2012

TREASURY WINE ESTATES ANNUAL REPORT

TREASURY
WINE ESTATES

Treasury Wine Estates is a unique wine company with a leading international portfolio of new world wines. Our five foundation brands form the base of our passion for wine and are some of the most recognised and awarded wines in the world: *Beringer Vineyards*, *Lindeman's*, *Penfolds*, *Rosemount Estate* and *Wolf Blass*. We are proud of our wines and recognise the responsibility that comes with protecting our brands and their heritage. TWE is the world's largest pure-play listed wine company with over 80 brands, including: *Annie's Lane*, *Chateau St. Jean*, *Coldstream Hills*, *Devil's Lair*, *Etude Wines*, *Greg Norman Estates*, *Heemskerk*, *Matua*, *Pepperjack*, *Seppelt Wines*, *Stags' Leap*, *Wynns Coonawarra Estate*, *Yellowglen* and more.

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ONE FOOT IN THE VINEYARD ONE FOOT IN THE BOARDROOM

BERINGER

LINDEMANS

2010
AUSTRALIA
SHIRAZ
ROSEMOUNT
ESTATE

WOLF BLASS
Platinum Label
BAROSSA
SHIRAZ
2008

WINE MERCHANTS TO THE WORLD

Here at Treasury Wine Estates, we are in the business of turning exceptional wine into healthy profits. Our rallying cry is: One foot in the vineyard, one foot in the boardroom and wine merchants to the world.

FINANCIAL SUMMARY

18.6%

EBITS GROWTH ON A
CONSTANT CURRENCY BASIS

20.9

CENTS EPS
(BEFORE MATERIAL ITEMS AND SGARA)

84%

INCREASE IN
NON-CURRENT INVENTORY

FY12 HIGHLIGHTS

EBITS[1] $210.2 million, representing growth of 7.7% on a reported currency basis and 18.6%[2] on a constant currency basis

EBITS margin up 2.3pts to 12.8%

Net sales revenue (NSR) per case up 1.6%

2012 Australian vintage and strategy to increase production of luxury wine drives strong increase in non-current inventory, up 84% to $362.5 million

Strong cash flow generation and rate of cash conversion, at 96.4%

Strong balance sheet provides operational and strategic flexibility with net debt down to $34.4 million

EPS (before material items and SGARA) 20.9 cents per share, up 14.8%

Final dividend 7.0 cents per share, full year dividend 13.0 cents per share; franked 50%

1. EARNINGS BEFORE INTEREST, TAX, SGARA AND MATERIAL ITEMS.
2. UNLESS OTHERWISE STATED, ALL PERCENTAGE OR DOLLAR MOVEMENTS FROM PRIOR PERIODS ARE ON A PRO FORMA BASIS, PRE ANY MATERIAL ITEMS AND ON A CONSTANT CURRENCY BASIS.

Enjoy Responsibly

Standard Drink 1.6

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

Max Ould *Chairman*

David Dearie *Chief Executive Officer*

2012 has been a busy year at Treasury Wine Estates (TWE), with the Company recently celebrating its first full year as a standalone company. We are very pleased with the progress we have made, including 18.6% EBITS growth on a constant currency basis for the year ended 30 June 2012, with EBITS margin improving 230bps to 12.8%.

Dear Shareholder,

Our first full financial year as Treasury Wine Estates has been an exciting and challenging one, and we are pleased with the progress that has been made.

Over the course of the year, we have put in place a new organisational structure and further strengthened our executive team. Our focus exclusively on wine allowed us to streamline our decision-making processes and achieve in excess of $30 million in savings through efficiency and cost-saving initiatives.

We continued to concentrate on the longer-term drivers of our commercial success, with increased investment across our portfolio of treasured brands, and an unrelenting focus on raising both the quality of our grape intake and the crafting of the wines we produce.

SOLID RESULTS

In a challenging global economy, the business delivered a strong performance in FY12. TWE posted EBITS of $210.2 million, representing growth of 7.7% on a reported currency basis for the year and 18.6% on a constant currency basis.

Excluding the United Kingdom, volume was marginally up on the previous financial year; and although volume declined by 1.6 million cases in the UK and Ireland, this was part of a deliberate strategy to exit volume where it did not make financial sense for TWE or our retail partners to support these sales.

Our EBITS margin increased 2.3 percentage points over the year; we also grew our non-current inventory by 84%, and NSR per case improved, up 1.6%.

Our EPS increased by 14.8% to 20.9 cents per share, with a final dividend of 7.0 cents per share contributing to a full year dividend of 13.0 cents, franked at 50%.

As a business, our strong balance sheet gives us operational and strategic flexibility, with our net debt down to $34.4 million.

In summary, a solid financial result.

REGIONS

Across the globe, our business continued to perform well. EBITS increased in three out of the four regions, with luxury and masstige[1] segments showing good growth in all regions.

Australia & New Zealand (ANZ) produced another strong result, with constant currency EBITS up 12% to $109.0 million. An overall reduction in our cost of doing business and price increases on several brands also contributed to this excellent result, and occurred in an extremely challenging retail environment.

The US is the world's largest consumer of wine and remains a real profit opportunity for TWE. However, we have found the Americas region challenging over the past few years and we will continue to drive performance improvements in FY13. With a new leadership, sales and brand structure in place, we have already seen positive momentum over the second half of the year, with depletions up 2.3% in the US, and consumption figures in Canada up 14% over the same period.

Europe, Middle East & Africa (EMEA) went through a significant transformation in FY12 where we increased our focus on the premium end of our portfolio rather than simply chasing volume at all costs. This change in strategy resulted in volume decline of 18.7%; however, our NSR per case improved by 9.0%, driven by price increases and changing the mix of our portfolio. Lower organisation costs also contributed to the region improving EBITS by $17.3 million, to $5.7 million for the year. A very solid result achieved against the backdrop of a volatile European economy.

Our operations in Asia produced another standout result, with volume up 20.6% across the region, and the Hong Kong and China volumes collectively up 31%. Net sales revenue increased 29.5%, and we have continued to increase advertising and promotional investment, up 45%. Overall, Asia improved constant currency EBITS by 40.6%, and the region now represents 20% of TWE earnings.

BRANDS

The Beringer Business Unit houses all TWE brands sourced in the Americas, along with the Gabbiano range of Italian wines. Beringer's luxury and masstige portfolio depletions grew by 23% in FY12, as we continued our focus on premiumisation. Also contributing to growth was Chateau St Jean, with depletions up 16%, Stags' Leap up 20% and Gabbiano up 15%. The Beringer Business Unit also continues to innovate with new products and brands, including Be., Skinny Vine and a Beringer White Zinfandel line extension.

At the start of the financial year, we committed to relaunching Rosemount and appointed new leadership for this flagship brand. Since February 2012, Rosemount's depletions in ANZ have grown 14.4%[2] (compared to FY11), and we're pleased with consumer reaction and customer feedback.

1. TWE participates in three segments: luxury (A$20+); masstige (A$10–A$20); and commercial (A$5–A$10). Segment prices are retail shelf prices.
2. Nielsen (MAT to 30 June 2012).

An international relaunch is also underway, with new packaging appearing on shelves across the globe over the coming months. Our New Zealand portfolio volume grew 24% during the year to over one million cases.

For Wolf Blass, the year was all about premiumisation. New packaging and brand building initiatives were launched globally and helped to achieve volume growth of 4.3% in ANZ and 26.1% in Asia. In Canada, volume grew 9.5% over the second half of the year and the brand's Yellow Label Cabernet Sauvignon remains the country's number one selling Cabernet. Also in this business unit are Australian regional champions Wynns and Pepperjack; with the standout Pepperjack Shiraz remaining the number one selling red wine by value in Australia[3].

Lindeman's remains TWE's powerhouse volume brand, with over 80 million bottles enjoyed globally during FY12. Lindeman's Early Harvest range is also Australia's leading 'lighter in alcohol' brand, with a 48% market share[3]. Also within this business unit is Yellowglen, and despite a challenging market for domestic sparkling, it was pleasing to see Yellowglen return to growth, up 3%, with the brand accounting for almost one in every four bottles of sparkling wine sold in Australia.

Penfolds continued to cement its position as a global icon in luxury wine over FY12, seeing NSR per case up 10.9%. We appointed a new Managing Director and launched what we believe to be the world's most expensive wine – the extremely limited Penfolds Ampoule – at $168,000. To round out a great year for Penfolds, Chief Winemaker Peter Gago was honoured as the 'Winemakers' Winemaker' of the year.

VINTAGE 2012 AND FY13–FY14 OUTLOOK

The immediate and long-term fundamentals of the sector remain positive, with the available evidence suggesting that globally the wine cycle is heading towards a supply and demand balance. Demographic trends in both emerging and established markets also continue to be favourable, as does consumer demand for better quality, more premium wines.

However, in FY13, many of our wines come from the weather affected 2011 Australian and Californian vintage, and our ongoing dedication to quality means we have less wine available to match demand, which also cost more to craft.

3. Nielsen (MAT to 30 June 2012).

As a result, we expect constant currency earnings growth in FY13 to be below the average for the last two years, before rebounding to above average growth rates in FY14.

Our positive outlook for FY14 is underpinned by our recent 2012 vintage, which saw almost ideal growing conditions complemented by the expertise of our viticulturists, winemakers and supply team. The end result being a meaningful increase in both the quantity and quality of wine we have available.

Looking beyond FY13, this year we have also built our non-current inventory up by 84%, which supports a strategy of holding stock back to optimise where and when we release more premium wines.

Accordingly, we are well placed to satisfy growing consumer demand for our luxury and masstige brands, both domestically and internationally.

THE ROAD AHEAD

TWE is a global wine business with a strong balance sheet, exceptional assets and an unrivalled portfolio of wine brands supported by an outstanding team of Vintrepreneurs.

We have emerged from a year of significant change in a better position to capitalise on growth opportunities, as well as address performance issues in our markets. While challenges remain, we will continue to invest in our core brands, our people and the drivers of future growth.

The success of TWE relies strongly on our people and our shared vision for our Company. We thank our management team and all of our Vintrepreneurs for their dedication and contribution to producing this year's financial results. We thank our Board colleagues, who have brought a diverse range of skills and fresh eyes to the benefit of our Company.

On behalf of the Board, we would also like to especially welcome Paul Rayner as the new Chairman of TWE, effective 1 September 2012.

And finally, we thank you, our shareholders, for your ongoing investment and support.

Kind regards,

Maxwell Ould
Chairman

David Dearie
Chief Executive Officer

Nikolai St George,
Winemaker at Matua

24.2%

INCREASE IN EBITS
PER CASE

84%

INCREASE IN
NON-CURRENT INVENTORY

WE BUILD BRANDS

This year, we continued to build on the success of our award winning portfolio of wines for diverse palates and discerning tastes. As proud partners to our customers, we create memorable wine experiences for consumers around the world.

BERINGER

The uncompromising quality reflected in each bottle of Beringer Private Reserve begins with our seven single vineyards. Each offers a unique expression of Napa Valley terroir by blending the best lots.

This year, Lindeman's continued to build its brand of great tasting quality wines. On the luxury tier, Lindeman's Trio St George 2010 vintage stood out at the International Wine Challenge with a silver medal.

LINDEMAN'S

Wolf Blass released several new luxury wines, including the multi-award winning Wolf Blass Platinum Label Shiraz.

WOLF BLASS

Penfolds unveiled its 2012 collection of luxury and icon wines, including the 2007 Penfolds Grange, a wine of extraordinary dimension with full flavours, structure and balance.

PENFOLDS

ROSEMOUNT

This year saw trophy wins for Rosemount Balmoral Syrah 2010 and the global relaunch of Rosemount Blends and Diamond Label.

Introducing White Zinfandel Moscato, the first innovation in the Blush category in over ten years. The Americas shipped over 1.1 million cases of Moscato in FY12, up 40% over FY11. Sales up 40% since last year.

LAURIE HOOK

Over the past year, Chief Winemaker Laurie Hook and her Beringer Winemaking team crafted exceptional wines that showed growth across all tiers in the second half of the year, led by Moscato, Founders' Estate and Knights Valley.

ROSEMOUNT RELAUNCHES

In the second half of FY12 we relaunched the Rosemount brand, involving a return to the traditional wine bottle and a re-engagement with Rosemount consumers through more targeted marketing campaigns and partnerships, including the Australian Football League.

DEVIL'S LAIR ACHIEVES HIGH SCORE

Devil's Lair, from the Margaret River in Western Australia, released its 9th Chamber Chardonnay and received praise from James Halliday, scoring an impressive:

97 POINTS

MATT KOCH

Over the past year, Chief Winemaker Matt Koch and his team at Rosemount Estate won more than 125 awards, including Rosemount Balmoral Syrah winning back-to-back Decanter World Wine Awards Trophy for best Rhone blend over £10 for the 2008 and 2010 vintages.

PENFOLDS BEST WHITE

Penfolds 2009 Reserve Bin A Chardonnay was named Champion White Wine at the 2011 London International Wine Challenge in September. Several other Penfolds wines were awarded medals and Penfolds Senior White Winemaker, Kym Schroeter, was named amongst the world's top three white winemakers.

A YEAR OF AWARDS

*Our wines received 2,400+ awards in major wine shows across Australia and New Zealand. In the Americas, TWE wines received 131 90+ scores from four major publications in FY12.**

** Scores awarded from Wine Spectator, Wine Advocate, Wine Enthusiast, and Wine & Spirits.*

2012 WINEMAKERS' WINEMAKER

The Institute of Masters of Wine and the drinks business magazine awarded Penfolds Chief Winemaker, Peter Gago, the 2012 Winemakers' Winemaker. This award is a testament to Peter and the whole Penfolds team's constant pursuit of excellence with respect to the Penfolds winemaking tradition. This outstanding recognition is a result of Peter's success at managing an iconic brand and continuing to take it to a new level. Peter constantly innovates and raises the bar of one of the world's most appreciated and valued wine labels.

No 1

Pepperjack has been the no. 1 selling bottled red wine SKU[1] in Australia, by value, for 21 months in a row.[2]

1. Stock-keeping unit.
2. Source: Nielsen Liquor Scan Trak, monthly MAT data October '10 – June '12, Value Sales, Australia.

CHRIS HATCHER

Widely considered one of Australia's leading winemakers, Wolf Blass Chief Winemaker, Chris Hatcher, continued the label's winning tradition this year scooping up six gold medals at the highly acclaimed International Wine Challenge (IWC) in London.

NEW WOLF BLASS PACKAGING

This year, Wolf Blass rolled out new packaging globally across all products, with QR (Quick Response) codes on new products. The brand also introduced new cartons for more effective in-store displays.

MATUA

NEW ZEALAND BRANDS BREAKTHROUGH

TWE's New Zealand brands sold a record number of cases in 2012, up 24%. Our New Zealand wines also saw the best year ever on the wine show circuit, winning more Gold medals than the prior 10 years combined.

In 2012, Penfolds continued to break new ground with innovation and brand experiences that cement and amplify Penfolds as a global luxury icon. The year included the release of Bin 620, the first release of this special wine in 45 years, and the unveiling of the limited edition Penfolds Ampoule, one of the world's most exclusive wines.

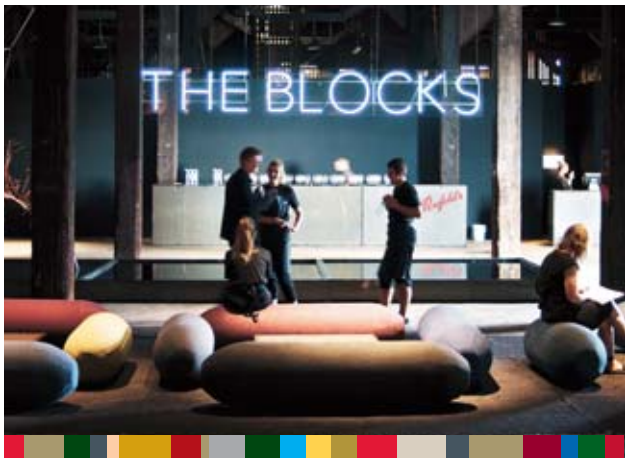
TWE VINTREPRENEUR'S CLUB

Over the coming months, we are unveiling a truly unique club for all of our valued TWE shareholders. We invite you to enjoy our wines, gain access to exclusive experiences and receive tailored wine advice. Welcome to the TWE Vintrepreneur's Club: www.vintrepreneur.com.

Four gold medal wins at the Mundus Vini International Wine Awards in Germany (September 2011): 2010 Bin 40 Merlot, Bin 45 Cabernet Sauvignon, Bin 50 Shiraz and 2011 Bin 65 Chardonnay.

DESIGN AND WINE COLLIDE

This year in Sydney, Penfolds launched The Blocks, a five-week event where visitors discovered and awakened their palate using sight, touch, smell and taste. A design and wine collaboration with London designers, Studio Toogood, guests enjoyed legendary Penfolds wines matched to food by award winning Executive Chef Jock Zonfrillo (Magill Estate).



WAYNE FALKENBERG

Chief Winemaker at Lindeman's, Wayne Falkenberg has produced high-quality wines for Lindeman's for over 30 years. This year, the brand continues to grow in the US, having significantly outperformed the Australian category in the second half of FY12.

TWE AT VINEXPO

TWE debuted at VINEXPO Asia 2012. Through a series of 11 masterclasses hosted by our winemakers, we took guests through the best of our portfolio, including a Penfolds 1987 Grange and preview of the Napa Valley Beringer 2009 Private Reserve Cabernet Sauvignon before its release in October 2012.

