(5.8)	(28.0)	(4.3)	(38.1)
Foreign currency translation	0.6	1.4	1.0	3.0
Carrying amount at end of year	8.7	41.1	3.6	53.4

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

Accounting policies

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

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

Employee entitlements

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

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

Restructuring

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

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

Onerous contracts

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

NOTE 16 – CAPITAL MANAGEMENT

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

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

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

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

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

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

NOTE 17 – BORROWINGS

	2016 $M	2015 $M
Total borrowings consist of:		
Current	**4.3**	0.2
Non-current	**626.6**	324.4
Total borrowings	**630.9**	324.6

Details of major arrangements

The Group has issued US Private Placement Notes of US$250.0 million (unsecured), maturing in December 2020 (US$75.0 million), December 2023 (US$125.0 million) and December 2025 (US$50.0 million). The carrying value at 30 June 2016 is $348.5 million (F15: $325.8 million).

As at 30 June 2016, US$150.0 million of bank debt has been drawn under facilities maturing in April 2018 (US$100.0 million) and December 2019 (US$50.0 million). The carrying value at 30 June 2016 is $201.4 million (F15: Nil).

US Private Placement Notes bear interest at fixed and floating interest rates. Drawn bank facilities bear interest at floating interest rates. In accordance with the Group's risk management strategy, the Group has entered into a combination of fixed to floating and floating to fixed interest rate swaps to obtain the desired fixed/floating interest ratio. Refer to note 23 for further details.

The Group is party to a number of finance lease arrangements which have a carrying value of $85.0 million at 30 June 2016 (F15: $0.9 million). Included within this balance is a finance lease arrangement which has a carrying value of $81.2 million at 30 June 2016 and was acquired as part of the Diageo Chateau & Estates business acquisition (refer to note 27). The Group's finance lease arrangements have durations up to 15 years.

NOTE 17 – BORROWINGS (CONTINUED)

Financial guarantees

The Group has financial guarantees to other persons of $23.2 million (F15: $27.5 million) that could be called upon at any time in the event of a breach of the Group's financial obligations. The Group does not expect any payments will eventuate under these financial guarantees as the Group is expected to meet respective obligations to the beneficiaries of these guarantees.

Accounting policies

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

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

NOTE 18 – CONTRIBUTED EQUITY

	2016 $M	2015 $M
Issued and paid-up capital		
738,135,033 (F15: 651,261,403) ordinary shares, fully paid	**3,540.5**	3,065.1
Own shares held	**(6.9)**	(3.8)
	3,533.6	3,061.3
Contributed equity at the beginning of the period	**3,061.3**	3,051.4
Shares issued:		
86,873,630 shares pursuant to the two for 15 rights issue (F15: Nil)	**475.4**	–
Nil (F15: 1,833,843) shares in accordance with the Long Term Incentive Plans	–	9.5
Net movement in own shares held	**(3.1)**	0.4
Contributed equity at the end of the period	**3,533.6**	3,061.3

Securities purchased on market

The following securities were purchased on market during the financial year for the purpose of the employee incentive scheme:	NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE
Ordinary Shares	339,767	$6.10
Ordinary Shares	208,091	$5.99
Ordinary Shares	208,091	$5.95

The shares have no par value.

Ordinary shares

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

Treasury shares

Included within ordinary fully paid shares are 1.3 million (F15: 0.9 million) shares which are available to satisfy any entitlements which vest under the Company's Employee Equity Plans (set out in note 21). Share options exercised during the reporting period are satisfied with treasury shares.

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

NOTE 19 – COMMITMENTS

	2016 $M	2015 $M
Leases		
Non-cancellable leases		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
under one year	**98.7**	41.6
between one year and five years	**272.8**	96.6
over five years	**539.4**	76.2
Total lease commitments	**910.9**	214.4
Capital expenditure and other commitments		
The following expenditure has been contracted but not provided for in the financial statements:		
Capital expenditure	**38.6**	25.8

The Group's leases of property expire between one and 20 years. Leases generally provide us with a right of renewal at which time all terms are renegotiated. During the year the Group acquired operating leases as part of the acquisition of Diageo Chateau & Estates.

Accounting policies

Leases

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

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

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

NOTE 20 – RESERVES

	2016 $M	2015 $M
Cash flow hedge reserve	**(2.3)**	(3.9)
Share based payments reserve	**20.4**	7.3
Foreign currency translation reserve	**2.4**	(26.7)
Total reserves	**20.5**	(23.3)

Cash flow hedge reserve

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

Share based payment reserve

This reserve records amounts offered to employees under Long Term Incentive Plan (LTIP), Restricted Equity Plan (REP) and deferred Short Term Incentive Plan (STIP).