The Rhine House
at Beringer Vineyards
Napa Valley, California

Sue Hodder, Senior Winemaker
Wynns Coonawarra Estate

FINANCIAL AND OPERATIONS REVIEW

Castello di Gabbiano
Tuscany, Italy

OUR LOCATIONS

AUSTRALIA & NEW ZEALAND

AUSTRALIA

CORPORATE HEAD OFFICE:
MELBOURNE

8 REGIONAL SALES OFFICES

24 VINEYARDS

8,100 PLANTED HECTARES

11 WINERIES

NEW ZEALAND

COUNTRY HEAD OFFICE:
AUCKLAND

3 REGIONAL SALES OFFICES

5 VINEYARDS

300 PLANTED HECTARES

1 WINERY

AMERICAS

USA

REGIONAL HEAD OFFICE:
NAPA VALLEY, CALIFORNIA

4 REGIONAL SALES OFFICES

25 VINEYARDS

2,500 PLANTED HECTARES

7 WINERIES

CANADA

COUNTRY HEAD OFFICE:
TORONTO, ONTARIO

4 REGIONAL SALES OFFICES

EUROPE, MIDDLE EAST & AFRICA

UK

REGIONAL HEAD OFFICE:
TWICKENHAM, UK

3 REGIONAL SALES OFFICES

100 PLANTED HECTARES

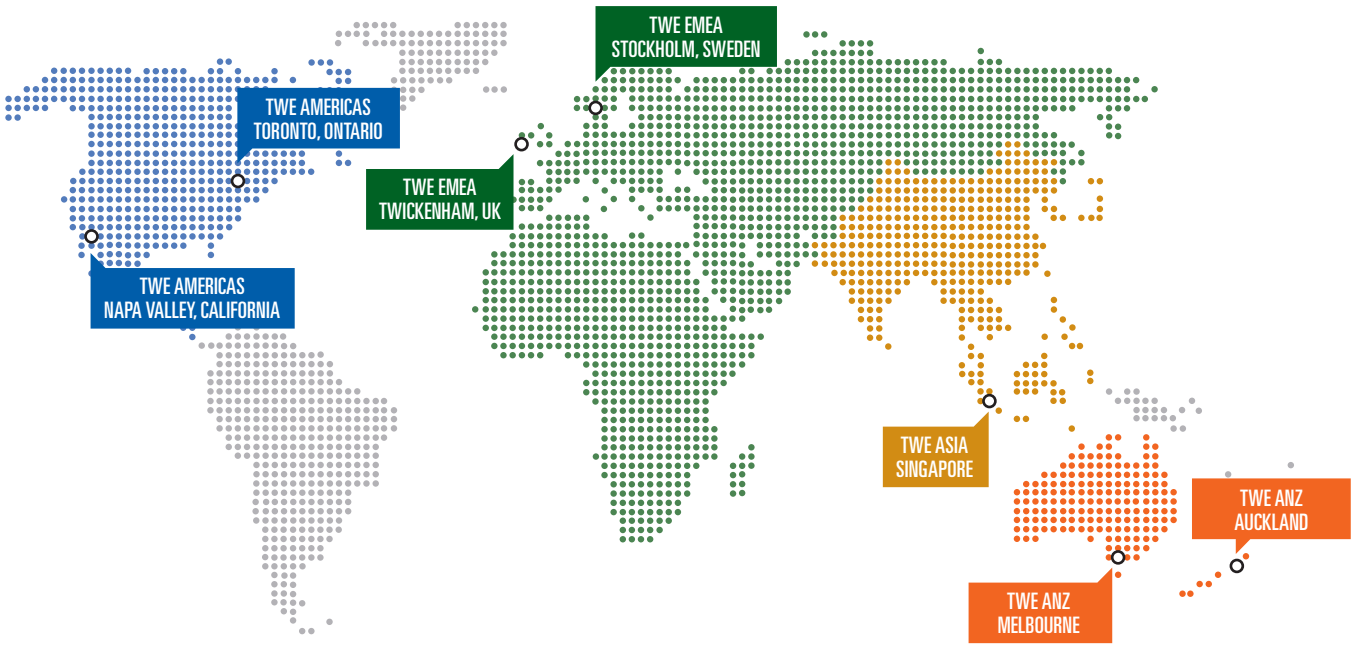
1 WINERY

NORDICS & WESTERN EUROPE HEAD OFFICE:
STOCKHOLM, SWEDEN

ASIA

REGIONAL HEAD OFFICE:
SINGAPORE

6 REGIONAL SALES OFFICES



OVERVIEW

TWE PROFIT AND LOSS

A$M		PRO FORMA REPORTED CURRENCY		PRO FORMA CONSTANT CURRENCY	
FOR THE 12 MONTHS ENDED 30 JUNE	2012	2011	CHANGE	2011	CHANGE
Volume ('000 9L cases)	**31,763.9**	33,237.9	(4.4)%	33,237.9	(4.4)%
Net sales revenue	**1,640.8**	1,737.5	(5.6)%	1,689.5	(2.9)%
Net sales revenue/case ($)	**51.66**	52.27	(1.2)%	50.83	1.6%
Other revenue	**39.8**	38.3	3.9%	37.8	5.3%
Total revenue	**1,680.6**	1,775.8	(5.4)%	1,727.3	(2.7)%
Cost of sales	**(1,100.0)**	(1,165.3)	5.6%	(1,145.9)	4.0%
Gross profit	**580.6**	610.5	(4.9)%	581.4	(0.1)%
Gross profit margin	**35.4%**	35.1%	0.3pts	34.4%	1.0pts
Cost of doing business[1]	**(370.4)**	(415.3)	10.8%	(404.1)	8.3%
Cost of doing business margin	**22.6%**	23.9%	1.3pts	23.9%	1.3pts
EBITS	**210.2**	**195.2**	**7.7%**	**177.3**	**18.6%**
EBITS margin	**12.8%**	**11.2%**	**1.6pts**	**10.5%**	**2.3pts**
SGARA	**(23.4)**	(24.1)	2.9%	(23.9)	2.1%
EBIT	**186.8**	**171.1**	**9.2%**	**153.4**	**21.8%**
Net finance costs	**(6.3)**				
Profit before tax	**180.5**				
Tax expense	**(60.7)**				
Net profit after tax (before material items)	**119.8**				
Material items (before tax)	**(40.0)**				
Tax on material items	**9.9**				
Material items (after tax)	**(30.1)**				
Minority interests	**0.2**				
Net profit after tax	**89.9**				
Reported EPS (cents)	**13.9**				
SGARA (after tax)	**(15.5)**				
Net profit after tax (before material items and SGARA)[2]	**135.5**				
EPS (before material items and SGARA) (cents)	**20.9**	18.2	14.8%		
Average no. of shares (millions)	**647.2**				

Pro forma information not available

1. Cost of doing business calculated as gross profit less EBITS.
2. Pro forma FY11 EPS of 18.2 cents is based on pro forma FY11 EBITS of $195.2 million adjusted for pro forma interest expense (based on FY11 pro forma operating cash flows and closing net debt of $71.7 million) at a 35% effective tax rate.

Exchange rates: Average exchange rates used for profit and loss purposes in 2012 full year results are: $A1 = $US 1.0317 (2011: $A1 = $US 0.9876), $A1 = £0.6511 (2011: $A1 = £0.6205). Period end exchange rates used for balance sheet items in 2012 full year results are: $A1 = $US 1.0033 (30 June 2011: $A1 = $US 1.0690), $A1 = £0.6467 (30 June 2011: $A1 = £0.6650).

Constant currency: Throughout this report constant currency assumes current and prior earnings of foreign operations are translated and cross border transactions are transacted at current year exchange rates.

SGARA: Australian Accounting Standard AASB141 'Agriculture'.

GROUP PERFORMANCE

Volume
Total volume was 31.764 million cases, down 1.474 million cases, largely reflecting the exit from unprofitable volume in the UK. Excluding the UK, volume in 2012 was in line with 2011, with lower volumes in the Americas offset by growth in ANZ and Asia.

Net sales revenue
Net sales revenue declined 5.6% on a reported basis to $1,640.8 million or 2.9% on a constant currency basis. Lower net sales revenue was reported in EMEA driven by the exit from unprofitable sales in the UK, the Americas reflecting increased brand building investment to drive commercial volumes and a marginal decline was reported in ANZ, mostly due to lower supply of luxury and masstige wines. Asia reported net sales revenue growth, up 29.7%.

Net sales revenue per case on a constant currency basis increased $0.83, or 1.6%, driven by pricing and mix in Asia and EMEA.

Cost of sales
Cost of sales as a percentage of NSR improved by 78 basis points (representing circa $13 million), reflecting various initiatives including procurement savings.

Cost of doing business margin
Cost of doing business margin improved 134 basis points (representing circa $22 million) to 22.6%, with cost savings realised across the organisation.

EBITS
EBITS of $210.2 million was up 7.7% on a reported basis. EMEA and the Americas were impacted by adverse foreign currency movements due to the relatively high Australian dollar compared to the prior year. On a constant currency basis, EBITS increased 18.6%.

The EBITS margin increased 158 basis points on a reported basis and 232 basis points on a constant currency basis to 12.8%.

SGARA
The SGARA loss of $23.4 million in the current year was principally driven by a challenging weather-affected 2011 Californian vintage, with the SGARA loss in the Americas increasing by $10.7 million to $16.5 million. In ANZ, the SGARA loss of $6.9 million reflects reduced yields, despite an increase in grape prices.

Material items
A material item expense of $40.0 million before tax was reported, principally comprising four components: restructuring and redundancy costs, IT related one-offs, the reversal of a provision for assets previously held for sale, and write-offs of various supply chain assets.

As part of TWE's efficiency program, restructuring and redundancy costs of $22.8 million (compared to $20.0 million estimated in the first half result) comprise redundancy payments and related program costs.

The IT related one-off items include the $31.5 million cash payment received from Foster's Group in April 2012 to take over responsibility for building our standalone IT system and $56.3 million in write-offs associated with the IT systems. In particular, following a review of the systems, a decision has been taken to discontinue with the building and rolling out of the new IT systems to our Americas and EMEA regions. All capital and costs associated with the Americas and EMEA project have now been written-off.

Reversal of provisions relating to assets previously held for sale totalled $14.6 million, of which $0.3 million related to the profit from sale of one of the remaining three vineyards, which was realised in the second half of 2012. A $7.0 million write-down of supply chain assets was booked in the first half of 2012.

Net profit after tax
Net profit after tax for the 12 months ending 30 June 2012 was $89.9 million, and EPS was 13.9 cents per share. Net profit after tax (before material items and SGARA) was $135.5 million, and EPS on the same basis was 20.9 cents per share.

Dividend
The directors have declared a final dividend of 7.0 cents per share, bringing the full year dividend to 13.0 cents per share, franked to 50%.

AUSTRALIA & NEW ZEALAND

A$M		PRO FORMA REPORTED CURRENCY		PRO FORMA CONSTANT CURRENCY	
FOR THE 12 MONTHS ENDED 30 JUNE	2012	2011	CHANGE	2011	CHANGE
Volume (m 9L cases)	**8.0**	7.8	2.6%	7.8	2.6%
NSR	**574.1**	577.9	(0.7)%	578.7	(0.8)%
NSR per case (A$)	**71.43**	73.75	(3.1)%	73.85	(3.3)%
EBITS	**109.0**	96.3	13.2%	97.3	12.0%
EBITS margin	**19.0%**	16.7%	2.3pts	16.8%	2.2pts

FINANCIAL HIGHLIGHTS

Despite tough retail conditions, the ANZ region continues to deliver strong financial results, underpinned by steady growth in volumes, price optimisation across our brands and a disciplined approach to cost management.

While volumes increased by 2.6%, the slight decline in NSR reflects the lower supply of luxury and masstige wines and the reallocation of brand building investment to support volume growth. Total brand building investment was slightly below last year.

Higher EBITS margin reflected a reduction in overheads and efficiency gains, including a realignment of TWE's sales force to improve customer and territory coverage.

REVIEW OF OPERATIONS

TWE ANZ continues to be the leading supplier of premium wine brands to the region. Our sales team and cellar doors of over 300 Vintrepreneurs focuses on building the footprint of our brands across Australia and New Zealand.

Over the past year, the ANZ region focused on a number of key initiatives to continue to drive sales and support our Vintrepreneur culture. ANZ invested in the culture and development of our people resulting in stronger teams and clarity of purpose. We realigned our sales force to better drive accountability and have decision-making closer to our customer. A key highlight for ANZ was the award of number 1 wine supplier in Australia by the survey conducted by the LMAA (Liquor Merchants Association of Australia).

On the execution of building our brands within ANZ, we accelerated growth in the availability and visibility of our brands. We also focused on stronger relationships with key strategic trading partners, which resulted in an increase in investment at the point of purchase.

Looking forward, the ANZ region will continue to drive customer profitability and consumer loyalty across TWE's foundation brands and regional champions. Specifically, this includes broadening our focus on the New Zealand Sauvignon Blanc category via Matua, the lighter in alcohol category and key regional opportunities from the Barossa Valley and Western Australian brands.

AMERICAS

A$M		PRO FORMA REPORTED CURRENCY		PRO FORMA CONSTANT CURRENCY	
FOR THE 12 MONTHS ENDED 30 JUNE	2012	2011	CHANGE	2011	CHANGE
Shipments (m 9L cases)	**15.7**	15.9	(1.7)%	15.9	(1.7)%
Depletions	**15.4**	15.7	(1.9)%	15.7	(1.9)%
NSR	**707.5**	773.9	(8.6)%	743.3	(4.8)%
NSR per case (A$)	**45.20**	48.58	(7.0)%	46.66	(3.1)%
EBITS	**79.0**	92.2	(14.3)%	89.4	(11.6)%
EBITS margin	**11.2%**	11.9%	(0.7)pts	12.0%	(0.8)pts

FINANCIAL HIGHLIGHTS

Shipments were down 1.7%, driven by the US, in line with the strategy to match shipments with depletions, excluding new product, partially offset by a second half shipment recovery in Canada.

US depletions in the second half of the year increased 2.3%, representing a 13% turnaround in 12 months. Full year depletions were down by 1.9%, representing a significant improvement on the 11% decline in FY11.

NSR per case, down 3.1%, principally reflects the reallocation of brand building investment from above-the-line investment to point-of-purchase trade support, which is in turn driving stronger depletions in the second half.

Lower EBITS reflects increased brand building investment to support the depletion-led strategy, partially offset by a reduction in overheads.

REVIEW OF OPERATIONS

The Americas is TWE's largest market, representing half of total TWE volumes. TWE's operations in the Americas comprising US and Canada, include the distribution of TWE's Australian and New Zealand brands, together with wines from TWE's iconic Californian vineyards, including Beringer Vineyards, Chateau St Jean and Stags' Leap.

Market dynamics in the Americas region remains challenging, particularly in an environment of shortening supply and rising grape prices. TWE's sales portfolio is weighted towards the commercial segment, where competition is fiercely price-oriented.

To mitigate these market challenges and in response to growing consumer preferences for lighter, low calorie 'lifestyle' wine varietals, TWE has more recently positioned itself as a market leader in bringing new and exciting brands from around the world to the US and Canadian markets.

The market's response to Beringer's recently launched Be. and three new Moscato flavours has been positive, with recent market data highlighting a strong finish in FY12 and an exciting beginning to FY13.

The US is the world's largest wine market, with around 300 million cases of wine consumed per annum, and while the US is a major wine producing country, it is also the world's largest importer of wine.

EUROPE, MIDDLE EAST & AFRICA (EMEA)

A$M		PRO FORMA REPORTED CURRENCY		PRO FORMA CONSTANT CURRENCY	
FOR THE 12 MONTHS ENDED 30 JUNE	2012	2011	CHANGE	2011	CHANGE
Volume (m 9L cases)	**6.9**	8.5	(18.7)%	8.5	(18.7)%
NSR	**253.0**	303.8	(16.7)%	285.5	(11.4)%
NSR per case (A$)	**36.56**	35.68	2.5%	33.53	9.0%
EBITS	**5.7**	6.5	(12.3)%	(11.6)	NM[1]
EBITS margin	**2.3%**	2.1%	0.2pts	(4.1)%	6.4pts

1. NM: not meaningful

FINANCIAL HIGHLIGHTS

EMEA reported an improved underlying financial performance in FY12 in the context of continued challenging trading conditions and economic uncertainty in the Eurozone.

Lower volumes continue to reflect TWE's exit from unprofitable sales in the UK together with softer trading conditions in the Nordics and Continental Europe.

The strong uplift in NSR per case was driven by improved pricing and mix across all segments of our portfolio in the region.

On a constant currency basis, the EMEA region returned to profitability in FY12, reporting a $17.3 million improvement in EBITS to $5.7 million, principally driven ongoing cost reductions and solid profit growth in the Nordics.

REVIEW OF OPERATIONS

EMEA is an important region for TWE, representing over 20% of total TWE volumes. The EMEA region includes the UK, Continental Europe, the Middle East and Africa, as well as key Nordic markets such as Sweden, Finland and Norway. TWE also owns the Tuscany-based Gabbiano winery.

The UK is TWE's dominant market in the EMEA region in terms of volume and continues to be a challenging market in light of the competitive retail landscape. Price-based competition in the commercial segment combined with unfavourable exchange rate movements has resulted in significant margin pressure for TWE. In response to these trading conditions, TWE proactively exited unprofitable business in the UK and has increased focus on the luxury and fine wine market. The UK fine wine team was appointed in FY12 and is focused on building distribution of our fine wine portfolio with key wholesalers and top-end on-premise and independent retailers in the UK.

In the Nordics, TWE increased market share, with seven out of the 10 best-selling Australian reds coming from TWE brands. Furthermore, increased focus on expanding distribution of American and New Zealand wines has delivered recent successful listings of the Beringer and Matua brands.

Looking forward in the EMEA region, the growth of 'light and refreshing' and luxury wine categories, together with the development of emerging wine markets and travel retail, offers growth opportunities for the diverse TWE brand portfolio.

ASIA

A$M		PRO FORMA REPORTED CURRENCY		PRO FORMA CONSTANT CURRENCY	
FOR THE 12 MONTHS ENDED 30 JUNE	2012	2011	CHANGE	2011	CHANGE
Volume (m 9L cases)	**1.2**	1.0	20.6%	1.0	20.6%
NSR	**106.2**	81.9	29.7%	82.0	29.5%
NSR per case (A$)	**92.00**	85.56	7.5%	85.67	7.4%
EBITS	**41.2**	27.4	50.4%	29.3	40.6%
EBITS margin	**38.8%**	33.5%	5.3pts	35.7%	3.1pts

FINANCIAL HIGHLIGHTS

Asia's strong financial performance in FY12 was driven by a 45% increase in brand building investment, supported by improved in-market execution and expanded distribution footprint.

Volumes increased 20.6% in FY12, reflecting positive growth in all key Asian markets. Collectively, Hong Kong and China volumes increased 31% in FY12.

Strong growth in NSR per case reflects the rich product mix sold in the region.

Expanding our sales capability, together with brand building activities, including participation in media events, wine expos, tastings, winemaker visits and global launches, is driving strong brand awareness of TWE brands in the region.

EBITS margin continues to be supported by strong volume and sales growth underpinned by a robust approach to operational and geographic expansion.

TWE's brand portfolio is well placed to capitalise on favourable market demographics, increasing consumer interest in the wine category and growing demand for luxury imports.

REVIEW OF OPERATIONS

TWE sells masstige and luxury wines throughout Asia's key markets, notably Singapore, Hong Kong, Malaysia, China, Japan, Taiwan, Korea and Thailand.

Despite low per capita wine consumption, increasing household affluence and growing demand for luxury red wine is positioning Asia as an exciting market for global wine producers.

While China represents an exciting growth opportunity going forward, TWE has a very well balanced business across Asia and is generating considerable growth from a number of markets. This growth is being achieved through consistent and sustained investment in building brand awareness and positioning TWE's luxury brands as some of the most recognised and respected labels across the region. In conjunction with brand investment, TWE is investing in building the sales and marketing organisation in Asia to strengthen relationships with distributors and customers to expand the access and availability of our wines to Asian consumers. This focus on building premium brands sees the Asia region contribute approximately 4% of global volume but 20% of global EBITS.

CORPORATE

Corporate costs, excluding the impact of material items, for FY12 were $24.7 million compared to $27.2 million in FY11.

SUMMARY BALANCE SHEET

A$M

AS AT	30 JUN 2012	30 JUN 2011	CHANGE $
Cash and cash equivalents	**28.6**	64.8	(36.2)
Receivables	**447.6**	452.6	(5.0)
Current inventories	**711.5**	768.5	(57.0)
Non-current inventories	**362.5**	196.7	165.8
Property, plant and equipment	**931.1**	912.7	18.4
Agricultural assets	**195.6**	180.5	15.1
Intangible assets	**932.6**	927.1	5.5
Tax assets	**200.3**	178.8	21.5
Other assets	**11.0**	22.0	(11.0)
Total assets	**3,820.8**	3,703.7	117.1
Payables	**464.0**	369.2	94.8
Borrowings	**64.2**	136.5	(72.3)
Tax liabilities	**293.2**	269.2	24.0
Provisions	**58.6**	51.4	7.2
Other liabilities	**1.5**	0.6	0.9
Total liabilities	**881.5**	826.9	54.6
Net assets	**2,939.3**	2,876.8	62.5

Net assets increased by $62.5 million for the year ended 30 June 2012.

The increase in net assets was principally driven by increased investment in the production of luxury wine, with non-current inventory increasing by $165.8 million and total inventory increasing by $108.8 million.

Working capital (excluding non-current inventory) showed a strong improvement on the prior year.

The increase in agricultural assets reflects ongoing investment in TWE vineyards. Property, plant and equipment and intangible assets increased principally due to movements in foreign exchange rates.

Net debt at 30 June 2012 was $34.4 million and consisted of $29.8 million in cash and loans ($1.2 million) and borrowings of $64.2 million. Net debt decreased $37.3 million from $71.7 million at 30 June 2011.

Under the A$500 million committed multi-currency revolving term debt facility (with $A200 million maturing in April 2014 and $A300 million maturing in April 2016), the undrawn committed amount stands at A$455 million.