Foreign currency translation reserve

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

NOTE 21 – EMPLOYEE EQUITY PLANS

	STIP (RESTRICTED SHARES/ DEFERRED SHARE RIGHTS)	LTIP (PERFORMANCE RIGHTS)	REP (RESTRICTED SHARES/ DEFERRED SHARE RIGHTS)
Outstanding at the beginning of the year	–	4,714,074	2,244,432
Granted during the year	292,482	3,310,842	315,361
Vested during the year	–	(1,260,581)	(338,331)
Forfeited during the year	–	(976,672)	(296,678)
Outstanding at the end of the year	**292,482**	**5,787,663**	**1,924,784**
Exercisable at the end of the year	–	–	–

The Group operates equity plans as outlined below:

F15 Short Term Incentive Plan (STIP) Restricted Equity

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

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

F16 STIP Restricted Equity

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

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

LTIP

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

For the F14 and F15 award, Performance Rights are subject to dual performance measures with equal weighting over a performance period of three years.

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

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

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

Restricted Equity Plan (REP)

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

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

Share Cellar (broad-based Employee Share Plan)

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

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

NOTE 21 – EMPLOYEE EQUITY PLANS (CONTINUED)

Accounting policies

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

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

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

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

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

Active share based payment plans:

Long-Term Incentive Plans

GRANT DATE	29-AUG-14	24-NOV-14	15-JAN-15	06-MAR-15	04-DEC-15
Grant date share price	$5.11	$4.81	$4.74	$5.29	$7.97
Expected share price volatility (%)	32.0	32.0	32.0	32.0	34.0
Expected dividend yield (%)	2.6	2.9	2.9	2.8	2.8
Risk-free interest rate (%)	2.6	2.5	2.2	1.9	2.2
Fair value estimate at grant date – TSR	$2.78	$2.51	$2.39	$2.76	$6.50
Fair value estimate at grant date – EPS	$4.75	$4.46	$4.41	$4.96	–
Fair value estimate at grant date – ROCE	–	–	–	–	$7.42

Restricted Equity Plans

GRANT DATE	GRANT DATE SHARE PRICE
F14	
26-Aug-13	$4.69
18-Dec-13	$4.57
28-Feb-14	$3.87
30-Apr-14	$3.81
16-May-14	$4.08
F15	
29-Aug-14	$5.11
24-Sep-14	$4.93
17-Nov-14	$4.52
6-Mar-15	$5.29
F16	
4-Sep-15	$5.98
4-Dec-15	$7.97

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: TAXATION

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 22 – INCOME TAX

	2016 $M	2015 $M
The major components of income tax expense are:		
Statement of profit or loss		
Current income tax	**38.3**	21.7
Deferred income tax	**41.7**	11.6
Total tax expense	**80.0**	33.3
Deferred income tax expense included in the income tax expense comprises:		
Decrease in deferred tax assets	**44.4**	12.2
(Decrease) in deferred tax liabilities	**(2.7)**	(0.6)
Deferred income tax	**41.7**	11.6

Tax reconciliation

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

	2016 $M	2015 $M
Profit before tax excluding material items	**312.3**	184.6
Material items before tax	**(52.8)**	(73.7)
Profit before tax	**259.5**	110.9
Prima facie income tax expense attributable to profit from operations calculated at the rate of 30% (F15: 30%)	**77.9**	33.3
Tax effect of:		
Non-taxable income and profits, net of non-deductible expenditure	**3.9**	2.4
Other deductible items	**(0.9)**	(1.3)
Tax losses recognised	**(5.7)**	(7.0)
Change in tax rate	**0.8**	0.5
Foreign tax rate differential	**0.9**	0.5
Other	**3.8**	2.6
(Over)/under provisions in previous years	**(0.7)**	2.3
Total tax expense	**80.0**	33.3
Income tax expense on operations	**94.7**	57.4
Income tax benefit attributable to material items	**(14.7)**	(24.1)
Income tax expense	**80.0**	33.3

Deferred income tax relates to the following:

	2016 $M	2015 $M
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Inventory	**52.2**	13.7
Property, plant and equipment	**0.6**	0.7
Accruals	**36.5**	18.7
Provisions	**32.6**	40.0
Foreign exchange	**2.1**	0.3
Tax losses	**89.8**	110.3
Other	**38.4**	9.6
Total deferred tax assets	**252.2**	193.3
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Inventory	**2.2**	–
Property, plant and equipment	**115.0**	100.6
Intangibles	**151.6**	92.7
Other	**4.9**	0.8
Total deferred tax liabilities	**273.7**	194.1

NOTE 22 – INCOME TAX (CONTINUED)

	2016 $M	2015 $M
Movements in deferred income tax relate to the following:		
Movement in deferred tax assets:		
Opening balance	**193.3**	171.4
Credited/(charged) to the profit or loss	**(44.4)**	(12.2)
Business acquisitions (note 27)	**117.9**	–
Foreign currency translation	**5.6**	28.1
Balance sheet reclassification	**(22.0)**	7.3
Other	**1.8**	(1.3)
Closing balance	**252.2**	193.3
Movement in deferred tax liabilities:		
Opening balance	**194.1**	159.6
(Credited)/charged to the profit or loss	**(2.7)**	(0.6)
Business acquisitions (note 27)	**94.9**	–
Balance sheet reclassification	**(18.7)**	0.1
Foreign currency translation	**5.0**	35.0
Other	**1.1**	–
Closing balance	**273.7**	194.1
Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or (credited) to equity	**(0.8)**	0.9

Unrecognised tax assets

There are potential future income tax benefits relating to accumulated losses in non-Australian group companies, which have not been brought to account. These possible benefits amount to $66.6 million (F15: $96.8 million).