CASH FLOW AND CAPITAL EXPENDITURE

A$M		PRO FORMA	
FOR THE TWELVE MONTHS ENDED 30 JUNE	2012	2011	CHANGE
EBITS	**210.2**	195.2	7.7%
Depreciation and amortisation	**67.7**	71.8	
EBITDAS	**277.9**	267.0	
Change in working capital	**(9.8)**	9.5	
Other items	**(0.1)**	(5.7)	
Net operating cash flows before financing costs, tax and material items	**268.0**	270.8	(1.0)%
Capital expenditure	**(84.0)**	(71.1)	
Asset sale proceeds	**0.9**	2.7	
Cash flows after net capital expenditure, before financing costs, tax and material items	**184.9**	202.4	
Cash conversion[1]	**96.4%**	**101.4%**	**(5.0)pts**
Material item cash flows			
— operating	**(21.7)**		**Pro forma information not available**
— investing	**34.4**		
Cash conversion including operating material items[2]	**88.6%**		

1. Cash conversion (NOCF before financing costs, tax and material items divided by EBITDAS).
2. Cash conversion including material items is calculated by net operating cash flows before financing costs, tax and material items ($268 million), less material operating items ($21.7 million) as a percentage of Earnings before interest, tax, depreciation and amortisation and SGARA ($277.9 million).

TWE continues to generate strong cash flows. Operating cash flow before interest, tax and material items was $268.0 million with cash conversion (pre operating material items) at 96.4%.

The negative change in working capital was due to increased investment in non-current inventory.

Capital expenditure was $84.0 million for FY12. Excluding capital expenditure on the TWE IT project and related hardware of $16.7 million, capital expenditure of $67.3 million was in line with the prior year ($71.1 million) and with depreciation and amortisation of $67.7 million for FY12. Of this amount, $15.6 million related to 'Project Uplift', including vineyard redevelopments and upgrades, re-plants and vineyard acquisitions. We expect to continue to increase our capital expenditure on growth-related activities during FY13.

Tax payments of $59.9 million include a payment of $11.9 million for franking deficits tax associated with the settlement of the Foster's Ashwick litigation.

Net cash flows after dividends before material items were $40.2 million for FY12, with net debt decreasing by $37.3 million to $34.4 million at 30 June 2012, reflecting TWE's strong cash flow generation.

VINTAGE UPDATE

The 2012 Australian vintage was of a high quality in most growing regions. At this stage, TWE is seeing exceptionally high quality wines. It is likely that the 2012 vintage will be remembered as one of the standout vintages in the last couple of decades.

Early signs of the 2012 Californian vintage look favourable. Weather has been near perfect throughout the growing season, with moderate temperatures expected throughout the summer. TWE's intake is expected to be favourable, with the production network operating at full capacity.

RECONCILIATION BETWEEN 2011 STATUTORY RESULT AND 2011 PRO FORMA FINANCIAL INFORMATION

The statutory results for the year ending 30 June 2011 do not reflect the structure of TWE's business. To provide a view of the performance of TWE's business at demerger, pro forma financial information was prepared to present a view as if the demerger had been effective from 1 July 2010.

$AM FOR THE YEAR ENDED 30 JUNE 2011	STATUTORY	WINE ENTITIES NOT PREVIOUSLY IN TWE GROUP	BUSINESS IN BEER ENTITIES	CORPORATE COSTS	LOGISTICS COSTS	REVALUATION OF FOREIGN CURRENCY LOANS	PRO FORMA
NSR[1]	1,441.0	142.5	154.0	–	–	–	1,737.5
Other revenue	13.1	22.5	2.7	–	–	–	38.3
Total revenue	**1,454.1**	**165.0**	**156.7**	**–**	**–**	**–**	**1,775.8**
Cost of sales	(1,078.4)	(113.7)	18.2	–	8.5	–	(1,165.4)
Gross profit	**375.7**	**51.3**	**174.9**	**–**	**8.5**	**–**	**610.4**
Other income	1.7	–	–	–	–	–	1.7
Selling expenses	(122.5)	(18.3)	(57.7)	–	–	–	(198.5)
Marketing expenses	(65.3)	(16.1)	(35.1)	–	–	–	(116.5)
Administration expenses	(33.6)	(14.4)	(27.7)	(24.5)	–	–	(100.2)
Other expense	(113.5)	12.5	–	–	–	98.2	(2.8)
Associates profit	(0.2)	–	1.3	–	–	–	1.1
EBITS	**42.3**	**15.0**	**55.7**	**(24.5)**	**8.5**	**98.2**	**195.2**
SGARA	(24.1)	–	–	–	–	–	(24.1)
EBIT	**18.2**	**15.0**	**55.7**	**(24.5)**	**8.5**	**98.2**	**171.1**

1. Net sales revenue disclosed in the 2011 annual report in respect to the year ended 30 June 2011 of $1,461.8 million has been restated down by $20.8 million to $1,441.0 million to reflect reclassification of amounts that are more properly considered to be discounts and rebates in nature.

Entities not in TWE Group/wine business in beer entities

Immediately prior to the demerger, Foster's Group undertook an internal corporate restructure that resulted in several entities ceasing to be, and several entities becoming subsidiaries of TWE. In addition, a number of assets and liabilities were transferred between TWE and Foster's Group.

TWE's statutory income statement includes the results of those entities, assets and liabilities that ceased to be part of TWE under the corporate restructure for the period from 1 July 2010 until immediately prior to the demerger. Similarly, TWE's statutory income statement only includes the results of the entities, assets and liabilities that became part of TWE under the corporate restructure for the period from 9 May 2011 to 30 June 2011.

The $15.0 million adjustment relating to entities not in the TWE Group, and the $55.7 million adjustment relating to wine business in beer entities is the estimated result for those entities, assets and liabilities that became part of the TWE immediately prior to the demerger for the period from 1 July 2010 until immediately prior to the demerger.

Corporate costs

TWE's statutory result includes corporate costs associated with TWE becoming a standalone entity from the demerger effective date to 30 June 2011. The $24.5 million pro forma corporate cost adjustment represents estimated additional corporate costs had TWE operated as an independent listed company in the period from 1 July 2010 to demerger effective date.

Logistics costs

Foster's Group provides logistics services to TWE under a Logistics Service Agreement (LSA). The LSA commenced immediately prior to the demerger and includes a pricing methodology that differs to the methodology used by Foster's Group to allocate logistics costs to TWE prior to the demerger.

TWE's statutory result includes the impact of changes in the pricing methodology for logistics services from the demerger effective date to 30 June 2011. The pro forma adjustment of $8.5 million reflects the estimated change in logistics costs had the pricing methodology under the LSA been effective in the period from 1 July 2010 until immediately prior to the demerger.

Revaluation of foreign currency denominated loans to Foster's Group entities

Prior to the demerger, TWE had various internal financing arrangements with other Foster's Group entities. These included various foreign currency denominated intercompany loans and borrowings between TWE and other Foster's Group entities. TWE's statutory result includes a $98.2 million loss relating to the revaluation of these foreign currency denominated loans and borrowings to reflect exchange rate movements in the period from 1 July 2010 to immediately prior to the demerger. These internal financing arrangements no longer form part of TWE as an independent company, and the loss relating to the revaluation of these loans recognised in the statutory result has been excluded from the pro forma financial information.

CORPORATE SOCIAL RESPONSIBILITY

3,500 VINTREPRENEURS AGENTS OF CHANGE

11,000 HECTARES CUSTODIANS OF OUR LAND

CORPORATE SOCIAL RESPONSIBILITY

FY12 saw TWE make progress on Corporate Social Responsibility (CSR), developing a five-year CSR strategy, including clear objectives and targets, agreed by our CEO and Global CSR Council. Our CSR strategy seeks to build upon existing community and sustainability programs, extending these globally to better leverage opportunities, manage risks and ensure the long-term commercial sustainability of our business.

As a global company with intrinsic links to agriculture, the long term sustainability of our business is dependent upon the sound management of the environment. Therefore, our CSR strategy and targets seek to position TWE as a positive force in the communities where we operate; managing environmental and social risks both now and in the future to drive sustainability and competitive advantage.

A STRATEGIC FOCUS

Our FY12–FY17 CSR strategy, builds upon activities undertaken in FY11, and is underpinned by our CSR Guiding Principles (www.tweglobal.com). The strategy concentrates on four strategic priorities that fully reflect the scope of our CSR programs which pragmatically manage social and environmental risks:

— **Sustainability** – addressing issues including climate change, carbon pricing and the environmental impacts of our direct operations.

— **Responsibility** – looking at the responsible consumption of wine/alcohol and the health, safety and workplace issues within our own operations, including those impacting our supply chain and communities.

— **Governance** – oversight of our CSR programs and how we engage our business and external stakeholders; and compliance with applicable environmental and social regulations.

— **Commercial** – leveraging the commercial and brand value our CSR programs can deliver, and the environmental and ethical practices of our suppliers and commercial partners.

Key priorities, objectives and targets across each pillar for FY13 are described on page 31 under the FY13 Objectives and Targets section.

GOVERNANCE

Our Global CSR Council, chaired by the CEO, provides executive oversight for our CSR strategy. The Council comprises eight senior and executive representatives from across the business globally, and receives updates on progress three times per year.

The workplace health and safety issues of our employees and contractors are overseen by our Occupational Health & Safety (OH&S) Council. In FY13, cross-representation between the OH&S and CSR Council will occur to ensure alignment of goals and objectives.

The Human Resources Committee of the Board is responsible for overseeing TWE's human resources strategy, including remuneration, workplace policies and diversity. In addition, in FY12, the TWE Board and its Committees received updates on CSR-related matters of interest, including the potential impact of climate change on the business and the effects of the introduction of the carbon price mechanism by the Australian Government. In FY13, the Board will continue to receive updates on TWE's progress against its CSR strategy and objectives.

FY12 ACHIEVEMENTS

FY12 saw delivery of 10 key CSR related initiatives detailed in the tables below. Additional information regarding our specific CSR program can be found on our website www.tweglobal.com.

Note: the CSR data presented in this Report covers the Company's operations globally, unless otherwise stated.

INITIATIVE	KEY FY12 ACHIEVEMENTS
Development of the CSR Scorecard	✓ Objectives and targets agreed by CSR Council and articulated in five-year strategy.
Third party sustainable certification for company owned vineyards and wineries[1]	✓ Certification received for 100% Australia, New Zealand and USA vineyards, 91% Australia and New Zealand wineries, 100% USA wineries.
Launch of the TWE Community Investment Program	✓ TWE community investment program launched in May, targeting A$1 million of value to our communities globally.
Supply Chain Social and Environmental Risk Assessment	✓ Social and environmental risk assessment undertaken across our global supply chain.
Carbon Price Risk Assessment – Australia	✓ Completed risk assessment and Scope 3 carbon emissions footprint of the Australian business.
Environmental assessment of packaging	✓ Implemented online environmental assessment of packaging tool and completed assessment of existing packaging in Australia.
Stakeholder engagement on CSR	✓ Lifted communications on CSR program through our CSR Video 'Custodians of our Land'.
Launched global TWE Fraud and Corruption Policy	✓ Policy developed and communicated to staff.
Consumer engagement on CSR	✓ Launched CarboNZero™ certified Squealing Pig wines.
Investor engagement on CSR	✓ Completed 2012 Carbon and Water Disclosure Project Reports.

1. Wineries within the scope of the target are those producing more than 5,000 gallons/18,927 litres of wine per year.

Year-to-year comparison for energy and water consumption within the wine industry is difficult as this can be heavily influenced by a number of highly variable external factors and regionally specific vintage conditions. Rainfall, flooding and temperature variations can impact water consumption in irrigated areas, energy consumed for frost protection and heating and cooling loads in production facilities.

The last 12 months have also seen significant improvements to our Group-wide reporting processes. Energy and water consumption and carbon emissions and waste generated are now reported from our global production facilities and vineyards in full. Our US vineyards have made significant improvements to their waste reporting practices in FY12, which have driven the reported increase in total waste generated. On a like-for-like basis, excluding the impact of the US vineyards, the Group's total waste generated increased by 1.5% in FY12, which is within annual tolerances, and improved recycling rates by 2.4%.

Increases in our reported FY12 water consumption are primarily driven by our Australian operations, with the 2012 vintage necessitating a greater use of water compared with 2011, which had significantly higher levels of rainfall. Energy consumption was similarly driven by seasonal variations observed in the US and Australia.

METRIC	UNIT OF MEASURE	FY12	FY11
Environment[1]			
Energy Efficiency	MJ/9LE[2]	13.56	13.32
Water Efficiency	L/9LE[2]	38.80	35.42
Total energy consumed[3]	GJ	525,441	490,926[4]
Total water consumed[5]	ML	17,124	15,482
Total CO_2-e emissions[6]	Tonnes CO_2-e	65,949	62,347
Total solid waste generated[5]	Tonnes	63,939	51,535
Solid waste to recycling[5]	%	95.39	93.39
Social			
RCIFR[7]	RCI/million hours worked	12.2	17.6[8]
Women in the workforce	%	38.2	37.0

1. Due to timing requirements of reporting, a small portion of our June 2012 environmental performance data for energy, water, waste and carbon emissions has been estimated.
2. Energy and water efficiency is expressed on a 9 litre equivalent per unit case produced basis and includes the energy and water consumed in our wineries and packaging centres.
3. Includes all wineries, packaging centres and company-owned vineyards. Does not include energy consumed from offices, cellar doors or tool of trade fleet.
4. Our FY11 energy consumption and total carbon emissions have been restated due to an error uncovered in our reporting database that produced an incorrect unit conversion.
5. Includes all wineries, packaging centres and company-owned vineyards. Does not include water consumed and waste generated from offices or cellar doors.
6. Includes all wineries, packaging centres and company-owned vineyards. Does not include emissions from offices, cellar doors or tool of trade fleet, wastewater treatment plants, refrigerants, Scope 3 emissions.
7. Reportable Case Injury Frequency Rate.
8. This has been restated from our FY11 report due to a reporting error.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

The health, safety and environment (HSE) program, covering our direct operations, continued to evolve and produce strong results in FY12, with our Recordable Case Injury Frequency Rate reducing from 16.9 to 12.2 (as at 30 June 2012). This represents a 28% reduction on the preceding year and reflects our strong focus on programs that address high risk hazards within our industry.

Our HSE program is supported by a comprehensive audit process that covers our global operations. Our focus on incident investigation and training ensures that we continually improve our systems and behaviours. Reports highlighting audit results, incidents, trends and other relevant information are shared with senior management, the OH&S Council and the Board on a monthly basis to ensure transparency and oversight on our HSE practices. In FY12, we commenced a review of our HSE program and will be introducing enhancements to the program during FY13 to ensure that we remain a leader in wine industry health, safety and environment risk management.

FY13 OBJECTIVES AND TARGETS

In accordance with our CSR strategy and four strategic priorities, we have developed the following FY13 objectives and targets shown below. A comprehensive business-wide CSR Scorecard will also be introduced in FY13 to illustrate progress against these objectives.

OBJECTIVE	FY13 TARGET	BASELINE
Sustainability		
Third party sustainable certification for company owned vineyards and wineries in ANZ and USA	100%[1] by 30 June 2013	Certification received for 100% vineyards in Australia, New Zealand and USA, 91% Australia and New Zealand wineries, 100% USA wineries
Ongoing improvements in resource efficiency	Regions to continue with resource efficiency programs:	
	USA – targeting 30% water and energy efficiency improvement by 30 June 2014 against the 1 July 2011 baseline	USA – water and energy consumption as at 1 July 2011
	ANZ – focused on implementation of resource efficiency projects to improve efficiency against 1 July 2012 baseline	ANZ – water and energy consumption as at 1 July 2012
Implementation of Responsible Procurement Code and process, focusing on environmental practices of suppliers	Adoption of Responsible Procurement Code and processes across key suppliers globally	N/A – new process
Assess the environmental impact of our packaging	Implementation of global assessment process across current and new product development	Assessments conducted against existing Australian packaging
Responsibility		
Enhance positive OH&S culture	Achieve RCIFR of 10[2]	October 2008
Support our Vintrepreneurs as agents of change in their communities	Deliver $1M value to our communities globally	N/A – new process
	12% volunteering participation rate	
Implementation of Responsible Procurement Code and process, focusing on the social practices of our suppliers	Adoption of Responsible Procurement Code and processes across key suppliers globally	N/A – new process
Promote the responsible consumption of alcohol	Drive awareness and education on responsible consumption with internal and external audiences	N/A – new process
	Deliver and embed Socially Responsible Marketing Guidelines within our internal processes	
Governance		
Diversity Council	Diversity Council to prioritise and drive progress against nominated objectives	Council formed FY12
Undertake external CSR stakeholder engagement survey	100 stakeholders globally surveyed on TWE's CSR strategy and objectives	N/A – new process
Develop CSR Lead Indicator Tool based on Global Reporting Initiative (GRI) metrics and undertake benchmarking exercise	Achieve GRI C level rating	N/A – new process
Commercial		
Implement project evaluation tool measuring improvements across safety, innovation, community and environment in addition to financial return	Evaluate benefits of relevant capital projects	N/A – new process
Improve investor environment social governance (ESG) communications	5% improvement in FTSE4GOOD rating	FTSE4GOOD FY11 Score 68%
	Improved score on Carbon Disclosure Project (CDP) submission	2012 CDP report submitted

1. Wineries within the scope of the target are those producing more than 5,000 gallons/18,927 litres of wine per year.
2. The RCIFR is a rolling rate based on the number of recordable case injuries against the number (millions) of man-hours worked.

BOARD OF DIRECTORS

1/ MAX OULD B.EC
Non-executive Director and Chairman since May 2011.

Chair of the Nominations Committee.

Other current directorships: AGL Energy Limited (since February 2006) and Goodman Fielder Limited (a director since November 2005, and Chairman since September 2006).

Mr Ould has extensive experience in the fast moving consumer goods industry. He was formerly Managing Director and CEO of National Foods Limited, CEO of Pacific Dunlop's Peters Foods division, and Managing Director of the East Asiatic Company.

Mr Ould was also formerly a director of Foster's Group Limited (from February 2004 until May 2011) and Pacific Brands Limited (from February 2004 until October 2009).

Mr Ould is an independent Director and will retire as Chairman from 1 September 2012.

2/ DAVID DEARIE
Managing Director and Chief Executive Officer since May 2011.

Mr Dearie has extensive experience in alcohol beverage companies, most recently as Managing Director, Australia & New Zealand Wine for Fosters Group Limited. Prior to joining Fosters Mr Dearie held various executive roles with Brown-Forman Limited including COO and President BF Wine Group and Managing Director Western Europe and Africa. Mr Dearie was previously Regional Director, South East Asia for Inchcape PLC and also held various sales and regional business development roles with Whitbread and Co.

As Managing Director and Chief Executive Officer, Mr Dearie is not an independent Director.

3/ PAUL RAYNER BEC, MADMIN, FAICD
Non-executive Director since May 2011.

Chairman of the Audit and Risk Committee and member of the Nominations Committee.

Other current directorships: Qantas Airways Limited (since July 2008), Centrica Plc (since September 2004) and Boral Limited (since September 2008). Mr Rayner also serves as Chairman of the Audit Committees of both Centrica Plc and Boral Limited.

Mr Rayner brings to the Board extensive experience in finance, corporate and general management. He has previously held the positions of Chief Financial Officer of Rothmans Holdings Limited, Chief Operating Officer of British American Tobacco Australasia Limited (from 1999 to 2001) and Finance Director of British American Tobacco Plc (from January 2002 until April 2008).

Mr Rayner is an independent Director and will be appointed Chairman from 1 September 2012.

4/ LYNDSEY CATTERMOLE AM, B.SC., FACS
Non-executive Director since May 2011.

Member of the Audit and Risk Committee, Human Resources Committee and Nominations Committee.