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

Ongoing tax audits

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

Franking credits

The Australian Tax Consolidation Group has $9.5 million (F15: Nil) franking credits available for subsequent reporting periods.

Key estimate and judgement:

Taxation

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

NOTE 22 – INCOME TAX (CONTINUED)

Accounting policies

Current taxes

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

Deferred taxes

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

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

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

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

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

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

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

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

Offsetting deferred tax balances

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

NOTE 23 – FINANCIAL RISK MANAGEMENT

Financial risk management framework

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

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

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

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

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

	NOTE	LIQUIDITY RISK (a)	INTEREST RATE RISK (b)	FOREIGN EXCHANGE RISK (c)	CREDIT RISK (d)
Net borrowings	17	×	×	×	×
Receivables	9		×	×	×
Other financial assets	9			×	×
Payables	9	×		×	
Derivative financial assets and liabilities	24,33		×	×	×

(a) Liquidity risk

Nature of the risk

The Group is exposed to liquidity risk primarily from its core operating activities, with focus on ensuring the Group is able to meet financial obligations as and when they fall due.

Risk management

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

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

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

	2016 $M	2015 $M
Committed facilities		
Available facilities	**1,004.8**	951.6
Amounts utilised	**(537.0)**	(325.8)
Amount unutilised	**467.8**	625.8

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

NOTE 23 – FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Liquidity risk (continued)

Level of exposure at balance date

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

	MATURING IN:						
	6 MONTHS OR LESS $M	6 MONTHS TO 1 YEAR $M	1 TO 2 YEARS $M	2 TO 5 YEARS $M	OVER 5 YEARS $M	CONTRACTUAL TOTAL $M	CARRYING AMOUNT $M
2016							
Non-derivative financial liabilities							
Bank loans*	**2.9**	**2.9**	**139.6**	**72.6**	**–**	**218.0**	**196.6**
Bank overdraft	**4.0**	**–**	**–**	**–**	**–**	**4.0**	**4.0**
Finance leases	**4.2**	**4.2**	**8.6**	**25.3**	**73.9**	**116.2**	**85.0**
Other loans	**–**	**–**	**0.8**	**–**	**–**	**0.8**	**0.8**
US Private Placement Notes	**6.2**	**5.8**	**11.6**	**135.0**	**267.0**	**425.6**	**348.5**
Trade payables	**289.1**	**–**	**–**	**–**	**–**	**289.1**	**289.1**
Other payables (financial liabilities)	**364.0**	**–**	**–**	**–**	**–**	**364.0**	**364.0**
Derivative financial liabilities							
Foreign exchange contracts	**0.6**	**0.7**	**–**	**–**	**–**	**1.3**	**1.3**
Interest rate swaps	**0.8**	**0.6**	**1.0**	**2.2**	**0.8**	**5.4**	**0.1**
Total financial liabilities	**671.8**	**14.2**	**161.6**	**235.1**	**341.7**	**1,424.4**	**1,289.4**
2015							
Non-derivative financial liabilities							
Bank loans*	1.2	1.0	1.9	3.4	–	7.5	(2.9)
Bank overdraft	13.0	–	–	–	–	13.0	13.0
Other loans	–	1.6	0.2	–	–	1.8	1.8
US Private Placement Notes	6.2	6.2	12.5	37.4	331.6	393.9	325.8
Trade payables	177.3	–	–	–	–	177.3	177.3
Other payables (financial liabilities)	277.9	–	5.4	–	–	283.3	283.3
Derivative financial liabilities							
Foreign exchange contracts	5.2	1.6	1.2	0.1	–	8.1	8.1
Interest rate swaps	(1.4)	(1.3)	(1.8)	(1.0)	2.7	(2.8)	0.1
Total financial liabilities	479.4	9.1	19.4	39.9	334.3	882.1	806.5

* Loans are stated net of capitalised facility finance costs. At reporting date, the balance of bank loans is US$150 million (F15: Nil) against capitalised facility finance costs of $4.8 million (F15: $2.9 million) to be amortised over the facility period.

(b) Interest rate risk

Nature of the risk

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

Risk management

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

NOTE 23 – FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Interest rate risk (continued)

A combination of interest rate swaps were exchanged to obtain the desired ratio of fixed and floating interest rates. At 30 June 2016, interest rate swap contracts were in use to exchange fixed interest rates on $134.3 million (US$100.0 million) of US Private Placement notes to floating rates, maturing in December 2023 and $268.5 million (US$200.0 million) to fix interest rates on US Private Placement notes and drawn bank facilities. Please refer note 23(a) for the profile and timing of cash flows over the next five years.

Level of exposure at balance date

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

	2016 $M	2015 $M
Financial assets		
Cash and cash equivalents	**256.1**	122.1
Total assets	**256.1**	122.1
Financial liabilities		
Bank overdraft	**4.0**	13.0
US Private Placement Notes*	**67.1**	195.5
Bank loans	**67.1**	–
Total liabilities	**138.2**	208.5

* Net of hedged amounts.

Sensitivity analysis

The table below shows the impact by currency denomination if the Group's weighted average floating interest rates change from the year-end rates of 1.10% (F15: 0.79%) with all other variables held constant.

	SENSITIVITY		PRE-TAX IMPACT ON PROFIT			
	2016	2015	2016		2015	
CURRENCY			+ $M	– $M	+ $M	– $M
USD	**+ / – 25bp**	+ / – 25bp	**(0.2)**	**0.2**	(0.2)	0.2

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.

(c) Foreign exchange risk

Nature of the risk

The Group is exposed to foreign exchange risk through:

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

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

Risk management

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

A proportion of expenses are hedged over time up to a period of three years. The timing, nominal amount and average price of the instruments in place at 30 June 2016 are disclosed in the table on the following page.

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

NOTE 23 – FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Foreign exchange risk (continued)

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

Open foreign currency hedges at 30 June 2016

CURRENCY	HEDGE TYPE	HEDGE VALUE (NOTIONAL AUD)	HEDGE RATE
AUD/USD	Option Collar	50.6	0.78
	Total	**50.6**	
AUD/GBP	Forward	20.0	0.51
	Purchased Option	12.4	0.56
	Option Collar	82.2	0.55
	Total	**114.6**	
EUR/GBP	Forward	9.4	0.79
	Option Collar	14.7	0.89
	Total	**24.1**	
ZAR/GBP	Forward	2.2	22.36
	Option Collar	0.5	20.00
	Total	**2.7**	

Level of exposure at balance date

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

ALL BALANCES TRANSLATED TO AUD	AUD $M	USD $M	GBP $M	OTHER $M	TOTAL $M
2016					
Net debt					
Cash and cash equivalents	**61.8**	**53.8**	**84.4**	**56.1**	**256.1**
Bank overdraft	–	–	–	**(4.0)**	**(4.0)**
Loan receivable	**0.9**	–	–	–	**0.9**
Bank loans*	**4.8**	**(201.4)**	–	–	**(196.6)**
US Private Placement Notes (net of fair value hedge)	–	**(335.6)**	–	–	**(335.6)**
Lease liabilities	**(0.5)**	**(84.5)**			**(85.0)**
Other loan payable	**(0.8)**	–	–	–	**(0.8)**
Net debt	**66.2**	**(567.7)**	**84.4**	**52.1**	**(365.0)**
Other financial assets/(liabilities)					
Trade receivables (net of the allowance for doubtful debts)	**238.9**	**178.3**	**60.8**	**71.0**	**549.0**
Other receivables	**5.9**	**11.0**	**2.4**	**2.0**	**21.3**
Trade and other payables	**(262.4)**	**(350.4)**	**(79.9)**	**(32.7)**	**(725.4)**
Net other assets/(liabilities)	**(17.6)**	**(161.1)**	**(16.7)**	**40.3**	**(155.1)**
2015					
Net debt					
Cash and cash equivalents	24.2	60.3	3.6	34.0	122.1
Bank overdraft	(13.0)	–	–	–	(13.0)
Loan receivable	1.0	0.6	–	–	1.6
Bank loans*	2.1	0.8	–	–	2.9
US Private Placement Notes	–	(325.8)	–	–	(325.8)
Other loan payable	(1.7)	–	–	–	(1.7)
Net debt	12.6	(264.1)	3.6	34.0	(213.9)
Other financial assets/liabilities					
Trade receivables (net of the allowance for doubtful debts)	226.6	108.8	51.1	79.1	465.6
Other receivables	5.0	4.5	–	4.7	14.2
Trade and other payables	(233.8)	(148.7)	(44.7)	(32.6)	(459.8)
Net other assets/(liabilities)	(2.2)	(35.4)	6.4	51.2	20.0

* Includes capitalised borrowing costs of $4.8 million (F15: $2.9 million).

NOTE 23 – FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Foreign exchange risk (continued)

Sensitivity analysis

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

	SENSITIVITY ASSUMPTION*		PRE-TAX IMPACT ON PROFIT ($M)				IMPACT ON EQUITY ($M)			
	2016	2015	2016		2015		2016		2015	
CURRENCY			+	–	+	–	+	–	+	–
United States Dollar	**12.3%**	11.3%	**(0.2)**	**0.2**	(1.5)	1.9	**(178.0)**	**230.2**	(108.8)	135.9
Great Britain Pound**	**13.1%**	10.0%	–	**(0.1)**	(1.3)	1.6	**(25.3)**	**37.1**	(11.2)	13.4
Euro	**11.1%**	10.5%	**(3.8)**	**4.7**	(3.0)	3.7	**(5.3)**	**6.0**	(2.6)	3.2
Canadian Dollar**	**9.1%**	9.1%	**(1.8)**	**2.2**	(1.7)	2.0	**(0.9)**	**1.1**	–	–
New Zealand Dollar**	**8.8%**	8.3%	–	–	0.1	(0.1)	**(9.6)**	**11.4**	(8.2)	9.7

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

(d) Credit risk

Nature of the risk

Counterparty credit risk arises primarily from the following assets:

- cash and cash equivalents;
- trade and other receivables; and
- derivative instruments.