Other current directorships: Tatts Group Limited (since May 2005) and Paperlinx Limited (since December 2010), Melbourne Rebels Rugby Limited, Victorian Major Events Company and the Melbourne Theatre Company. Mrs Cattermole is also a Member of the Advisory Board for PACT Group Pty Ltd.

Mrs Cattermole has extensive information technology and telecommunications experience. She has held a number of significant appointments to government, hospital and research boards and committees, and is a former director of Foster's Group Limited (from October 1999 until May 2011), and Executive Director of Aspect Computing Pty Ltd and Kaz Group Limited.

Mrs Cattermole is an independent Director.

5/ WARWICK EVERY-BURNS AMP, HARVARD UNIVERSITY (ADVANCED MANAGEMENT PROGRAM 1996)
Non-executive Director since May 2011.

Chair of the Human Resources Committee and member of the Audit and Risk Committee.

Mr Every-Burns has wide fast-moving consumer goods industry experience. He was most recently a member of the Executive Committee and President of international business at The Clorox Company and is a former Managing Director of Glad Products, Australia & New Zealand. He is currently a member of the Advisory Council of the Frontier Strategy Group, which provides business strategy guidance and advice in relation to emerging markets.

Mr Every-Burns is an independent Director.

6/ PETER HEARL B COM (UNSW), MAIM, GAICD, MEMBER – AMA
Non-executive Director since February 2012.

Member of the Human Resources Committee.

Other current directorships: Goodman Fielder Limited (since 26 February 2010).

Mr Hearl has a wealth of experience in international business and the food industry in particular. He is the former global Chief Operating & Development Officer for YUM Brands, the world's largest restaurant company, and throughout his career with YUM he oversaw much of the growth in the KFC, Taco Bell and Pizza Hut businesses around the world. He is a director of the Australia & New Zealand listed company Goodman Fielder Limited and a member of the UNSW's Australian School of Business Alumni Leaders Group. He is also honorary Chairman of the US based UNSW Study Abroad-Friends and US Alumni Inc.

Mr Hearl is an independent Director.

Note: Committee members will change as of 1 September 2012 due to the change in Chairman and new non-executive directors.

CORPORATE GOVERNANCE

This corporate governance statement outlines the corporate governance framework that has been established by Treasury Wine Estates Limited (the Company) and its group of companies ('the consolidated entity' or 'the Group') and its compliance with that framework for the reporting period ending on 30 June 2012, and as at the date of this Annual Report.

The Board supports the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles) and is committed to delivering best practice in corporate governance and transparency in reporting. The Board believes that the Company's policies and practices comply in all substantial respects with the ASX Principles unless otherwise set out in this statement.

The Charters, codes and policies in respect of TWE corporate governance practices referred to in this statement will be reviewed and updated periodically to ensure that they remain in accordance with best practice. They are available in the corporate governance section of the TWE website – www.tweglobal.com.

SECTION 1 – STRUCTURE OF THE BOARD

1.1 Composition

The Board is committed to ensuring it is comprised of individuals with appropriate skills, experience and diversity to develop and support the Company's strategic aims.

The Board currently has six members with five non-executive directors (including the Chairman) and one Executive Director.

The members of the Board as at the date of this statement are:

Max Ould – Chairman

David Dearie – Chief Executive Officer

Lyndsey Cattermole, AM

Warwick Every-Burns

Paul Rayner

Peter Hearl

Details of the respective directors' qualifications, tenure, directorships of other listed companies, experience and other responsibilities are provided on page 33 of this Annual Report and also on the Company's website.

1.2 Director independence

As required under the Board Charter and ASX Principles, the Board comprises a majority of independent non-executive directors.

Directors are expected to bring independent views and judgment to the Board's deliberations. The Board assesses the independence of all new directors upon appointment and reviews the matter annually (and more regularly where appropriate).

The Board has reviewed the position and associations of all directors in office at the date of this Report and considers that save for Mr Dearie (who is an Executive Director), all other directors are independent.

The Company has adopted guidelines based on the factors set out in the ASX Principles in assessing the independent status of a director. In summary, the test of whether a relationship could, or could be perceived to, materially interfere with the independent exercise of a director's judgment is based on the nature of the relationship and the circumstances of that director. Materiality is considered on a case-by-case basis, against thresholds determined by the Board from the perspective of the Company, the director, and the person or entity with which the director has a relationship.

1.3 Appointment terms

The directors may at any time appoint any person as a director either to fill a casual vacancy or as an additional director.

Any director appointed (other than the Chief Executive Officer) holds office until the conclusion of the next annual general meeting of the Company and is eligible for election at that meeting. Thereafter, non-executive directors are required to submit for re-election at least at every third annual general meeting.

A summary of the Company's guidelines relating to the selection and appointment of new directors is posted on the Company's website.

1.4 Chairman

The Board Charter requires that the Chairman of the Board is an independent non-executive director.

SECTION 2 – CONDUCT OF THE BOARD

2.1 Division of responsibility between Board and management

The TWE Board is responsible for the overall corporate governance of the Company. The Board Charter sets out the following objectives of the Board:

— to provide strategic guidance for the Company and effective oversight of management;

— to optimise Company performance and shareholder value within a framework of appropriate risk assessment and management; and

— to recognise the Company's legal and other obligations to all legitimate stakeholders.

The following table summarises the main responsibilities and functions that enable the achievement of these objectives:

	OBJECTIVES		
RESPONSIBILITIES AND DUTIES	**STRATEGIC GUIDANCE AND MANAGEMENT OVERSIGHT**	**RISK ASSESSMENT AND MANAGEMENT**	**OBLIGATIONS TO STAKEHOLDERS**
Approving	— The overall corporate strategy and performance objectives. — The Company's annual financial budget. — Major capital expenditure, and capital management. — Appointment and removal of the Chief Executive Officer and approval of the terms of engagement and termination benefits. — Remuneration of the Chief Executive Officer, non-executive directors (within the parameters approved by shareholders) and the policy for remunerating senior executives.	— The Company's risk management framework and internal compliance and controls systems.	— The Company's strategies, procedures and standards relating to communication with shareholders. — All shareholder communications.
Reviewing and monitoring	— The Company's performance against the corporate strategy, objectives and plan. — The progress of major capital expenditure, capital management, and acquisitions and divestitures. — The management reporting processes supporting external reporting.	— Risk management, internal compliance accountability and controls systems. — The Company's financial position and its ability to meet its debts and other obligations as they fall due.	— Compliance with the adopted strategies, procedures and standards. — Internal and external financial and other reporting after receiving appropriate certifications from management. — That reporting to all stakeholders is relevant, timely and accurate.
Evaluating	— The performance of the Chief Executive Officer and other members of the senior management team. — The effectiveness of the performance of the Board and its Committees.	— Whether the Company's accounts comply with relevant accounting standards and present a true and fair view. — Whether processes are in place to effectively monitor all relevant legal, tax and regulatory obligations.	— Whether the Company's external reporting is legally compliant, consistent with the Board's information and knowledge, and suitable for shareholder needs.

The Board has implemented a practice whereby the non-executive directors meet periodically without the presence of management.

2.2 Board Committees

The Board Charter permits the Board to establish committees to streamline the discharge of its responsibilities. As at the date of this statement, three standing committees have been established as follows:

— Audit and Risk Committee;

— Nominations Committee; and

— Human Resources Committee.

The Charter of each Board Committee sets out the composition, duties and responsibilities of that particular Committee.

Further details regarding the three standing committees are set out in the following table:

	AUDIT AND RISK	NOMINATIONS	HUMAN RESOURCES
Members	Paul Rayner (Chair) Lyndsey Cattermole Warwick Every-Burns	Max Ould (Chair) Lyndsey Cattermole Paul Rayner	Warwick Every-Burns (Chair) Max Ould Lyndsey Cattermole Peter Hearl
Composition	— At least three but no more than five members. — All members must be independent non-executive directors. — At least one member must have financial expertise or experience. — At least one member should have relevant risk management expertise or experience (Mr Rayner satisfies this requirement).	— The Committee must have at least three members. — The Chairman of the Board is to be the Chairman of the Committee.	— The Committee must have at least three members. — All members must be independent non-executive directors.
Responsibilities	Oversee and/or review: — The Company's systems and processes to ensure they are properly controlled and functioning effectively. — The ongoing maintenance of a sound system of risk oversight and management and internal control. — The processes used by management to ensure compliance with all requirements relating to external reporting. — The Company's legal and other obligations to all legitimate stakeholders. — The scope, coordination and conduct of the internal and external audit programs. — The performance and independence of the internal and external auditors.	Assess: — The necessary and desirable competencies of Board members. — The range of skills, experience and expertise on the Board and identify any additional skills or expertise that may be desirable. — The steps required to ensure a diverse range of candidates are considered in selecting new directors.	Oversee and/or review: — The overall human resources strategies and policies consistent with the needs of the Company to achieve its short- and long-term business objectives. — The establishment of training and development programs and succession plans for senior management. — The senior executive performance review process and results. — The development of a Company-wide diversity policy (and reporting on progress in achieving the objectives of the policy).

	AUDIT AND RISK	NOMINATIONS	HUMAN RESOURCES
Responsibilities / continued	Advising the Board on: — The integrity of the Company's financial reporting, financing, capital management and treasury risk management. — The appointment or removal of internal and external auditors. — Standards of ethical behaviour and decision-making required of directors and key executives.	Review: — The performance of the Board, Board Committees and individual directors. Advising the Board on: — The composition, size and commitment of the Board to ensure that it can adequately discharge its duties. — Succession plans and plans for enhancing competencies of Board members, including the Chief Executive Officer. — Potential candidates suitably qualified to be invited to join the Board. — Whether the board should support the re-election of a director who is retiring by rotation.	Advising the Board on: — Recruitment and retention policies and procedures for the Chief Executive Officer and senior executives. — The remuneration policy applicable to the Chief Executive Officer and senior management. — Remuneration of non-executive directors in respect of Board and Committee participation. — Senior executive remuneration (including equity-based and other incentive plans).
Consultation and advice	The Committee has unlimited access to internal and external auditors, senior management and other employees, and has the opportunity at each meeting to engage with the internal and external auditors without the presence of management.	Subject to the consent of the Committee Chairman, the Committee or any individual member may engage an independent external adviser in relation to any Committee matter, at the expense of the Company. The Chairman may determine that such independent advice is to be circulated to all directors.	Subject to the consent of the Committee Chairman, the Committee or any individual member may engage an independent external adviser in relation to any Committee matter, at the expense of the Company. The Chairman may determine that such independent advice is to be circulated to all directors.

Details of meeting attendance for members of each Committee are set out in the Directors' Report on page 43 of this Annual Report.

All directors receive copies of all Board Committee papers and all non-executive directors may attend meetings of all Board Committees whether or not they are members.

The Chief Executive Officer, senior executives and other employees, and external parties may be invited to provide information or reports, or attend the Committee meetings as required.

2.3 Performance assessment

In accordance with the Board Charter, a formal review of the effectiveness of the Board, its Committees and individual directors is conducted annually. The views of individual directors as well as those of executives who report directly to the Chief Executive Officer in a senior management capacity referred to as the Wine Leadership Team are canvassed.

Following each review:

— the performance of individual directors is discussed by the Chairman with each director (and in the case of the Chairman, by a director chosen by the Board for the purpose); and

— the performance of the Board and Board Committees is discussed by the Board at its next meeting after conclusion of the review.

The Board will, from time to time, engage external consultants to conduct a comprehensive review of the effectiveness of the Board, its Committees and individual directors. This review will be conducted against the terms of the Board Charter or relevant Committee Charter (as the case may be), and will include surveys of each director, the Wine Leadership Team and relevant external persons.

The performance of the Chief Executive Officer is measured against agreed annual key performance objectives.

A formal process for the evaluation of the performance of senior executives will be conducted by the Chief Executive Officer on an annual basis and reviewed by the Human Resources Committee.

SECTION 3 – GOVERNANCE POLICIES APPLICABLE TO THE BOARD

3.1 Directors' conflicts of interest

The Company has procedures in place for the reporting of any matter that may give rise to a conflict between the interests of a director and those of the Company.

Should the possibility of a conflict arise, relevant information will not be provided to the director and the director will not participate in discussions or vote on the matter unless permitted under specific circumstances in accordance with the Corporations Act.

3.2 Board access and independent advice

The directors have unlimited access to employees and advisers, and subject to the law, access to all Company documents.

The Board, an individual director or a Committee, may engage an independent external adviser in relation to any Board matter, at the expense of the Company.

Before the external advice is sought, consent needs to be obtained. In the case of:

— the Board – from the Chairman;

— an individual director – from the Chairman or the relevant Committee Chairman, as the case may be;

— a Committee – from the Committee Chairman;

— the Chairman – from the Chairman of the Audit and Risk Committee, or otherwise from the next most senior director chosen by the Board for that purpose.

The Chairman or a Committee Chairman, as applicable, may determine that any external advice received by an individual director be circulated to the remainder of the Board.

3.3 Director induction and ongoing education

New directors are provided with a comprehensive induction program. They receive a formal letter of appointment that sets out the key terms and conditions of appointment, including duties, rights and responsibilities, and the Board's expectations regarding involvement with Board Committee work. The induction program includes meetings with members of the Wine Leadership Team and other senior executives of the Company, and being formally briefed on the financial, strategic and operational position of the Company (including visits to key sites).

The Board is committed to ensuring its performance is enhanced by providing non-executive directors with regular briefings on the Company's operations, as well as periodic site visits and presentations by external parties in a range of fields.

SECTION 4 – GOVERNANCE POLICIES OF GENERAL APPLICATION THROUGHOUT THE COMPANY

4.1 Code of Conduct

TWE recognises that its reputation is one of its most valuable assets, founded largely on the ethical behaviour of the people who represent the Company.

The Board has approved a Code of Conduct that sets out the principles of ethical behaviour expected to be adhered to by all TWE personnel. This ethical framework provides the foundation for the maintenance and enhancement of TWE's reputation.

TWE's Code of Conduct commits its directors, employees, contractors and consultants to not only comply with the law, but to conduct business in accordance with the highest ethical standards so that, as a global supplier of premium alcoholic beverages, TWE:

— demonstrates corporate responsibility by encouraging the responsible consumption of the Company's products;

— conducts business with integrity, honesty and fairness;

— values and respects diversity in a workplace in which no-one is discriminated against on the basis of gender, age, race, religion, sexual orientation or marital status; and

— observes both the spirit and letter of the Company's legal obligations.

Any breach of the Code of Conduct will be treated as a serious matter and may give rise to disciplinary action, including dismissal.

4.2 Whistleblower Policy

TWE has adopted a Whistleblower Policy to promote and support its culture of honest and ethical behaviour. The policy encourages employees to raise any concerns and report instances of unethical, illegal or fraudulent behaviour or any other matter that may contravene the Company's Code of Conduct or policies, or the law.

The Company is committed to absolute confidentiality and fairness in relation to all matters raised and will support and protect those who report violations in good faith.

The policy provides that any issues may be reported to the employee's immediate supervisor, a Human Resources Manager or an external Whistleblower Service Provider in instances where an employee wishes to remain anonymous. The Whistleblower Policy provides that all reports will be thoroughly investigated, and where applicable, feedback on the outcome of the investigation will be provided to the person making the report. Any person who makes a report will not be discriminated against or disadvantaged in their employment with the Company by virtue of making a report.

The policy stipulates that the Board will be provided periodically with a report of the number and nature of reports made under the policy.

4.3 Conflicts of Interest Policy

TWE has adopted a policy in relation to the disclosure and management of potential conflicts of interest. Employees must not engage in activities, hold interests or allow themselves to be in situations that involve, could potentially involve or could be perceived as involving, a conflict between their personal interests and the interests of TWE, without prior disclosure and, where appropriate, approval.

Employees are required to declare relevant potential conflicts prior to starting the activity or, in the case of prospective employees, during the application and recruitment process. Should a potential conflict arise, employees must immediately disclose this to their manager and to the Company Secretary. A register of disclosed interests is maintained by the Company Secretary and reviewed periodically by the Audit and Risk Committee.

4.4 Share Trading Policy

In accordance with the prohibition in the *Corporations Act 2001* in relation to insider trading, the Company's Share Trading Policy states that all directors and employees are prohibited from trading in the Company's shares if they are in possession of 'inside information'.

Under the policy, unless they have the prior approval of the Company Secretary, employees (other than directors and members of the Wine Leadership Team) may only trade during certain 'trading windows':

— Directors and members of the Wine Leadership Team are prohibited from dealing in the Company's shares during 'black out' periods (which are the periods from the close of books to shortly after the announcement of the full-year or half-year results).

— Outside the 'black out' periods, a director or member of the Wine Leadership Team who intends to buy or sell shares must seek prior approval for the proposed dealing:

  — from the Chairman, in the case of directors and the Wine Leadership Team; or

  — in the case of the Chairman, a director chosen by the Board for that purpose.

All employees (including directors) are prohibited from dealings for short-term gain and the use of forward contracts unless prior approval is obtained from the Chairman.

Employees (including members of the Wine Leadership Team) are prohibited from entering into any arrangement (including options or derivative products) that may alter the economic benefit they may derive with respect to their participation in any unvested equity-based incentive award or grant, and no director or member of the Wine Leadership Team may enter into a margin loan or similar funding arrangement to acquire any shares in the Company.

4.5 Diversity

TWE is committed to creating a high-performance culture by attracting and retaining the best possible talent and creating an inclusive environment where people from diverse backgrounds and with a variety of experiences can perform at their best.

The Company believes that leveraging the unique attributes and perspectives of its employees, including those informed by gender, cultural, and physical status, will give us deeper insights into consumer needs and enhance relationships with all our stakeholders.

To that end, the Company has adopted the ASX Principles and are pleased to report on our performance in respect to diversity.

TWE's Diversity and Inclusion policy can be found on our website.

Measurable objectives

While TWE is committed to improving diversity representation in various categories and across all levels of the business, gender diversity will be a key focus for 2012–2013.

TWE has set benchmarks for, and will report progress against, the following gender objectives:

— increase the proportion of female employees in the Company;

— increase female representation in senior management roles; and

— increase the percentage of female candidates in the recruitment process, as well as the retention of female employees across the Company.

Key initiatives and programs

Our focus for 2012–2013 will be to use these benchmarks to create initiatives and programs geared towards driving marked improvement in these statistics.

During 2012, TWE launched a Diversity Council, as a global forum to identify opportunities to enhance the diversity of the Company's workforce, coordinate diversity initiatives and to measure progress over time. The Company also added a measurable objective to the recruiting process, with the aim of increasing the absolute number of female candidates being interviewed for roles.

TWE is also committed to making the Company a place where individuals of all ethnic backgrounds can contribute to and be recognised as valuable members of the Company.

Although TWE does not require its employees to declare their ethnicity, the business will begin to measure ethnicity through a post-hire, voluntary self-disclosure process. The aim is to drive better understanding of our current population profile, which will inform our overall approach to attraction, development, and retention.

Progress

In our first full year, ending 30 June 2012, TWE can report the following:

— Proportion of the female population in TWE increased from 37.0% to 38.2%.

— Female representation at the Board level decreased to 20% (from 25%).

— 40% of the open Wine Leadership Team (WLT) roles in 2012 were filled by females.

Although female representation at Board level has decreased due to dilution rather than resignation, the Board is committed to continue to progress Board diversity in the future.

4.6 Risk management

The Board has approved a Risk and Assurance Framework and supporting processes to oversee and manage risk.

The Risk and Assurance Framework, which is posted on the Company's website, describes the risk and assurance systems to manage risk and the supporting management disciplines in place to bring these systems to life. It explains the philosophy and structure required to recognise business improvement opportunities through the management of risk. The framework is action-oriented and requires TWE's people to focus on the right things, prepare effective action plans and to be held accountable for their actions.

The framework acknowledges that all employees have a role in managing risk and in particular they are encouraged to report incidents, hazards and risks without fear. The management of risk is not treated as a separate discrete function, but is integral to the way employees work.

4.7 Integrity in Financial Reporting

Role of the Audit and Risk Committee

The Audit and Risk Committee monitors the internal control policies and procedures designed to safeguard company assets and to maintain the integrity of the Company's financial reporting.

The Chief Executive Officer, Chief Financial Officer, Risk and Assurance Director, External and Internal Auditors are invited to attend meetings, as required. Other executives and advisers are also invited to attend meetings as appropriate.

Each year the Chief Executive Officer and Chief Financial Officer must provide a written declaration to the Board confirming that the Company's financial records have been properly maintained, and that the Company's financial statements and notes give a true and fair view and comply with the accounting standards. This declaration is also required to confirm that it is founded on a sound system of risk management and internal control, which is operating effectively in all material respects in relation to financial reporting risks.

This declaration also confirms that the risk management and internal controls, which implements the policies adopted by the Board, has been operating efficiently and effectively, in all material respects, during the year.

Appointment and rotation of the external auditor

The Audit and Risk Committee is responsible for reviewing the effectiveness and performance of the external auditor, which is PricewaterhouseCoopers.

It has been agreed with PricewaterhouseCoopers that the lead audit partner will be changed from time to time. The lead audit partner will attend the Company's Annual General Meeting and will be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Internal audit

The Company's internal audit function monitors the internal control framework Company-wide, and is independent of the external audit function.

The Audit and Risk Committee reviews the effectiveness and performance of the internal auditor, approves the annual internal audit plan, reviews reports and agreed actions, and ensures that planned audit activities are aligned to business risks.

4.8 Disclosure to stakeholders

TWE is committed to providing timely, open and accurate information to all its stakeholders including shareholders, regulators and the investment community.

To this end, the Board has approved a Disclosure Policy that sets out both the procedures in place to ensure compliance with its regulatory obligations, including obligations under the ASX continuous disclosure regime, and the expectations on all employees of the Company, including directors and senior executives. TWE also proposes to hold periodic briefing sessions for directors and members of the Wine Leadership Team with a particular focus on how the continuous disclosure obligations apply to TWE, including consideration of materiality guidelines relevant to the Company.

The Company Secretary is responsible, in consultation with other senior executives, for overseeing and coordinating the disclosure of information by the Company to the ASX and for administering the policy.

The Company's website will contain ASX announcements, annual reports and financial report announcements, as well as relevant presentations and supporting material provided to the media and investment community.

TWE's Communication Policy encourages and promotes effective communication with shareholders and effective participation at general meetings. The Company will periodically review how best to take advantage of technology to enhance shareholder communications.

4.9 External directorships

Key executives including the Chief Executive Officer are only permitted to hold a non-executive directorship of an external public company with the prior approval of the Board. Such a public company may not be a competitor, supplier or customer of TWE, nor can the directorship create an actual or potential conflict of interest with TWE's business interests.

4.10 Corporate Social Responsibility

TWE has adopted an integrated approach to corporate social responsibility (CSR) to maximise positive and minimise negative social, environmental and economic impacts. Under the leadership of the Global CSR Council, chaired by the CEO, a set of CSR Guiding Principles (The Principles) was ratified in August 2011 to describe how the Company will operate across its various markets. The Principles and supporting initiatives ensure the Company maintains its social licence to operate through risk management, proactive engagement of key stakeholders with interest in the Company's social and environmental performance and enhancement of employee engagement and retention. Progress against these initiatives has been detailed further from page 29.

DIRECTORS' REPORT

The directors of Treasury Wine Estates Limited (the Company) present their report together with the financial report for the Company and its controlled entities (the Group) for the financial year ended 30 June 2012 and the auditor's report thereon.

The information referred to below forms part of, and is to be read in conjunction with, this directors' report:

— Review of Operations on pages 16 to 27;

— Details of Company directors on page 33; and

— Remuneration Report on pages 47 to 64.

CHANGES IN THE STATE OF AFFAIRS

Some of the significant changes in the state of affairs of the Group that occurred during the financial year include:

— In February 2012, the Company established a sale facility for unmarketable parcels of shares (being shares valued at less than A$500 as at the close of trade on 29 February 2012). As at 29 February 2012, the Company had 15,026 shareholders holding less than a marketable parcel of shares, totalling 1,053,599 shares. Following the prescribed notice periods and provision of notices to those relevant shareholders, the Company completed the sale process in May 2012 with 12,403 shareholders participating in the sale, with 850,132 shares being sold on market, on behalf of the shareholders of unmarketable parcels of shares.

— In March 2012, the Company dissolved its 'Make Wines' Joint Venture arrangements with Vok Beverages Pty Ltd. The Company has subsequently acquired a number of the brands and also entered into a commercial wine supply agreement with Vok Beverages Pty Ltd on an 'arms length' basis to supply it with wine products.

— On 4 April 2012, the Company assumed responsibility for completing the development and implementation of its core IT operating system from Foster's Group, and in exchange the Company received a cash payment of $31.5 million (before tax) from Foster's Group. Foster's Group will continue to provide ongoing IT services to the Company, including separation of all software and hardware, and day-to-day IT support services, until at least 31 December 2012.

PRINCIPAL ACTIVITIES

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

STATUTORY AND PRO FORMA INFORMATION

The Group's consolidated financial statements have been presented for the financial year ended 30 June 2012 and appear on pages 65 to 120.

To enable shareholders and other stakeholders to make a meaningful, like-for-like comparison of the Group's 2012 results against an appropriate 2011 comparator, pro forma financial information for the year ended 30 June 2011 is provided in the Review of Operations section of this report (refer to pages 16 to 27).

REVIEW OF OPERATIONS

A Review of Operations for the 2012 financial year is provided on pages 16 to 27.

DIRECTORS

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

	DATE OF APPOINTMENT
Maxwell Ould (Chairman)	10 February 2011
David Dearie (Managing Director)	5 November 2010
Lyndsey Cattermole	10 February 2011
Warwick Every-Burns	9 May 2011
Paul Rayner	9 May 2011
Peter Hearl	17 February 2012

Particulars of the current directors' qualifications, experience and Board Committee responsibilities are detailed on page 33.

COMPANY SECRETARY

Paul Conroy, LLB (Hons), B.Com

General Counsel and Company Secretary since May 2011.

Mr Conroy has practised as a solicitor for legal firms in Australia, Asia and the United Kingdom. He has previously held senior management positions for Southcorp Limited in Australia and the United States, and was Chief Legal Officer and Company Secretary of Foster's Group Limited prior to joining the Company.

DIRECTORS' MEETINGS

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

Meetings held during 2012 financial year

	BOARD MEETINGS[1]		AUDIT AND RISK COMMITTEE[1]		HUMAN RESOURCES COMMITTEE[1]		NOMINATIONS COMMITTEE[1]	
DIRECTOR	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Maxwell Ould	10	10	–	–	2	2	3	3
David Dearie	10	10	–	–	–	–	–	
Lyndsey Cattermole	10	10	5	5	2	2	3	3
Warwick Every-Burns	10	10	5	5	2	2	–	–
Paul Rayner	10	10	5	5	–	–	3	3
Peter Hearl	3	3	–	–	–	–	–	–

1. Shows the number of meetings held and attended by each director during the period that the director was a member of the Board or Committee.

Directors' interests in share capital

The relevant interest of each director in the share capital of the Company as at the date of this report is disclosed in note 26.

DIVIDENDS

Interim Dividend: The Company paid an interim dividend of 6 cents per ordinary share on 2 April 2012. The dividend was partially franked (50%).

Final Dividend: Since the end of the financial year, the directors have declared a final dividend of 7 cents per share franked to 50% payable on 2 October 2012 to shareholders registered on 3 September 2012.

In summary:

	DIVIDEND PER SHARE	$'000
Interim dividend paid on 2 April 2012	6 cents per share	$38,833
Final dividend payable on 2 October 2012	7 cents per share	$45,305
Total	13 cents per share	$84,139

The Company paid shareholders a final dividend in respect of the 2011 financial year of A$38,833,628.64.

FUTURE DEVELOPMENTS

Further information about likely developments in the operations of the Group and the expected results of those operations in the future has not been included in this Annual Report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

EVENTS SUBSEQUENT TO BALANCE DATE

Other than as disclosed in the financial statements, the directors are not aware of any other matter or circumstance which has arisen since the end of the financial year which has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

CORPORATE SOCIAL RESPONSIBILITY

Matters of environmental and social significance to the Group are addressed within the Corporate Social Responsibility (CSR) program. This program is governed by the Group's Global CSR Council, chaired by the CEO, and comprising representatives from each region and functional area of the business.

The CSR Strategy comprises programs and initiatives to manage relevant regulatory requirements, as well as operational, physical, supply chain and marketplace opportunities and risks facing the Group.

Further detail on the Group's CSR program, Guiding Principles, achievements and initiatives, and details of the Group's approach to Occupational Health and Safety (OH&S) are detailed on pages 28 to 31 in this Annual Report.

ENVIRONMENTAL REGULATION

Management of environmental issues is a core element of the CSR program. The Group's operations have a number of inputs including wine grapes, water, energy and other processing materials; and packaging materials including glass bottles and cardboard boxes. The Group's outputs – including releases of wastes to sewers, natural waterways and land, and emissions to air – are subject to a range of licences, permits and internal policies and procedures governing operation.

Additionally, the Group's operations are subject to a number of regulatory frameworks governing energy and water consumption, waste generation and greenhouse gas reporting. Of note is the Australian *National Greenhouse and Energy Reporting (NGER) Act (2007)*. The Company will produce its inaugural NGER report as a standalone business under this Act in October 2012, covering the FY12 reporting year.

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

During the year under review the Group was not convicted of any breach of environmental regulations.

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

NON-AUDIT SERVICES AND AUDITOR INDEPENDENCE

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

Details of the amounts paid or payable to PwC for audit and non-audit services provided during the financial year are set out below.

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

— All non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the actual or perceived impartiality and objectivity of the PwC and are consistent with the Committee's rules of engagement contained in its Charter; and

— None of the services provided by PwC undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year, the fees paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms totalled $80,000. Amounts paid or payable for audit and non-audit services are disclosed in note 29.

A copy of the Auditor's independence declaration is set out on page 46 and forms part of this report.

INDEMNITIES AND INSURANCE

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

Each director of Treasury Wine Estates Limited has entered into a Deed of Indemnity, Insurance and Access (Deed) with the Company. Several members of the senior executive team have also entered into a Deed. No director or officer of the Company has received a benefit under an indemnity from the Company during the period ended 30 June 2012 or to the date of this report.

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

ROUNDING

Treasury Wine Estates Limited is a company of the kind referred to in Australian Investment and Securities Commission Class Order 98/100 and, except where otherwise stated, amounts in the statutory financial statements forming part of this report have been rounded off to the nearest one hundred thousand dollars or to zero where the amount is $50,000 or less.

Dated at Melbourne 17 August 2012.

Maxwell Ould
Chairman

David Dearie
Chief Executive Officer

AUDITOR'S INDEPENDENCE DECLARATION

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Treasury Wine Estates Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in respect of Treasury Wine Estates Limited and the entities it controlled during the period.

Andrew Mill
Partner
PricewaterhouseCoopers

Melbourne
17 August 2012

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Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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REMUNERATION REPORT

INTRODUCTION

The directors of the Group present the Remuneration Report of the Company and its controlled entities (the Group) for the financial year ended 30 June 2012 (FY12), prepared in accordance with the requirements of the *Corporations Act 2001* (the Act). The Remuneration Report forms part of the Directors' Report.

Key management personnel and executives of the Group

Key management personnel (KMP) comprise those persons with authority and responsibility for planning, directing and controlling the activities of the Company and the Group. This includes the non-executive directors of the Group. In this report, 'executives' refers to executives identified as KMP (excluding the non-executive directors).

The executives identified as KMP are part of the Resource Allocation Group (RAG). The RAG is the senior management group of TWE, and consists of the leaders of the key global functions of TWE, being the Chief Executive Officer, the Chief Financial Officer, the Chief Legal Officer, the Chief Supply Officer and the Chief Human Resources Officer. The RAG is the primary strategic decision-making body of the TWE management team, setting the overall financial and strategic direction and goals of TWE, including approving budgets and strategic plans, major investment decisions, resource allocation decisions and human resource decisions (subject to Board approval where required). The RAG was established for FY12 and meets monthly and on an ad hoc basis as necessary.

A list of all non-executive directors and executives during FY12 is presented in Table 1.1 below.

Table 1.1: Non-executive directors and executives

NAME	TITLE
Non-executive directors	
MG Ould	Chairman
ML Cattermole	Non-executive director
WL Every-Burns	Non-executive director
PA Rayner	Non-executive director
P Hearl	Non-executive director *(appointed on 17 February 2012)*
Executives	
DCM Dearie	Chief Executive Officer
M Fleming	Chief Financial Officer
P Conroy	Chief Legal Officer and Company Secretary
S McNab	Chief Supply Officer *(appointed on 1 October 2011, previously Director of Wine Production, Australia & New Zealand (not a KMP role))*
B Williams	Chief Human Resources Officer *(Mr Williams exited the business on 1 July 2012)*

REMUNERATION SNAPSHOT

The Board considers that its remuneration framework, implemented in the financial year ended 30 June 2011 (FY11) following the demerger, reflects best practice. The Group's remuneration framework is considered:

— customised to future strategic objectives;

— aligned to best practice and the market;

— simple to administer and understand; and

— effective in linking organisational performance and executive reward whilst retaining key employees.

The key remuneration outcomes for executives in FY12 and any anticipated changes to the remuneration framework for FY13 are summarised in Table 1.2 as follows:

Table 1.2: Remuneration framework summary

REMUNERATION ELEMENT	DETAILS
Fixed remuneration	In FY12, no executive received a fixed remuneration increase (except for Stuart McNab who received a fixed remuneration increase upon appointment to the role of Chief Supply Officer). No fixed remuneration increases are planned for FY13.
Short-term incentive structure (STIP)	In FY12, 64.8% of the stretch STIP opportunity was awarded. This level of award was commensurate with the $32.9 million increase in EBITS from $177.3 million in FY11 in constant currency terms (FY11 EBITS as reported was $195.2 million) to $210.2 million in FY12.
Equity plans	The Group operates an 'umbrella' equity plan arrangement, in line with global market practice, to drive long-term business performance and shareholder value creation. Currently, the Group makes awards under the long-term incentive plan (LTIP), with awards of Performance Rights, and the Targeted Restricted Share Plan. No LTIPs offered since demerger have reached the end of their performance period. No Targeted Restricted Share awards were made to executives in FY12.
Changes to the structure for the financial year ending 30 June 2013 (FY13)	The Group is considering the introduction of a broad-based employee share plan in FY13. Full details of the plan will be provided in the FY13 Remuneration Report. The change of control provisions applying to FY13 and future equity offers have been amended. For equity offers to date, in respect of unvested performance rights or shares, the greater of the target number of awards (i.e. 50% of the award), or the number of awards based on performance to the date of change of control will vest, unless the Board determines otherwise. For FY13 and future equity offers, the Board has discretion to determine that all or a portion of the award will vest, and may have regard to performance and time elapsed to the date of change of control in exercising that discretion. A change to the STIP program for FY13 is that all direct reports to the CEO (in addition to the RAG) will have 100% of their STIP outcome tied to the achievement of the Global EBITS outcome.

SECTION 1 – REMUNERATION GOVERNANCE

Role of the Human Resources Committee and the Board

The Human Resources Committee assists the Board to ensure that the Group develops and implements remuneration policies and frameworks that:

— facilitate achievement of the Group's strategic objectives;

— are aligned with best practice; and

— fulfil the Board's responsibilities to shareholders.

The Human Resources Committee comprises independent non-executive directors to ensure the independence of the Human Resources Committee from management in respect of remuneration decisions. Peter Hearl joined the Human Resources Committee in FY12.

Engagement of remuneration advisers

In FY11, the Board (through the Human Resources Committee) appointed Ernst & Young as the lead remuneration adviser to utilise directly on an ongoing basis with respect to independent advice regarding executive remuneration. As required under recent amendments to the Act, the Board has adopted a protocol and updated policies to ensure that any consultant advice required to be provided directly to the Board is provided without undue influence by management.

In FY12, Ernst & Young was not asked to make any remuneration recommendation (as defined in the Act).

SECTION 2 – EXECUTIVE REMUNERATION FRAMEWORK

The Group's remuneration strategy and structure is reviewed by the Board and the Human Resources Committee for business appropriateness and market suitability on an ongoing basis.

Remuneration strategy and policy

The Group's remuneration strategy is designed to:

— attract and retain high-calibre employees by providing competitive remuneration packages in the markets in which the Group operates;

— motivate employees to deliver exceptional individual and business results by rewarding high performance appropriately; and

— align remuneration outcomes directly with the achievement of short-term and long-term business objectives, as well as shareholder value creation.

The Group's remuneration strategy and policy ensures that remuneration is competitive, performance focused, clearly links appropriate reward with desired business performance and is simple to administer and understand by executives and shareholders. In line with the remuneration policy, remuneration levels and arrangements are reviewed annually to ensure alignment to the market and the Group's stated objectives.

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

Remuneration structure

Key elements of executive remuneration are summarised in Table 2.1 below:

Table 2.1: Overview of executive remuneration

REMUNERATION ELEMENT	SUMMARY	DISCUSSION IN REMUNERATION REPORT
Remuneration mix and levels	Executive remuneration comprises fixed remuneration and variable or 'at-risk' remuneration in the form of STIPs and LTIPs. The remuneration mix is as follows (assuming all components achieve maximum performance, presented as a proportion of 100%): — Chief Executive Officer: — Fixed remuneration – 22.2% — STIP stretch opportunity – 33.3%[1] — LTIP maximum opportunity – 44.5% — Other executives: — Fixed remuneration – 25.0% — STIP stretch opportunity – 37.5% — LTIP maximum opportunity – 37.5% When taking into account variable ('at-risk') remuneration, the intention is to deliver around market median for target levels of performance. For superior performance, the Group aims to deliver rewards around the 75th percentile of the relevant comparator group. The Board also considers it important that key employees have ongoing share ownership in the Group and thus all executive variable risk components incorporate some level of share ownership.	Section 2(A)
Fixed remuneration	Fixed remuneration is set at a level that is aligned to market benchmarks and reflective of the executive's skills, experience, responsibilities, location and performance.	Section 2(B)

1. The STIP stretch opportunity includes STIP Deferred Shares.

Table 2.1: Overview of executive remuneration / continued

REMUNERATION ELEMENT	SUMMARY	DISCUSSION IN REMUNERATION REPORT
Short-term incentive plan	The purpose of the STIP is to link Group performance, executive performance and reward. The STIP structure has been designed to create interdependencies between regions and brands, and to focus on the Group's global performance. The STIP arrangements provide eligible executives with the opportunity to earn an award if certain financial hurdles and agreed personal objectives (KPOs) are achieved. One-third of the STIP award is deferred into ordinary shares in the Company (STIP Deferred Shares) which are subject to disposal restrictions for two years. Two-thirds of the STIP award is delivered in cash at the end of the one-year performance period.	Section 2(C)
Equity arrangements	The Group's Employee Share Plan is an umbrella plan, under which the following equity plans operate: — **LTIP** – allows the Board to make offers of Performance Rights, which vest subject to specified performance conditions, for the purpose of attracting and motivating key employees and driving long-term business performance and shareholder value creation. — **Targeted Restricted Share Plan** – allows the Board to make ad hoc offers of Targeted Restricted Shares for the purpose of attracting, retaining and motivating key employees within the Group. Performance Rights and Shares held by each director and executive of the Group are shown in note 26 of the financial statements.	–
Long-term incentive plan	Under the LTIP, participants are granted Performance Rights which give them the opportunity to acquire Shares subject to two performance measures with equal weighting: — Relative Total Shareholder Return (TSR) compared to a bespoke peer group; and — Earnings per Share (EPS) growth.	Section 2(D)
Retention arrangements	Targeted Restricted Share awards may be made on an ad hoc basis to promote attraction and/or retention of key employees.	Section 2(E)

A. Remuneration mix and levels

Remuneration packages are structured to ensure that a significant part of an executive's reward depends on achieving business objectives, including the creation of shareholder value. Accordingly, the proportion of remuneration that is 'at-risk' (being the short-term and long-term incentive elements) increases for more senior positions. The structure and relative proportion of each element is held as consistent as practicable on a global basis.