Risk management

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

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

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

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

Level of exposure at balance date

The maximum counterparty credit risk exposure at 30 June 2016 in respect of derivative financial instruments was $5.1 million (F15: $2.7 million) and in respect of cash and cash equivalents was $53.7 million (F15: $21.0 million). The Group's authorised counterparties are restricted to banks and financial institutions whose long term credit rating is at or above a Standard and Poors rating of BBB+ (or Moody's equivalent rating of Baa1). The magnitude of credit risk in relation to receivables is generally the carrying amount, net of any provisions for doubtful debts. The ageing of the consolidated Group trade receivables (net of provisions) is outlined below:

	2016 $M	2015 $M
Not past due	**521.4**	438.9
Past due 1–30 days	**16.8**	17.6
Past due 31–60 days	**6.0**	0.5
Past due 61 days+	**4.8**	8.6
Total	**549.0**	465.6

NOTE 23 – FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Foreign exchange risk (continued)

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

NOTE 24 – DERIVATIVE FINANCIAL INSTRUMENTS

At reporting date there were $192.0 million (Australian dollar equivalent) net face value of outstanding foreign exchange contracts at contract rates (F15: $630.3 million) and interest rate swaps of $402.8 million (F15: $130.3 million). These instruments are regarded as being Level 2 under AASB's Fair Value measurement hierarchy.

NOTE 25 – FAIR VALUES

The fair values of cash and cash equivalents, financial assets and most financial liabilities approximate their carrying value. The fair value of the US Private Placement Notes is $401.6 million (F15: $333.8 million). There have been no reclassifications of financial assets from fair value to cost, or from cost or amortised cost to fair value during the year.

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

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

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

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

NOTE 26 – CLASS ACTION

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

A second class action was commenced in the Supreme Court of Victoria on 22 December 2014 by Melbourne City Investments Pty Ltd (MCI) on behalf of shareholders who acquired the Company's shares on or after 17 August 2012 and who held those shares on 15 July 2013. This proceeding was commenced following an earlier proceeding commenced by MCI having been permanently stayed by order of the Supreme Court of Victoria as being an abuse of process, and the High Court having refused MCI special leave to appeal this decision. MCI also alleges in the December 2014 proceeding that the Company misled the market and breached obligations of continuous disclosure in respect of its US operations. The Company made an application to the Federal Court to stay this second MCI proceeding as also being an abuse of process. On 5 July 2016 Justice Foster of the Federal Court granted the Company's application and ordered the second MCI proceeding also be permanently stayed as an abuse of process. MCI has subsequently applied to the Federal Court to set aside or revoke this permanent stay. The outcome of this further application is not yet known.

With regard to continuing claims and applications in the Federal Court, the Company strongly denies any and all allegations made against it and is vigorously defending the proceeding.

No orders have yet been made for class closure or opt out. Based on the information currently available, the Company does not know the quantum of either class action. No provision has been recognised at 30 June 2016 in respect of the claim.

NOTE 27 – BUSINESS ACQUISITIONS

Diageo Chateau & Estates

On 1 January 2016, the Company acquired 100% of the ordinary shares of Diageo Chateau & Estates ('DC&E'), a Company incorporated in the US. This included the acquisition of related assets in the UK. DC&E is a leader in the US Luxury and Masstige wine market, being the owner of a collection of iconic wine brands based in Napa, California. Additionally, DC&E has a strong market presence in the Commercial wine market in the UK.

The cash consideration of $803.8 million was funded by a combination of cash resources generated from the issue of shares during the period and utilising the Group's debt facilities.

From the date of acquisition, DC&E contributed $200.7 million of revenue and $23.8 million to profit before tax from continuing operations of the Group. Revenue and profit from the acquired entities that would have been earned if the acquisition had occurred at the commencement of the financial year has not been provided on the basis that the calculation of that information is impracticable. This is because the businesses were fully integrated into the Diageo Group and separate comparable financial information relating to the acquired business as a stand-alone entity is not available. Additionally, information relating to the fair value of assets acquired is not available to accurately determine the purchase price accounting adjustments that would have been recognised had the acquisition taken place on 1 July 2015. Transaction costs of $24.5 million were expensed and are included in administration expenses.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of DC&E at the date of acquisition were:

	FAIR VALUE RECOGNISED ON ACQUISITION (PROVISIONAL) $M
Assets	
Trade and other receivables	109.5
Inventories	386.0
Property, plant and equipment (note 10)	264.5
Agricultural assets (note 11)	82.1
Intangible assets (note 12)	198.8
Deferred tax assets (note 22)	117.9
	1,158.8
Liabilities	
Cash overdraft	1.7
Trade and other payables	184.6
Onerous contract provisions (note 15)	8.2
Employee entitlement provisions	1.1
Borrowings	85.1
Deferred tax liabilities (note 22)	94.9
	375.6
Total identifiable net assets at fair value	783.2
Hedge loss recognised against purchase price	(5.9)
Goodwill arising on acquisition (note 12)	52.7
Purchase consideration	830.0

Goodwill of $52.7 million comprises the value of expected synergies arising from the acquisition. Goodwill is not deductible for tax purposes.