See Table 2.1 for the annual remuneration mix of executives currently serving in their role as at 30 June 2012. The actual remuneration mix for executives will vary depending on the level of performance achieved at an organisational, business unit and individual level – see Table 5.2 for actual remuneration proportions for FY12.

An objective of the Group's remuneration policy is that remuneration levels properly reflect the duties and responsibilities of executives. The Group's remuneration levels are benchmarked annually using information and advice from independent external consultants.

In general, the level of fixed remuneration will be reviewed by the Human Resources Committee annually and at any other times as determined by the Board. The Human Resources Committee will review the remuneration of the Chief Executive Officer annually and make appropriate recommendations to the Board.

The CEO, in conjunction with the Human Resources Committee, will review the remuneration of the CEO's direct reports and make appropriate recommendations to the Board. The CEO's direct reports will review other employees' remuneration arrangements annually.

B. Fixed remuneration

All executives receive a fixed remuneration component as per their employment contract. In general, fixed remuneration is set by reference to:

— the market median for comparable organisations (global organisations across all industries, FMCG/tobacco and beverage companies (where there is sufficient market depth) and specialised wine/spirits companies (where data is available) in countries where the Group operates);

— the scope of the role; and

— the level of knowledge, skills and experience required of the individual.

Executives' fixed remuneration is structured as:

— **Total Fixed Remuneration (for Australian-based executives)** – inclusive of elected packaged benefits (e.g. motor vehicle leasing arrangements, car parking, additional superannuation contributions). The sum of elected packaged benefits, cash salary and mandatory superannuation contributions comprise Total Fixed Remuneration. Executives may also receive non-monetary benefits in addition to their stated Total Fixed Remuneration (e.g. wine allocations, event tickets, Fringe Benefits Tax); or

— **Base salary plus benefits consistent with local market competitive practice (for executives based outside Australia)** – which may vary by country. Reference to 'fixed remuneration' in this report refers to the base salary component for these executives.

For fixed remuneration, the Group's policy aims to deliver around market median.

Executive roles were benchmarked by Hay Group in FY11 and were not subject to a fixed remuneration increase in FY12 (with the exception of Stuart McNab who received a fixed remuneration increase upon appointment to the role of Chief Supply Officer). No fixed remuneration increases are planned for FY13.

C. Short-term incentive plan

The STIP offered by the Group in FY12 was linked to the achievement of predetermined Group (both global and business unit-specific) and individual financial and non-financial performance measures. The STIP was designed to be simple to understand and affordable.

The Board considers the STIP structure to be effective in rewarding executives for delivering organisational performance as well as individual strategic business-related outcomes.

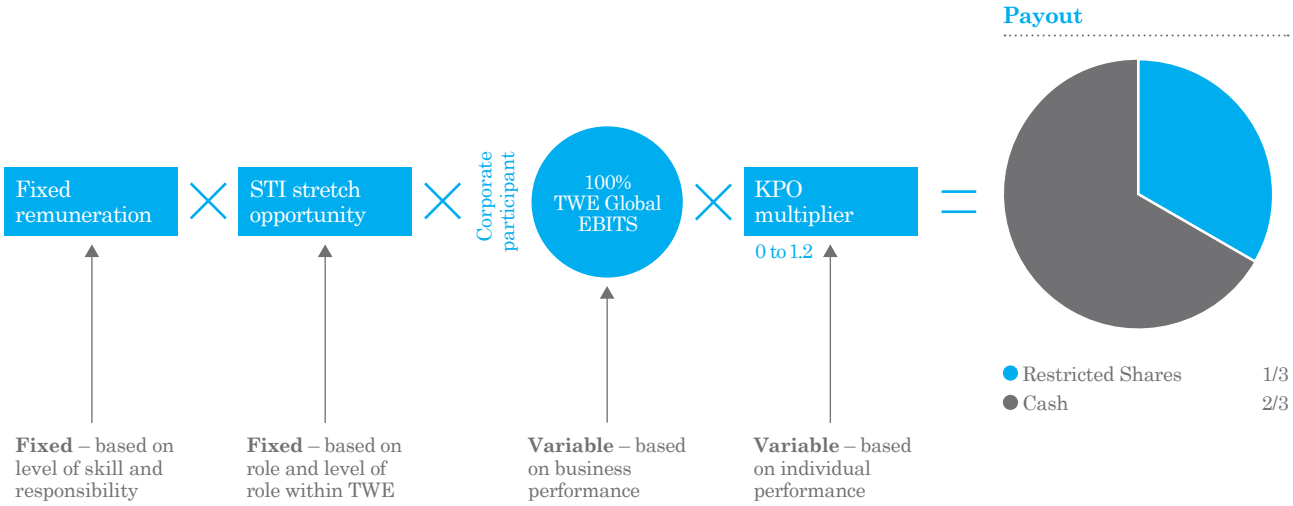
The key terms of the FY12 STIP are summarised in Table 2.2 below.

Table 2.2: Terms of the FY12 STIP

STIP ELEMENT	DETAIL
Performance measures	Vesting is subject to performance against a combination of financial and non-financial measures set at the beginning of the financial year. The financial measure is Earnings Before Interest, Tax and SGARA (EBITS), excluding material items. The Board chose this measure as it considers the profitability of the Group as a critical driver of shareholder return, and a single metric provides greater clarity between performance and payout. In addition, operating profit (excluding interest and tax) is considered within management's control and therefore is an appropriate measure to motivate the right management behaviours. Global EBITS is the sole financial measure for corporate participants whilst a combination of global EBITS and business unit EBITS is utilised to assess regional and brand participants' performance. Only Global EBITS outcomes are relevant for disclosed executives. The individual KPO component includes measures designed to ensure that individual behaviours are aligned with business objectives, including: — **strategic measures** – focused on the development and implementation of strategies to ensure the success of the Group in the long term; — **process measures** – focused on the development and implementation of processes for the Group to promote efficiency and performance into the future; and — **people measures** – focused on promoting engagement and creating a high-performance culture.
STIP opportunity	For stretch performance, executives can earn up to 150% of fixed remuneration. However, for exceptional EBITS performance beyond that contemplated in setting targets, participants can earn in excess of this. The Board believes that the opportunity to exceed stretch performance will motivate exceptional business performance, which, in turn, will result in shareholder benefits.
STIP Deferred Share Plan	To further align executive remuneration with shareholder interests, one-third (or such other portion as determined by the Board) of any executive's incentive that vests is delivered as Restricted Shares. The balance of any vested award is delivered as cash. The Restricted Shares are subject to a mandatory two-year disposal restriction period and continued employment with the Group. Participants are entitled to dividends and voting rights in respect of their Restricted Shares.
Cessation of employment	**Cash award** – Under the STIP guidelines for FY12, if an executive ceases employment with the Group before STIP payments are made (i.e. September 2012), they are generally not entitled to receive any STIP payment. **Restricted Shares** – If the executive is dismissed for cause, tenders his/her resignation, is terminated for performance reasons (as determined by the Board) or commits an act that the Board deems to result in forfeiture, then any Restricted Shares will generally be forfeited.
Change of control	In the event of a change of control, unless the Board determines otherwise, the transfer restrictions imposed on the Shares will be lifted, but only in so far as to permit the executive to participate in the change of control event. Any Shares that do not participate in the change of control event will continue to be subject to restrictions until the end of the applicable restriction period.

Diagram 2.1 below depicts the approved STIP methodology for executives:

TWE STIP methodology for executives



Only Global EBITS outcomes are relevant for disclosed executives. The business unit financial measures are dependent on a participant's position within the Group – in addition to the global EBITS measure, which is applicable for all corporate executives, the regional and brand business unit participants will be assessed on a combination of their respective business unit's EBITS result and also the Group's overall EBITS result. These two EBITS measures are weighted independently at 50%. For the first half of FY12, participants were assessed on their relevant Global or Regional outcomes. In light of the introduction of brand business units, in the second half of FY12, brand business unit participants were assessed on their brand business unit outcomes and Global outcomes.

i. FY12 STIP targets

The EBITS targets for FY12 were set against prior year results and the Group's FY12 budget. The Board sets the Group's STIP performance targets. The Chief Executive Officer's individual KPOs are set by the Board. All other executives' individual KPOs are set by the CEO (taking into consideration the Group's objectives, the CEO's own KPOs and market practice). The Board assesses the CEO's performance, the CEO (in conjunction with the Board) assesses the executives' performance and the executives, in turn, assess their respective business unit participants' performance.

To generate a payment under the FY12 STIP, prior year EBITS performance must be exceeded by 5% (threshold). Vesting commences at 25%.

If prior year EBITS performance is not exceeded, no payments are made (even if individual KPO performance objectives have been achieved) – i.e. the business multiplier in the STIP methodology above will be zero. EBITS performance is calculated at the end of the financial year.

An individual's KPOs are assessed under the Group's performance management framework. KPO performance translates into an individual performance multiplier. If KPO targets are not achieved, no payments are made (even if EBITS targets are achieved) – i.e. the KPO multiplier in the STIP methodology above will be zero. If an executive outperforms on their KPOs, the multiplier will be 1.2 times.

The Group ensures that there is an appropriate distribution of performance outcomes for KPOs through a calibration process. The calibration process seeks to ensure that each manager is applying a consistent interpretation of the ratings to individual performance.

See section 4(B) for FY12 STIP outcomes.

ii. STIP Deferred Shares

The grant, movements and value of STIP Deferred Shares awarded to executives in respect of FY11 performance are summarised in Table 2.3:

Table 2.3: Plan terms and conditions

Grant date	15 September 2011
Vesting date	14 September 2013
Grant price	VWAP $3.362

Table 2.4 details STIP Deferred Shares which were granted in respect of FY11 performance:

Table 2.4: FY11 STIP Deferred Share movements for executives

EXECUTIVE	NUMBER OF AWARDS GRANTED	VALUE AT GRANT DATE ($)	MAXIMUM TOTAL VALUE YET TO VEST ($)[1]
DCM Dearie	14,257	47,932	47,932
M Fleming[2]	–	–	–
P Conroy	18,501	62,200	62,200
S McNab	40,150	134,984	134,984
B Williams	10,647	35,795	35,795

1. The maximum value is calculated based on the fair value at grant date. The minimum total value of the grant is zero.
2. Mr Fleming was not eligible to participate in the FY11 STIP, as his employment did not commence until after the demerger.

Mr Williams retained the full amount of his 10,647 FY11 STIP Deferred Shares upon his departure, to be released post-employment on the same terms and conditions as the original awards.

iii. FY13 STIP targets

The Board has approved global EBITS growth rate targets applying to FY13, which are not disclosed at the present point in time due to the nature and sensitivity of the measures. Performance against these targets will be disclosed in the FY13 Remuneration Report.

D. Long-term incentive plan

The LTIP has been designed to provide reward for long-term executive performance and long-term value creation for shareholders.

LTIP awards are delivered in the form of Performance Rights. No dividends or voting rights are attached to Performance Rights. If the performance conditions are met at the end of the three-year performance period, the relevant portion of Performance Rights automatically vests and executives receive a Share for each vested Performance Right. No amount is payable on the vesting of the Performance Rights or on their conversion into Shares.

The key terms of the FY12 LTIP are summarised in Table 2.5 below.

Table 2.5: Terms of the FY12 LTIP

LTIP ELEMENT	DETAIL
Eligibility	Participation is offered on an annual basis to executives and nominated senior management as approved by the Board.
CEO offer	As a matter of good corporate governance, the Group seeks shareholder approval for CEO equity grants at its Annual General Meeting (AGM). The FY12 CEO LTIP offer received shareholder approval at the 2011 AGM, and the Group will seek shareholder approval at the 2012 AGM for the FY13 LTIP offer to the CEO.
Performance period	The three-year performance period for relative TSR and EPS CAGR is 1 July 2011 to 30 June 2014. The Board considers that three years is an appropriate performance period, as it is aligned to market practice and is sufficiently long-term to influence the desired performance outcomes.
Performance measures	Vesting of the FY12 LTIP is subject to two performance measures that are weighted equally and assessed at the end of the performance period. The Board has chosen performance measures that reflect the strategic focus of the Group, market practice and that are easily understood by both participants and shareholders: — Relative TSR is a measure that is well regarded by investors. TSR provides shareholder alignment by taking into consideration the increase in share price as well as dividends paid. The relative measure supports competitive returns as compared to other comparable organisations. — EPS compound annual growth rate (CAGR) is a relevant indicator of earnings growth and increases in shareholder value. EPS takes account of the Group's profit and number of shares on issue. The Board considers that EPS aligns to the profit focus of the Group and provides line of sight between participant performance and reward.

Table 2.6: Terms of the FY12 LTIP / continued

LTIP ELEMENT	DETAIL	
Performance measures / continued	The peer group for relative TSR comprises companies within the S&P/ASX 200 Index, *excluding* companies from the energy, metal and mining, real estate and finance Global Industry Classification Standards sectors (101 companies at the start of the performance period). This peer group was chosen as these organisations exhibit similar characteristics in terms of business cyclicality, market capitalisation, stock volatility and business operations and provide a sufficiently large population to minimise the risk of attrition. The Board retains the discretion to adjust the EPS performance condition to ensure that participants are not penalised nor provided with a windfall benefit arising from matters outside of management's control that affect EPS (for example, excluding one-off non-recurrent items or the impact of significant acquisitions or disposals). Measurement of performance: — **Relative TSR** – the Group will receive an independent report that sets out the Group's TSR growth and that of each organisation in the peer group. The level of TSR growth achieved by the Group will be given a percentile ranking having regard to its performance compared to the performance of other companies in the group (the highest ranking organisation being ranked at the 100th percentile). This ranking will determine the extent to which awards subject to this target will vest. — **EPS** – the Group's EPS growth rate will be calculated excluding SGARA and material items.	
Relative TSR vesting schedule	**Group's relative TSR ranking in the peer group**	**% of Performance Rights subject to relative TSR measure which vest**
	Below the 50th percentile	0%
	At or above the 50th percentile but below the 75th percentile	Straight line vesting between 50–100%
	At or above the 75th percentile	100%
EPS growth vesting schedule	**% EPS CAGR**	**% of Performance Rights subject to EPS measure which vest**
	Less than 10%	0%
	10% (threshold) up to 20%	Straight line vesting between 50–100%
	20% (stretch) or more	100%
LTIP opportunity	The maximum value of an individual's LTIP opportunity is determined at the time of offer, and is set as a percentage of a participant's annualised fixed remuneration. The percentage of fixed remuneration varies depending on the individual's role, and is 200% for the CEO and 150% for the other executives. For FY12, the number of Performance Rights in an individual's LTIP opportunity was based on the one-month average Share price preceding 1 July 2011. This approximates the time of demerger.	
Cessation of employment	If an executive ceases employment before the end of the performance period, unvested Performance Rights will generally lapse. In exceptional circumstances (such as death, disability or redundancy), the Board, in its discretion, may determine that a portion of the award vests having regard to performance and time lapsed to date of cessation (or that an equivalent cash payment be made).	
Change of control	If a change of control event occurs, unless the Board determines otherwise, the performance conditions will be measured at the time of the change of control event and vesting will be the greater of: — the target number of Performance Rights; or — the number of Performance Rights based upon the aforementioned performance testing.	

FY12 LTIP awards

The grant, movements and value of FY12 LTIP awards to executives are summarised in Table 2.6:

Table 2.6: Plan terms and conditions

Grant date	13 April 2012
	25 November 2011 (David Dearie)
Vesting/expiry date	30 June 2014

An explanation of the pricing model used to calculate the fair value of awards is set out in note 27 to the financial statements.

Offers made during the year have the valuations and inputs in Table 2.7 below:[1]

Table 2.7: FY12 LTI valuations and inputs

GRANT DATE	PERFORMANCE MEASURE	FAIR VALUE ($)	SHARE PRICE AT GRANT DATE ($)	EXPECTED VOLATILITY (%)	EXPECTED LIFE (YEARS)	EXPECTED DIVIDEND YIELD (%)	RISK-FREE INTEREST RATE (%)
13 April 2012	Relative TSR	3.21	4.35	30	3	3.1	3.26
	EPS	4.06					
25 November 2011 (David Dearie)	Relative TSR	2.61	3.76	33	3	3.5	3.03
	EPS	3.43					

1. Notwithstanding the different grant dates, all FY12 LTIP Performance Rights allocations were calculated based on a 30-day volume-weighted average price from 1 June to 30 June 2011.

Table 2.8 details executives' Performance Rights, which were granted in FY12:

Table 2.8: FY12 Performance Rights movements for executives

EXECUTIVE	NUMBER OF AWARDS GRANTED	VALUE AT GRANT DATE ($)[1]	MAXIMUM TOTAL VALUE YET TO VEST ($)[2]
DCM Dearie	787,172	2,377,259	2,377,259
M Fleming	314,869	1,144,548	1,144,548
P Conroy	225,131	818,352	818,352
S McNab	228,499	830,592	830,592
B Williams	204,665	743,956	0

1. The value at grant date is calculated based on the fair value shown in Table 2.7.
2. The maximum value is calculated based on the fair value at grant date. The minimum total value of the grant is zero.

During FY12, all 204,665 Performance Rights under the FY12 LTIP offer were forfeited by Mr Williams. The value of the forfeited Performance Rights was $743,956 (the valuation inputs at the forfeiture date being consistent with the grant date valuation).

E. Targeted Restricted Share Plan

From time to time, the Board may make offers to executives under the Targeted Restricted Share Plan, in order to attract and retain the critical skills and talent for the Group where existing arrangements may not be sufficiently flexible for this purpose. In general, Targeted Restricted Shares are restricted for a period of three years during employment. Generally, if the executive resigns or is dismissed for cause prior to the end of the restriction period, the Targeted Restricted Shares will be forfeited.

No Targeted Restricted Share awards were made to executives in FY12.

F. Legacy equity arrangements

i. FY11 LTIP Demerger Awards

In FY11, upon demerger, a number of the LTIP Offers that had been made to executives employed by Foster's Group (FGL LTIP) were forfeited. The Board approved the grant of one-off Demerger Awards in the form of LTIP Performance Rights.

Participants received up to two offers of Performance Rights (Offers 1 and 2), which aligned the following with the original FGL LTIP entitlements that were forfeited:

— performance period end dates (approximately one and two years from the grant date); and

— performance measures, i.e. equal weighting for Absolute Total Shareholder Return (TSR) and Return on Capital Employed (ROCE).

The targets were set as appropriate for the Group.

Table 2.9 below details FY11 LTIP Demerger Award terms and conditions.

Table 2.9: Plan terms and conditions

	OFFER 1	OFFER 2
Grant date	6 June 2011	6 June 2011
Vesting/ expiry date	One month after the release of the 2012 financial results	One month after the release of the 2013 financial results
Fair value at grant date	Absolute TSR – $1.09 ROCE – $3.33	Absolute TSR – $0.86 ROCE – $3.22
Share price at grant date	$3.46	$3.46

Offer 1 will be tested on 17 September 2012.

The vesting schedules for Offers 1 and 2 is shown in Table 2.10 below.

Table 2.10: Vesting schedules for Offers 1 and 2

Absolute TSR vesting schedule	**% TSR CAGR**	**% of Performance Rights subject to TSR measure which vest (% of maximum opportunity)**
	Less than 7%	0%
	7% up to 18%	Straight line vesting between 0–50%
	18% up to 30%	Straight line vesting between 50–100%
	30% or more	100%
ROCE vesting schedule – Offer 1	**% ROCE CAGR**	**% of Performance Rights subject to ROCE measure which vest (% of maximum opportunity)**
	Less than 8%	0%
	8% up to 10%	Straight line vesting between 25–50%
	10% up to 12%	Straight line vesting between 50–100%
	12% or more	100%
ROCE vesting schedule – Offer 2	**% ROCE CAGR**	**% of Performance Rights subject to ROCE measure which vest (% of maximum opportunity)**
	Less than 8%	0%
	8% up to 10%	Straight line vesting between 25–50%
	10% up to 14%	Straight line vesting between 50–100%
	14% or more	100%

During FY12, in respect of FY11 LTIP Offer 2, the Board exercised its discretion to allow a pro-rated amount of 54,505 Performance Rights to remain upon Mr Williams' departure, which is to be tested one month after the release of the 2013 financial results and vest to the extent that the performance conditions are satisfied. The remaining 56,953 Performance Rights under Offer 2 were forfeited by Mr Williams.

ii. FY11 Targeted Restricted Share Demerger Awards

In FY11, upon demerger, executives also forfeited a number of their Targeted Restricted Share offers (originally made for retention purposes). A one-off Targeted Restricted Share Demerger Award was made to executives.

Participants received up to two offers of Targeted Restricted Shares, with restriction end dates that aligned with Foster's Group Limited Targeted Restricted Share Offers that lapsed on demerger.

Table 2.11 below details FY11 Targeted Restricted Share Demerger Award terms and conditions.

Table 2.11: Plan terms and conditions

	OFFER 1	OFFER 2
Grant date	3 June 2011	3 June 2011
Vesting date	7 July 2013	15 November 2013
Grant price	VWAP $3.42	VWAP $3.42

iii. FY11 Targeted Restricted Share Awards

Upon commencement of his employment, Mark Fleming was granted a sign-on award of Targeted Restricted Shares in three equal tranches, on terms summarised in Table 2.12 below. These vested shares are held in Mr Fleming's name, but are subject to disposal restrictions.

Table 2.12: Plan terms and conditions

Grant date	3 June 2011
Number of awards granted	110,974
Restrictions lifted	Tranche 1: 5 May 2012 Tranche 2: 5 May 2013 Tranche 3: 5 May 2014
Grant price	VWAP $3.42
Value at grant date	$379,531

During FY12, 36,991 Targeted Restricted Shares were released (valued at $126,509 at the grant date).

SECTION 3 – EXECUTIVES' CONTRACT TERMS

A summary of the key terms of employment contracts for executives is presented in Table 3.1.

There is no fixed term for executive contracts. The Group may terminate executive contracts immediately for cause, in which case the executive is not entitled to any payment other than the value of fixed remuneration and accrued leave entitlements up to the termination date.

Participation in each of the STIP and LTIP plans is at the discretion of the Board, and executives are invited annually to participate where appropriate.

Table 3.1: Summary of the key terms of employment contracts for executives

		TERMINATION PROVISIONS	
EXECUTIVE	ROLE	NOTICE BY THE GROUP	NOTICE ON RESIGNATION
DCM Dearie	Chief Executive Officer	6 months (plus 6 months' severance pay)	6 months
M Fleming	Chief Financial Officer	6 months (plus 6 months' severance pay)	3 months
P Conroy	Chief Legal Officer and Company Secretary	12 months	3 months
S McNab	Chief Supply Officer	13 weeks (plus 22 weeks' severance pay)	3 months
B Williams	Chief Human Resources Officer	12 months	3 months

SECTION 4 – REMUNERATION OUTCOMES

A. Link between Group performance and executive remuneration

The Board considers the link between remuneration and organisational performance to be of considerable importance. The remuneration of executives is linked to the Group's performance through the use of targets based on the operating performance of the business for both STIPs and LTIPs.

As the Group has only been listed since May 2011, it is not possible to present five years of financial performance data.

B. STIP remuneration outcomes

For FY12, STIP remuneration outcomes were linked to EBITS outcomes and individual KPOs.

FY12 executive STIP outcomes

The Group EBITS result for FY12 was $210.2 million, an increase of $32.9 million in constant currency terms from the prior year result. This allowed the payment of 64.8% of individuals' stretch STIP opportunity attributable to the Group reported EBITS result.

STIP cash awards for FY12 will be paid in September 2012. The FY12 STIP Deferred Shares will be restricted until 14 September 2014.

Executive STIP outcomes for FY12 are set out in Table 4.1 below.

Table 4.1: FY12 actual STIP outcomes

EXECUTIVE	TOTAL STIP AWARDED[1] ($)	CASH STIP[2] ($)	STIP DEFERRED SHARES[3] ($)	TOTAL STIP PAID AS % OF STRETCH FY12 OPPORTUNITY (%)	TOTAL STIP FORFEITED AS % OF STRETCH FY12 OPPORTUNITY (%)
DCM Dearie	1,312,200	874,800	437,400	64.8	35.2
M Fleming	699,800	466,533	233,267	64.8	35.2
P Conroy	600,500	400,333	200,167	77.8	22.2
S McNab	676,400	450,933	225,467	86.3	13.7
B Williams	125,000	125,000	–	17.8	82.2

1. Includes cash STIP payment (including superannuation) and STIP Deferred Shares, where relevant.
2. Includes superannuation on cash STIP payment.
3. To be awarded in September 2012.

C. LTIP remuneration outcomes

As at 30 June 2012, no LTIPs offered since demerger have reached the end of their performance period.

For FY12, LTIP awards were linked to relative TSR and EPS growth. The performance targets are outlined in Section 2.

The proforma FY11 EPS (before material items and SGARA) was 18.2 cents per share. The FY12 EPS (before material items and SGARA) is 20.9 cents per share.

Diagram 4.1 below outlines the Group's share price growth compared to the 50th and 75th percentile companies within the FY12 LTIP relative TSR peer group over the period from 1 July 2011 to 30 June 2012.

The FY11 LTIP offer was based on achievement of absolute TSR growth and ROCE growth targets. The performance targets are outlined in Section 2. The FY11 LTIP Demerger Awards (Offer 1) are due to be tested against the relevant performance measures on 17 September 2012.

The impact of dividends paid in FY12 on shareholder wealth is shown in Table 4.2 below.

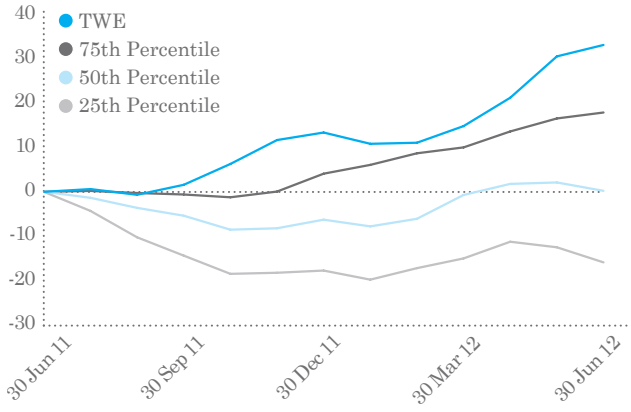
Table 4.2: FY12 dividends

EX DIV DATE	RECORD DATE	DATE PAID	DIVIDEND AMOUNT	% FRANKED
1/09/11	7/09/11	6/10/11	6c	50
23/02/12	29/02/12	2/04/12	6c	50

The Board is committed to providing shareholders with additional information regarding the link between Group performance and executive LTIP reward in future Remuneration Reports once the Group has established performance history and outcomes have been evaluated.

Diagram 4.1

TOTAL SHAREHOLDER RETURN 1 JULY 2011 – 30 JUNE 2012 (%)



Source: Orient Capital

SECTION 5 – REMUNERATION OF EXECUTIVES

Table 5.1 below details the nature and amount of each remuneration element for each of the executives.
All amounts are in Australian dollars and relate only to the portion of the year in which the person occupied the role.

Table 5.1: Remuneration of executives

				SHORT-TERM BENEFITS		
EXECUTIVE	YEAR[1]	FY11	CASH SALARY	LEAVE ACCRUAL[2]	NON-MONETARY BENEFITS[3]	TOTAL CASH INCENTIVE[4]
DCM Dearie	FY12	TWE	1,346,071	3,378	13,867	874,800
	FY11	TWE	198,855	4,845	562	251,685
		FGL	592,581	29,166	3,286	
		Total	**791,436**	**34,011**	**3,848**	**251,685**
M Fleming	FY12	TWE	692,303	(26,659)	39,368	464,382
	FY11	TWE	92,649	9,725	–	–
		FGL	–	–	–	–
		Total	**92,649**	**9,725**	**–**	**–**
P Conroy	FY12	TWE	500,323	13,343	8,583	394,407
	FY11	TWE	69,242	11,897	1,877	70,000
		FGL	371,808	71,611	11,015	119,199
		Total	**441,050**	**83,508**	**12,892**	**189,199**
S McNab[9]	FY12	TWE	359,818	23,986	28,249	444,574
B Williams[10]	FY12	TWE	399,684	(924)	63,804	114,679
	FY11	TWE	55,315	4,357	8,829	62,500
		FGL	268,192	26,227	43,367	64,253
		Total	**323,507**	**30,584**	**52,196**	**126,753**
PR Jackson[11]	FY11	TWE	56,194	890	3,977	100,297
		FGL	323,715	5,220	24,093	–
		Total	**379,909**	**6,110**	**28,070**	**100,297**
AN Davie[12]	FY11	TWE	61,435	39	–	241,018
		FGL	358,459	233	–	–
		Total	**419,894**	**272**	**–**	**241,018**
S Brauer[13]	FY11	TWE	82,619	978	5,224	36,290
		FGL	377,958	5,888	46,537	–
		Total	**460,577**	**6,866**	**51,761**	**36,290**
Total	FY12	**TWE**	**3,298,199**	**13,124**	**153,871**	**2,292,842**
	FY11	**TWE**	**616,309**	**32,731**	**20,469**	**761,790**
		FGL	**2,292,713**	**138,345**	**128,298**	**183,452**
		Total	**2,909,022**	**171,076**	**148,767**	**945,242**

1. FY11 remuneration for the period prior to the Demerger (disclosed as 'FGL') was subject to Foster's Group Limited remuneration policy and practices, and FY11 remuneration for the period subsequent to Demerger (disclosed as 'TWE'), from 9 May 2011 was subject to the TWE Remuneration Policy and practices.
2. Leave accrual includes any net changes in the balance of annual leave and long service leave (i.e. leave entitlements that accrued during the year but were not used).
3. Non-monetary benefits include motor vehicles, car parking, insurance, product allocations and Fringe Benefits Tax where applicable.
4. 'Total cash incentive' represents payments to be made under the FY12 STIP in cash in September 2012, and excludes the portion of the STIP award to be delivered in STIP Deferred Shares in the next financial year (one-third of the award). STIP Deferred Shares granted as at the start of the year, or which were offered during the year, are disclosed under 'Other equity'. Subsequent to the publication of the 2011 Remuneration Report, one-third of the total FY11 STIP (comprising FY11 STI paid and payment under 'hurdle relief', excluding any discretionary payment) was delivered in STIP Deferred Shares. As a result, the FY11 amounts have been adjusted to exclude the STIP Deferred Shares component.
5. Other payments include living away from home allowances.
6. Amortisation value is determined in accordance with AASB 2 'Share-based Payment' and includes a proportion of the fair value of all outstanding LTIP offers at the start of the year, or which were offered during the year. The fair value is determined as at the offer date and is apportioned on a straight line basis across the expected vesting period.
7. Other equity refers to shares granted under outstanding Restricted Share offers (STIP Deferred Shares and Targeted Restricted Shares) at the start of the year, or which were offered during the year. For FY12, this includes FY11 STIP Deferred Shares awarded in September 2011. This amount is determined in accordance with AASB 2 'Share-based Payment'. Refer to Table 4.1 for the value of FY12 STIP Deferred Shares to be awarded in September 2012.
8. This amount includes the amortisation value of LTIP and other equity as determined in accordance with AASB 2 'Share-based Payment', and does not reflect the take-home benefit to each executive in each year.
9. Mr McNab commenced his role as Chief Supply Officer on 1 October 2011. Disclosures have been prorated for the portion of the year that Mr McNab was in a KMP role.

	POST-EMPLOYMENT BENEFITS		SHARE-BASED PAYMENTS		
OTHER PAYMENTS[5]	SUPERANNUATION	TERMINATION BENEFITS	TOTAL AMORTISATION VALUE OF LTIP[6]	OTHER EQUITY[7]	TOTAL[8]
–	–	–	397,090	189,676	2,824,882
–	–	–	28,263	11,320	495,530
–	–	–	(32,423)	–	592,610
–	**–**	**–**	**(4,160)**	**11,320**	**1,088,140**
87,067	22,862	–	153,999	211,256	1,644,578
14,571	8,675	–	–	15,172	140,792
–	–	–	–	–	–
14,571	**8,675**		**–**	**15,172**	**140,792**
–	16,472	–	161,330	162,653	1,257,111
–	6,232	–	18,204	9,320	186,772
–	38,692	–	(27,133)	27,734	612,926
–	**44,924**	**–**	**(8,929)**	**37,054**	**799,698**
–	11,936	–	139,772	41,148	1,049,483
–	18,746	487,947	103,824	35,795	1,223,555
–	4,978	–	5,920	–	141,899
28,575	32,837	–	–	–	463,451
28,575	**37,815**	**–**	**5,920**	**–**	**605,350**
–	11,669	–	17,344	9,917	200,288
–	66,853	–	47,478	–	467,359
–	**78,522**	**–**	**64,822**	**9,917**	**667,647**
–	11,880	–	8,291	28,559	351,222
–	32,263	–	21,601	53,022	465,578
–	**44,143**	**–**	**29,892**	**81,581**	**816,800**
–	–	–	21,580	2,902	149,593
352,605	–	–	(26,357)	–	756,631
352,605	**–**	**–**	**(4,777)**	**2,902**	**906,224**
87,067	**70,016**	**487,947**	**956,015**	**640,528**	**7,999,609**
14,571	**43,434**	**–**	**99,602**	**77,190**	**1,666,096**
381,180	**170,645**	**–**	**(16,834)**	**80,756**	**3,358,555**
395,751	**214,079**	**–**	**82,768**	**157,946**	**5,024,651**

10. Mr Williams exited the business on 1 July 2012. He received a termination payment of A$487,947, including annual leave and payment in lieu of notice. Based on his participation for the 12-month performance period, Mr Williams will receive a cash STIP of A$125,000 (including superannuation). In respect of FY11 LTIP Offer 2, the Board exercised its discretion to allow a prorated amount of 54,505 Performance Rights to be tested one month after the release of the 2013 financial results and vest to the extent that the performance conditions are satisfied. Mr Williams forfeited 56,953 Performance Rights under Offer 2. The full amount of 204,665 Performance Rights under the FY12 LTIP offer were forfeited. In respect of his 10,647 FY11 STIP Deferred Shares, the Board exercised its discretion to allow Mr Williams to retain the full amount upon his departure, to be released post-employment on the same terms and conditions as the original awards.
11. Mr Jackson's role was not considered a KMP role in FY12, but was considered a KMP role in FY11. For FY11, Mr Jackson was remunerated in UK£. His fixed remuneration was converted into A$ utilising an average annual FX rate of 1.6197. Mr Jackson's non-monetary benefits included membership of the corporate health scheme and staff allowances. Mr Jackson exited the business on 30 June 2012 and received a termination payment of A$494,410, including annual leave, car allowance, wine allowance, pension scheme payment and payment in lieu of notice. His termination payment has been converted into A$ utilising an average annual FX rate of 1.5359.
12. Mr Davie's role was not considered a KMP role in FY12. For FY11, Mr Davie received his remuneration through an expatriate arrangement. One-third of his STIP was paid in the form of Deferred Shares (disclosed under 'Other equity'). The actual cash incentive paid to Mr Davie was lower due to hypothetical taxes withheld as a result of his tax residency status.
13. Mr Brauer's role was not considered a KMP role in FY12, but was considered a KMP role in FY11. For FY11, Mr Brauer was remunerated in US$. His fixed remuneration has been converted into A$ utilising an average annual FX rate of 1.0196. Mr Brauer's fixed remuneration included his base salary and public holiday pay. Mr Brauer's non-monetary benefits included health club reimbursements, life insurance, medical insurance and other legislated US Federal and State payments. Mr Brauer exited the business on 13 July 2012 and received a termination payment of A$473,781, including severance payment and payment in lieu of notice. His termination payment has been converted into A$ utilising an average annual FX rate of 0.9693.

Table 5.2 below details the relative proportions of remuneration that are linked to performance and those that are fixed (rounded to the nearest percentage), based on actual FY12 remuneration outcomes in Table 5.1. Refer to Table 2.1 for the remuneration mix based on maximum performance.

Table 5.2: Remuneration proportions

	TOTAL FIXED REMUNERATION[1]		AT RISK – STIP		AT RISK – LTIP[2]		AT RISK – OTHER EQUITY	
EXECUTIVE	FY12 (%)	FY11 (%)	FY12 (%)	FY11 (%)	FY12 (%)	FY11 (%)	FY12 (%)	FY11 (%)
DCM Dearie	48	76	31	23	14	0	7	1
M Fleming	50	89	28	0	9	0	13	11
P Conroy	43	72	31	24	13	(1)	13	5
S McNab	41	0	42	0	13	0	4	0
B Williams	65	78	16	21	14	1	5	0
PR Jackson	N/A	74	N/A	15	N/A	10	N/A	1
AN Davie	N/A	56	N/A	30	N/A	4	N/A	10
S Brauer	N/A	96	N/A	4	N/A	0	N/A	0

1. For the purpose of this table, total fixed remuneration includes cash salary, leave accrual, non-monetary benefits, other payments and superannuation, as disclosed in this Remuneration Report for FY11 and FY12.
2. As the LTIP awards are provided exclusively by way of Performance Rights, the percentages disclosed also reflect the value of remuneration consisting of options, based on the value of options expensed during the year. Negative amounts indicate expenses reversed during the year due to a failure to satisfy the vesting conditions. Non-executive directors did not receive any remuneration by way of Performance Rights and are therefore not included in the table.

SECTION 6 – NON-EXECUTIVE DIRECTOR REMUNERATION

A. Non-executive director fee pool

The Board determines the fees payable to non-executive directors within the maximum aggregate fee pool for FY12 of $1,750,000 per annum.

The aggregate fee pool is reviewed annually, or as appropriate, by the Human Resources Committee. The Human Resources Committee considers market benchmarking advice from independent external consultants in making recommendations to the Board. Any proposed changes to the non-executive director fee pool for FY13 will be considered at the Group's Annual General Meeting in October 2012.

B. Non-executive director fee policy

In setting the level of non-executive directors' fees, the following factors are taken into account:

— risks and responsibilities of the role;

— global reach and complexity of the business;

— director skills and experience; and

— market benchmark data provided by independent external consultants. Market benchmark data is sourced for comparable companies, including Top 100 ASX listed organisations with a market capitalisation similar to that of the Group and organisations in the food, beverage and tobacco as well as consumer staples sectors.

Non-executive directors are remunerated by way of base Board fees (for their service as a director of the Board) and additional Committee fees (for membership of, or for chairing, a Committee). The Chairman of the Board, taking into account the greater time commitment required, receives a higher base fee, but does not receive any additional payment for services on the respective Committees.

Non-executive directors elect how they wish to receive their total fees, i.e. as a combination of cash, superannuation contributions or charitable donations.

In addition, non-executive directors receive the following allowances:

— a wine allowance; and

— a travel allowance for travel taking between 4–12 hours, and overseas travel taking more than 12 hours, in addition to any business-related expenses that may be incurred in carrying out their duties.