Analysis of cash flows on acquisition	
Cash consideration paid	803.8
Cash overdraft acquired with acquisition	1.7
Net cash flow outflow on acquisition (included in cash flows from investing activities)	805.5

NOTE 27 – BUSINESS ACQUISITIONS (CONTINUED)

Diageo Chateau & Estates (continued)

These amounts have been measured on a provisional basis. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of the acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, the accounting for the acquisition will be revised.

Treasury Logistics Pty Ltd

On 15 February 2016, the Group acquired the remaining 50% of Trebuchet Logistics Pty Ltd ('Trebuchet'), which changed its name to Treasury Logistics Pty Ltd on 13 March 2016, a previously equity accounted investment, for $Nil consideration. No transaction costs were incurred by the Group.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Trebuchet at the date of acquisition were:

	FAIR VALUE RECOGNISED ON ACQUISITION $M
Assets	
Cash (included in cash flows from investing activities)	1.8
Trade and other receivables	0.5
Intangible assets (note 12)	0.3
	2.6
Liabilities	
Trade and other payables	4.7
Restructuring provisions (note 15)	0.1
	4.8
Total identifiable net liabilities at fair value	(2.2)

Acquisition of assets

The acquisition method of accounting is used for all asset acquisitions regardless of whether equity instruments or other assets are acquired.

Cost is measured as the fair value of cash, shares issued or liabilities undertaken at the date of acquisition. Costs directly attributable to the acquisition are generally included in the asset's carrying amount. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amount payable in the future is discounted to its present value.

Key estimate and judgement:

Business combinations

Business combinations (acquisitions of subsidiaries) are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer. Acquisition-related costs are expensed as incurred, and included in administration expenses.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. Under the acquisition method, the Group has up to 12 months post the acquisition date to finalise the fair value of identifiable assets and liabilities.

NOTE 28 – SUBSIDIARIES

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

ENTITY NAME	COUNTRY OF INCORPORATION
Equity holding of 100% (F15: 100%)	
Aldershot Nominees Pty. Ltd.*	Australia
B Seppelt & Sons Limited*	Australia
Beringer Blass Distribution S.R.L.	Italy
Beringer Blass Italia S.R.L.	Italy
Beringer Blass Wine Estates Chile Limitada	Chile
Beringer Blass Wine Estates Limited	UK
Beringer Blass Wines Pty. Ltd.*	Australia
Bilyara Vineyards Pty. Ltd.*	Australia
Cellarmaster Wines (UK) Limited	UK
Cellarmaster Wines Holdings (UK) Limited	UK
Coldstream Australasia Limited*	Australia
Cuppa Cup Vineyards Pty. Ltd.	Australia
Devil's Lair Pty. Ltd.	Australia
Ewines Pty. Ltd.	Australia
FBL Holdings Limited	UK
Il Cavaliere del Castello di Gabbiano S.r.l.	Italy
Interbev Pty. Ltd.*	Australia
Invin Wines Pty. Ltd.[a]	Australia
Island Cooler Pty. Ltd.[b]	Australia
James Herrick Wines Limited	UK
Leo Buring Pty. Ltd.	Australia
Lindeman (Holdings) Limited*	Australia
Lindemans Wines Pty. Ltd.	Australia
Mag Wines Pty. Ltd	Australia
Majorca Pty. Ltd.*	Australia
MBL Packaging Pty. Ltd.[c]	Australia
Mildara Holdings Pty. Ltd.*	Australia
North America Packaging (Pacific Rim) Corporation	USA
Penfolds Wines Pty Ltd	Australia
Piat Pere et Fils B.V.[d]	Netherlands
Premium Land, Inc.	USA
RH Wines Pty. Ltd[a]	Australia
Robertsons Well Pty. Ltd.	Australia
Robertsons Well Unit Trust	Australia
Rosemount Estates Pty. Ltd.	Australia
Rothbury Wines Pty. Ltd.*	Australia
Roxburgh Vineyards Pty. Ltd.[a]	Australia
SCA 605 Pty. Ltd.[a]	Australia
SCW905 Limited*	Australia
Seaview Wynn Pty. Ltd.*	Australia
Selion Pty. Ltd.[a]	Australia
Southcorp Australia Pty. Ltd.*	Australia
Southcorp Brands Pty. Ltd.*	Australia
Southcorp International Investments Pty. Ltd.*	Australia
Southcorp Limited*	Australia
Southcorp NZ Pty. Ltd.*	Australia
Southcorp Whitegoods Pty. Ltd.	Australia
Southcorp Wines Asia Pty. Ltd.	Australia
Southcorp Wines Europe Limited	UK
Southcorp Wines Pty. Ltd.*	Australia

NOTE 28 – SUBSIDIARIES (CONTINUED)

ENTITY NAME	COUNTRY OF INCORPORATION
Southcorp XUK Limited	UK
T'Gallant Winemakers Pty. Ltd.	Australia
The New Zealand Wine Club Limited	UK
The Rothbury Estate Pty. Ltd.*	Australia
Tolley Scott & Tolley Limited*	Australia
Treasury Americas Inc	USA
Treasury Chateau & Estates[e]	USA
Treasury Logistics Pty Ltd[f]	Australia
Treasury Wine Brands Pty Limited[a]	Australia
Treasury Wine Estates (China) Holding Co Pty Ltd*	Australia
Treasury Wine Estates Shanghai Co Ltd	China
Treasury Wine Estates (Matua) Limited	New Zealand
Treasury Wine Estates (NZ) Holding Co Pty Ltd*	Australia
Treasury Wine Estates Asia (SEA) Pte Limited	Singapore
Treasury Wine Estates (UK) Holding Co Pty Ltd*	Australia
Treasury Wine Estates Americas Company	USA
Treasury Wine Estates Asia Pty. Ltd.	Australia
Treasury Wine Estates Australia Limited*	Australia
Treasury Wine Estates Barossa Vineyards Pty. Ltd.	Australia
Treasury Wine Estates Canada, Inc.	Canada
Treasury Wine Estates Denmark ApS	Denmark
Treasury Wine Estates EMEA Limited	UK
Treasury Wine Estates Finland Oy	Finland
Treasury Wine Estates Group Pty Limited[a]	Australia
Treasury Wine Estates HK Limited	Hong Kong
Treasury Wine Estates Holdings Inc.	USA
Treasury Wine Estates Japan KK	Japan
Treasury Wine Estates Limited*	Australia
Treasury Wine Estates Netherlands B.V	Netherlands
Treasury Wine Estates Norway AS	Norway
Treasury Wine Estates (Shanghai) Co Trading Limited	China
Treasury Wine Estates Sweden AB	Sweden
Treasury Wine Estates UK Brands Limited	UK
Treasury Wine Estates Vintners Limited*	Australia
TWE Finance (Aust) Limited*	Australia
TWE Finance (UK) Limited	UK
TWE Insurance Company Pte. Ltd.	Singapore
TWE Lima Pty Ltd[g]	Australia
TWE Share Plans Pty Ltd	Australia
TWE US Finance Co.	USA
VEA Pty. Ltd.[b]	Australia
Wolf Blass Wines Pty. Ltd.*	Australia
Woodley Wines Pty. Ltd.	Australia
Wynn Winegrowers Pty. Ltd.	Australia
Wynns Coonawarra Estate Pty. Ltd	Australia

* Entity is a member of the Closed Group under the Deed of Cross Guarantee (refer to note 30) and relieved from the requirement to prepare audited financial statements by ASIC Class Order (98/1418). During the F16 financial year, Treasury Logistics Pty Ltd and TWE Lima Pty Ltd joined as a member of the closed group under the Deed of Cross Guarantee.

(a) These entities were deregistered on 22 June 2016.
(b) These entities were deregistered on 3 July 2016.
(c) This entity was deregistered on 13 July 2016.
(d) Acquired on 1 January 2016.
(e) Acquired on 1 January 2016 (formerly Diageo Chateau & Estates).
(f) Acquired remaining 50% shares on 15 February 2016 (formerly Trebuchet Logistics Pty Ltd, in which the Group held 50% interest).
(g) Incorporated on 9 December 2015.

NOTE 28 – SUBSIDIARIES (CONTINUED)

Equity holding of less than 100%

ENTITY NAME	COUNTRY OF INCORPORATION	% OF HOLDING 2016	2015
Graymoor Estate Joint Venture	Australia	**48.8**	48.8
Graymoor Estate Pty. Ltd.	Australia	**48.8**	48.8
Graymoor Estate Unit Trust	Australia	**48.8**	48.8
North Para Environment Control Pty. Ltd.	Australia	**69.9**	69.9

NOTE 29 – PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2016 $M	2015 $M
Balance sheet		
Current assets	**6,837.7**	5,867.2
Total assets	**9,187.4**	7,735.1
Current liabilities	**5,131.3**	4,556.4
Total liabilities	**5,131.3**	4,556.4
Net assets	**4,056.1**	3,178.7
Shareholders' equity		
Issued capital	**3,540.5**	3,065.1
Share-based payments reserve	**20.4**	7.3
Retained earnings	**495.2**	106.3
Total equity	**4,056.1**	3,178.7
Profit for the year	**500.1**	145.0
Total comprehensive income	**500.1**	145.0

(b) Financial guarantees

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

(c) Class action

Refer note 26 for class actions pending.

(d) Tax consolidation legislation

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

NOTE 30 – DEED OF CROSS GUARANTEE

Under the terms of ASIC 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 28.

A summarised consolidated statement of profit or loss and other comprehensive income, retained earnings reconciliation and a consolidated statement of financial position, comprising the Company and those controlled entities which are a party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed, at 30 June 2016 are set out below.

NOTE 30 – DEED OF CROSS GUARANTEE (CONTINUED)

	2016 $M	2015 $M
Extract of the statement of profit or loss and other comprehensive income		
Profit before tax	**762.6**	40.3
Income tax expense	**(64.8)**	(15.4)
Net profit after tax	**697.8**	24.9
Retained earnings at beginning of the year	**(44.8)**	15.0
External dividends	**(111.2)**	(84.7)
Retained earnings at end of the year	**541.8**	(44.8)
Statement of financial position		
Current assets		
Cash and cash equivalents	**66.7**	7.0
Receivables	**1,557.8**	1,283.0
Inventories	**332.8**	312.1
Current tax assets	–	13.2
Assets held for sale	**21.5**	14.1
Other current assets	**5.3**	10.0
Total current assets	**1,984.1**	1,639.4
Non-current assets		
Inventories	**400.2**	369.9
Investments	**3,183.7**	2,732.7
Property, plant and equipment	**451.2**	456.8
Agricultural assets	**98.0**	93.6
Intangible assets	**397.9**	388.8
Deferred tax assets	**38.8**	54.3
Other non-current assets	**2.6**	2.4
Total non-current assets	**4,572.4**	4,098.5
Total assets	**6,556.5**	5,737.9
Current liabilities		
Trade and other payables	**250.3**	222.6
Borrowings	**2,117.2**	2,400.7
Current tax liabilities	**14.8**	–
Provisions	**40.7**	63.0
Other current liabilities	**5.0**	9.9
Total current liabilities	**2,428.0**	2,696.2
Non-current liabilities		
Deferred tax liabilities	**20.9**	9.5
Other non-current liabilities	**5.0**	4.6
Total non-current liabilities	**25.9**	14.1
Total liabilities	**2,453.9**	2,710.3
Net assets	**4,102.6**	3,027.6
Equity		
Contributed equity	**3,540.5**	3,065.1
Reserves	**20.3**	7.3
Retained earnings	**541.8**	(44.8)
Total equity	**4,102.6**	3,027.6

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: OTHER

FOR THE YEAR ENDED 30 JUNE 2016

NOTE 31 – RELATED PARTY DISCLOSURES

Ownership interests in related parties

All material ownership interests in related parties are disclosed in note 28 to the financial statements.

Parent entity

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

Transactions with entities in the wholly-owned Group

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

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

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

Transactions with other related parties

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

Key management personnel compensation:

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

	2016 $	2015 $
Short-term employee benefits	**10,082,506**	9,063,989
Post-employment benefits	**110,954**	97,281
Share-based payments	**4,349,147**	2,089,550
Termination benefits	**1,143,607**	834,744
Total	**15,686,214**	12,085,564

Additionally, compensation paid to non-executive directors was $1,461,001 (F15: $1,437,305).

NOTE 32 – REMUNERATION OF AUDITORS

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

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

	2016 $	2015 $
Audit and review of financial statements and other audit work under the *Corporations Act 2001*	**1,744,205**	782,032
Associate firms of Auditor	**468,924**	846,903
Audit and review services	**2,213,129**	1,628,935
Other non-audit services	**367,447**	631,759
Total	**2,580,576**	2,260,694

The Group employs KPMG to provide other non-audit services where their expertise and experience best qualifies them to provide the appropriate service and as long as stringent independence requirements are satisfied. In the year ended 30 June 2016, KPMG earned fees in respect to the provision of advisory and taxation services.

NOTE 33 – OTHER ACCOUNTING POLICIES

New Accounting Standards and Interpretations

Since 30 June 2015, the Group has adopted the following new and revised Accounting Standards issued by the Australian Accounting Standards Board (AASB) that are relevant to the Group's operations:

- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality.*

The adoption of this standard did not have a significant impact on the Group's financial position or performance.

Recently issued or amended accounting standards

AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants*

Amendments to AASB 116 *Property, Plant and Equipment* and AASB 141 *Agriculture* distinguish bearer plants from other biological assets. Bearer plants are solely used to grow produce over their productive lives and are seen to be similar to an item of machinery. Effective from 1 July 2016 they will be accounted for under AASB 116 *Property, Plant and Equipment*. However, agricultural produce growing on bearer plants will remain within the scope of AASB 141 *Agriculture* and continue to be measured at fair value less cost to sell.

The Group's grape vines qualify as bearer plants. The change in accounting policy will be applied retrospectively. Had the standard been effective during the financial year ended 30 June 2016 the impact to the Group's results would have been an $6.0 million increase to cost of goods sold and a $136.8 million decrease to retained earnings.

The following other relevant Australian Accounting Standards and Interpretations have been issued or amended but are not yet effective and the Group has not yet adopted them:

- AASB 15 *Revenue from Contracts with Customers* – This standard will replace existing revenue recognition guidance. Whilst current revenue recognition practices may largely align with this new guidance, the Group is currently performing an analysis of the impact of the changes on its financial position and performance.
- AASB 16 *Leases* – This standard removes the lease classification test for lessees and requires all leases, including those classified as operating leases, to be brought onto the balance sheet. There is new guidance on when an arrangement would meet the definition of a lease. Refer to note 19 for details of the Group's leases.
- AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.*
- AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.*
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.*
- AASB 1057 *Application of Australian Accounting Standards.*
- AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs.*
- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of deferred tax assets for unrealised losses.*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 107.*

Financial assets

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

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

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

Amortised cost

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

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

Impairment of financial assets

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

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

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

NOTE 33 – OTHER ACCOUNTING POLICIES (CONTINUED)

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

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

Derecognition of financial assets

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

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

Derivatives

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

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

Hedge Accounting

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

Initial recognition

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

Rebalancing

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

Discontinuation

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

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

Fair value hedges

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

Cash flow hedges

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

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

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