In order to maintain independence, non-executive directors do not participate in the Group's incentive plans and they do not receive retirement benefits other than the superannuation contributions disclosed in this report. However, non-executive directors are encouraged to hold shares in the Group, and are required to build their shareholding to the equivalent of one year's base fees over a reasonable period of time.

C. Non-executive director fees

There was no increase in non-executive director fees in FY12 and there is no plan to increase fees for FY13.

Current annual base fees and Committee fees are detailed in Table 6.1 below:

Table 6.1: FY12 Non-executive director fees ($)

BOARD/COMMITTEE	CHAIRPERSON FEE	MEMBER FEE[1]
Board base fee	390,000	130,000
Audit & Risk Committee	40,000	20,000
Human Resources Committee	25,000	15,000
Nominations Committee	10,000	5,000

1. Committee fees are not paid to the Chairman of the Board.

D. Remuneration paid to non-executive directors

Details of non-executive director remuneration for FY12 and FY11 are set out in Table 6.2.

Table 6.2: Non-executive director remuneration ($)

NON-EXECUTIVE DIRECTOR	YEAR	FEES	NON-MONETARY BENEFITS[1]	SUPERANNUATION	TOTAL
Max Ould[2]	FY12	374,224	16,860	15,775	406,859
	FY11	52,985	–	3,800	56,785
ML Cattermole[2]	FY12	155,094	16,860	14,906	186,860
	FY11	22,709	–	2,044	24,753
WL Every-Burns[3]	FY12	127,650	16,860	42,350	186,860
	FY11	22,041	–	1,984	24,025
PA Rayner[3]	FY12	159,887	16,860	15,112	191,859
	FY11	23,383	–	2,098	25,481
P Hearl[4]	FY12	48,924	5,523	4,853	59,300
	FY11	–	–	–	–
Total	FY12	**865,779**	**72,963**	**92,996**	**1,031,738**
	FY11	121,118	–	9,926	131,044

1. Non-monetary benefits include wine allowance and travel allowance.
2. Mr Ould and Ms Cattermole were appointed on 10 February 2011, while Treasury Wine Estates was a subsidiary of Foster's Group Limited. They were not separately remunerated for acting as directors of the Group prior to demerger.
3. Mr Every-Burns and Mr Rayner were appointed on 9 May 2011.
4. Mr Hearl was appointed on 17 February 2012.

DEFINITIONS

TERM	DEFINITION
Earnings per Share (EPS)	NPAT excluding SGARA and material items divided by the weighted average number of shares.
EBITS	Earnings before interest, tax, SGARA and material items.
Executive	In this report, the executives who are the KMP of the Group (including the Chief Executive Officer).
Fixed remuneration	Australia – base salary, packaged benefits, non-monetary benefits and superannuation paid to an executive. Other countries – generally, base salary paid to an executive.
Key management personnel (KMP)	Those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise), as listed in the introduction to the Remuneration Report.
Long-term incentive (LTIP)	An 'at-risk' component of executive remuneration under which an equity reward may be provided to participants based on achievement of specific performance measures over a performance period of three years.
Relative TSR	Relative TSR measures the return on investment of a company relative to a peer group of companies.
Short-term incentive (STIP)	An 'at-risk' component of executive remuneration under which an award of cash and/or equity may be received based on achievement of individual and Group performance measures.
Total Shareholder Return (TSR)	TSR measures total return on investment of a security, taking into account both capital appreciation and distributed income that was reinvested.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

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

		CENTS PER SHARE	CENTS PER SHARE
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic	9	**13.9**	18.4
Diluted	9	**13.8**	18.4

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

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

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

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	CONTRIBUTED EQUITY $M	RETAINED EARNINGS $M	CASH FLOW HEDGE RESERVE $M	SHARE BASED PAYMENTS RESERVE $M	FOREIGN CURRENCY TRANSLATION RESERVE $M	DEMERGER AND OTHER RESERVE $M	TOTAL $M	NON-CONTROLLING INTERESTS $M	TOTAL EQUITY $M
Balance at 30 June 2010	**650.0**	**(2,590.1)**	**1.1**	**–**	**(344.7)**	**24.6**	**(2,259.1)**	**4.0**	**(2,255.1)**
Profit for the year	–	64.1	–	–	–	–	64.1	0.3	64.4
Total other comprehensive income/(loss)	–	–	(1.1)	–	(119.7)	–	(120.8)	–	(120.8)
Total comprehensive income/(loss) for the year	**–**	**64.1**	**(1.1)**	**–**	**(119.7)**	**–**	**(56.7)**	**0.3**	**(56.4)**
Transactions with owners in their capacity as owners directly in equity									
Issue of ordinary shares	3,500.0	–	–	–	–	–	3,500.0	–	3,500.0
Section 258F capital reduction	(1,102.5)	1,102.5	–	–	–	–	–	–	–
Retained earnings attributable to entities acquired and disposed under common control	–	44.0	–	–	–	–	44.0	–	44.0
Share based payment expense	–	–	–	0.2	–	–	0.2	–	0.2
Purchase of own shares	(2.5)	–	–	–	–	–	(2.5)	–	(2.5)
Common control transaction	–	–	–	–	60.0	1,586.6	1,646.6	–	1,646.6
Transfer to/(from) equity accounts	–	1,440.5	–	–	–	(1,440.5)	–	–	–
Balance at 30 June 2011	**3,045.0**	**61.0**	**–**	**0.2**	**(404.4)**	**170.7**	**2,872.5**	**4.3**	**2,876.8**
Profit for the year	–	89.9	–	–	–	–	89.9	(0.2)	89.7
Total other comprehensive income/(loss)	–	–	(0.2)	–	52.0	–	51.8	–	51.8
Total comprehensive income/(loss) for the year	**–**	**89.9**	**(0.2)**	**–**	**52.0**	**–**	**141.7**	**(0.2)**	**141.5**
Transactions with owners in their capacity as owners directly in equity									
Share based payment expense	–	–	–	6.6	–	–	6.6	–	6.6
Purchase of own shares	(2.8)	–	–	–	–	–	(2.8)	–	(2.8)
Dividends to owners of the company	–	(77.7)	–	–	–	–	(77.7)	(0.3)	(78.0)
Common control transaction	–	–	–	–	–	(4.8)	(4.8)	–	(4.8)
Transfer to/(from) equity accounts	–	165.9	–	–	–	(165.9)	–	–	–
Balance at 30 June 2012	**3,042.2**	**239.1**	**(0.2)**	**6.8**	**(352.4)**	**–**	**2,935.5**	**3.8**	**2,939.3**

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of preparation

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

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

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

Rounding of amounts

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

Statement of compliance

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

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

Principles of consolidation

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

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

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

Functional and presentation currency

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

Transactions and balances

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

Foreign group companies

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

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

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

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

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

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

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

Revenue recognition

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

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

Sale of goods

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

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

Property

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

Interest income

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

Royalties

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

Dividends

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

Borrowing costs

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

Acquisition of assets

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

Impairment of assets

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

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

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

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

Impairment losses are recognised in statement of comprehensive income.

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

Impairment losses recognised for goodwill are prohibited from being reversed.

Cash and cash equivalents

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

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

Trade receivables

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

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

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

Other receivables

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

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

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

Inventories

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

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

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

Investments in associates and joint ventures

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

Investments in associates and joint ventures / continued

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

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

Financial assets

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

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

Financial assets at fair value through the profit or loss

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

Held-to-maturity investment

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

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

Loans and receivables

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

Available-for-sale investments

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

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

Impairment of financial assets

Financial assets carried at amortised cost

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

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

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

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

Derecognition of financial assets

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

Derivative financial instruments

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

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

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

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

Derivative financial instruments / continued

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

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Leases

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

Derecognition and disposal

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

Intangible assets

Brand names

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

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

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

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

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

Goodwill

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

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

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

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

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

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

IT development and software

Costs incurred in developing information technology (IT) products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised as intangible IT assets. Following initial recognition, IT assets are carried at cost less any accumulated amortisation. Costs incurred in developing IT assets include the cost of purchased software and labour used in the development of software, and software licenses and are amortised over the expected useful life of the intangible asset (4–10 years).

Agricultural assets

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

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

Assets held for sale and discontinued operations

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

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

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

Interest bearing loans and borrowings

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

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

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

Payables

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

Employee benefits

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

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

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

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

Termination benefits

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

Superannuation

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

Shared-based payment transactions

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

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

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

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

Provisions

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

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

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

Dividends

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

Restructuring

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

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

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

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

Onerous contracts

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

Income tax

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

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

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

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

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

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

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

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

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

Tax consolidation legislation

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

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

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

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

Contributed equity

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

Earnings per share

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

Operating Segments

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

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

The Group has identified the following reportable segments:

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

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

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

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

Types of products and services

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

Accounting policies and intersegment transactions

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

Corporate charges

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

Segment loans payable and loans receivable

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

Other

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

Major customers

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

New Accounting Standards and Interpretations

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

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

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

Recently issued or amended accounting standards

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

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

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

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

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

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

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

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

Net realisable value of inventory

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

Agriculture

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

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

Taxation

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgment 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.

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

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

Impairment of assets

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

Useful life of intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite. Brand names that have indefinite lives are not amortised. Management use judgment in determining whether an individual brand will have a finite life or an indefinite life. In making this determination, management make use of information on the long-term strategy for the brand, the level of growth or decline of the markets that the brand operates in, and the history of the market and the brand's position within that market. If a brand is assessed to have a finite life, management will use judgment in determining the useful life of the brand and will consider the period over which expected cash flows will continue to be derived in making that decision.

NOTE 3 – TREASURY WINE ESTATES LIMITED DEMERGER

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

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

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

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

NOTE 4 – BUSINESSES ACQUIRED AND DISPOSED

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

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

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

NOTE 4 – BUSINESSES ACQUIRED AND DISPOSED / CONTINUED

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

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

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

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

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

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

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

NOTE 5 – REVENUE, INCOME AND EXPENSES

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

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

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

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

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

NOTE 6 – MATERIAL ITEMS

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

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

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

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

NOTE 7 – INCOME TAX

	2012 $M	2011 $M
The major components of income tax expense/(benefit) are:		
Current income tax	**32.6**	(15.8)
Deferred income tax	**18.2**	36.0
Total tax expense	**50.8**	20.2
Deferred income tax expense included in the income tax expense comprises:		
— decrease/(increase) in deferred tax assets	**(0.5)**	24.7
— increase in deferred tax liabilities	**18.7**	11.3
Deferred income tax	**18.2**	36.0
The amount of income tax expense as shown in the statement of comprehensive income differs from the prima facie income tax expense attributable to earnings. The differences are reconciled as follows:		
Profit before tax excluding material items	**180.5**	84.6
Material items before tax	**(40.0)**	–
Profit before tax including material items	**140.5**	84.6
Prima facie income tax expense attributable to profit from operations calculated at the rate of 30% (2011: 30%) tax effect of:	**42.2**	25.4
Non taxable income and profits, net of non-deductible expenditure	**6.2**	(1.3)
Other deductible items	**(1.5)**	(0.6)
Tax losses recouped	**–**	(2.4)
Change in tax rate	**(1.5)**	(4.4)
Foreign tax rate differential	**(0.3)**	3.3
Other	**9.2**	(4.5)
Under/(over) provisions in previous years	**(3.5)**	4.7
Total tax expense including material items	**50.8**	20.2
Income tax expense on operations	**60.7**	20.2
Income tax benefit attributable to material items	**(9.9)**	–
Income tax expense including material items	**50.8**	20.2

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

NOTE 7 – INCOME TAX / CONTINUED

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

Deferred tax asset

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

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

— the consolidated entity derives future assessable income of a nature and amount sufficient to enable the benefit from the deduction to be realised;

— the consolidated entity continues to comply with the conditions for deductibility imposed by tax laws of various countries; and

— any further changes in the tax laws of a relevant country do not adversely affect the ability of the consolidated entity to realise the benefits of the deductions.

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

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

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

Ongoing tax audits

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

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

NOTE 8 – SEGMENT RESULTS

	ANZ $M	AMERICAS $M	ASIA $M	EMEA $M	CORPORATE $M	INTERSEGMENT ELIMINATION $M	CONSOLIDATED $M
2012							
Total revenue comprises:							
Net sales revenue	**574.1**	**707.5**	**106.2**	**253.0**	–		**1,640.8**
Other revenue	**35.1**	**0.2**	**0.2**	**0.7**	**3.6**		**39.8**
Intersegment revenue	**365.8**	**10.9**	–	**41.5**	–	**(418.2)**	–
Total segment revenue (excl other income/interest)	**975.0**	**718.6**	**106.4**	**295.2**	**3.6**	**(418.2)**	**1,680.6**
Management EBITS	**109.0**	**79.0**	**41.2**	**5.7**	**(24.7)**		**210.2**
SGARA profit/(loss)	**(6.9)**	**(16.5)**	–	–	–		**(23.4)**
Material items	**(1.5)**	**(6.4)**	–	**(3.2)**	**(28.9)**		**(40.0)**
Management EBIT	**100.6**	**56.1**	**41.2**	**2.5**	**(53.6)**		**146.8**
Net finance income/(costs)							**(6.3)**
Consolidated profit before tax							**140.5**
Depreciation of property, plant and equipment	**43.6**	**21.3**	–	**1.1**	**0.1**		**66.1**
Amortisation of intangible assets	–	–	–	–	**1.6**		**1.6**
Share of profit of associates and joint ventures	**0.8**	–	–	–	–		**0.8**
Capital expenditure	**41.3**	**27.1**	–	**1.2**	**23.0**		**92.6**
Segment assets (excl intersegment assets)	**1,891.0**	**1,312.7**	**34.2**	**313.1**	**269.8**		**3,820.8**
2011							
Total revenue comprises:							
Net sales revenue	529.1	773.9	81.9	56.1	–		1,441.0
Other revenue	9.5	1.6	0.2	0.6	1.2		13.1
Intersegment revenue	255.8	6.7	–	19.5	–	(282.0)	–
Total segment revenue (excl other income/interest)	794.4	782.2	82.1	76.2	1.2	(282.0)	1,454.1
Management EBITS	7.7	88.2	26.2	6.2	(86.0)		42.3
SGARA profit/(loss)	(18.3)	(5.8)	–	–	–		(24.1)
Material items	–	–	–	–	–		–
Management EBIT	(10.6)	82.4	26.2	6.2	(86.0)		18.2
Net finance income/(costs)							66.4
Consolidated profit before tax							84.6
Depreciation of property, plant and equipment	46.9	23.7	–	1.1	–		71.7
Amortisation of intangible assets	–	–	–	–	0.2		0.2
Share of profit of associates and joint ventures	(0.2)	–	–	–	–		(0.2)
Capital expenditure	40.5	29.6	–	0.9	0.1		71.1
Segment assets (excl intersegment assets)	1,855.5	1,247.4	26.6	309.3	264.9		3,703.7

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

Management EBITS

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

Segment assets

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

NOTE 9 – EARNINGS PER SHARE

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

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

NOTE 10 – DIVIDENDS

	2012 $M	2011 $M
Dividends declared and paid during the year on ordinary shares:		
Final dividend for 2011 of 6.0 cents per share	**38.8**	–
Interim dividend for 2012 of 6.0 cents per share	**38.8**	–
	77.7	–
Dividends declared after balance date		
Since the end of the financial year, the directors declared a final dividend of 7 cents per share (2011: 6 cents) 50% franked (2011: 50%). This dividend has not been recognised as a liability in the financial statements at year end	**45.3**	38.8
Franking credit balance		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2011: 30%)	**8.1**	10.5

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

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

NOTE 11 – CASH AND CASH EQUIVALENTS

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

NOTE 12 – RECEIVABLES

	2012 $M	2011 $M
Current		
Trade debtors	**389.7**	367.3
Provision for doubtful debts	**(1.0)**	(2.0)
Other debtors	**37.3**	71.7
Loans to other persons	**–**	0.7
Prepayments and deferred expenses	**19.2**	13.9
Total current receivables	**445.2**	451.6
Non-current		
Other debtors	**1.2**	1.0
Loans to other persons	**1.2**	–
Total non-current receivables	**2.4**	1.0

Accounts receivable balances are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

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

Foreign exchange transaction disclosures

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

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

Credit risk

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

All prospective accounts are required to complete a credit application, and if from a non-listed entity, a director's guarantee is required with minimal exceptions. Failure to provide a director's guarantee results in either no credit or a limited level of credit offered. Credit terms may be reduced or extended credit terms permitted for individual customers on the basis of risk. Past due accounts are subject to a number of collection activities which range from telephone contact, suspension of orders through to legal action. Past due accounts are reviewed monthly with specific focus on accounts that are greater than 90 days overdue and are subject to provisions for doubtful debts after assessing the debtor for recoverability.

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

AGEING OF TRADE RECEIVABLES NET OF PROVISIONS FOR DOUBTFUL DEBT	2012 $M	2011 $M
Not past due	**353.3**	276.5
Past due 1 – 30 days	**27.0**	83.9
Past due 31 – 60 days	**3.6**	3.1
Past due 61 days+	**4.8**	1.8
Total	**388.7**	365.3
Comprising		
Current	**388.7**	365.3

There are no other receivables that are overdue.

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

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

NOTE 12 – RECEIVABLES / CONTINUED

Credit risk / continued

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

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

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

MOVEMENT IN PROVISION FOR TRADE DOUBTFUL DEBTS	2012 $M	2011 $M
Opening provision for trade doubtful debts	**(2.0)**	(1.5)
Add additional provisions raised	**(0.1)**	(1.2)
Less amounts used	**1.2**	1.0
Foreign exchange differences	**(0.1)**	(0.3)
Closing provision for trade doubtful debts	**(1.0)**	(2.0)

NOTE 13 – INVENTORIES

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

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

NOTE 14 – INVESTMENTS

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

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

			OWNERSHIP INTEREST	
NAME OF ENTITY	COUNTRY OF INCORPORATION	REPORTING DATE	2012 %	2011 %
Fiddlesticks LLC	United States of America	31 December	**50.0**	50.0
Judd Road Vineyards Limited	New Zealand	30 June	–	50.0
Make Wine Pty. Ltd.	Australia	30 June	–	50.0
Make Wine Trust	Australia	30 June	–	50.0
Oak Vale Vineyard Limited	New Zealand	30 June	–	50.0
Rapuara Vintners Limited	New Zealand	30 June	**50.0**	50.0

NOTE 15 – ASSETS HELD FOR SALE

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

Assets held for sale include Australian vineyards and wineries.

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT

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

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

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT / CONTINUED

Reconciliations

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

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

NOTE 17 – AGRICULTURAL ASSETS

	2012 $M	2011 $M
Agricultural assets	**195.6**	180.5
Total agricultural assets	**195.6**	180.5

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

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

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

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

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

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

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

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

Reconciliations

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

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

NOTE 18 – INTANGIBLE ASSETS

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

Reconciliations

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

	BRAND NAMES AND LICENCES		IT DEVELOPMENT COSTS		GOODWILL		TOTAL	
	2012 $M	2011 $M	2012 $M	2011 $M	2012 $M	2011 $M	2012 $M	2011 $M
Carrying amount at start of year	**871.4**	789.7	**50.6**	–	**5.1**	5.3	**927.1**	795.0
Acquisitions	**1.0**	163.5	**21.8**	50.8	**–**	–	**22.8**	214.3
Transfer from/(to) assets held for sale	**–**	–	**–**	–	**–**	–	**–**	–
Impairment	**–**	–	**(35.8)**	–	**–**	–	**(35.8)**	–
Amortisation expense	**–**	–	**(1.6)**	(0.2)	**–**	–	**(1.6)**	(0.2)
Foreign currency translation	**20.5**	(81.8)	**–**	–	**(0.4)**	(0.2)	**20.1**	(82.0)
Carrying amount at end of year	**892.9**	871.4	**35.0**	50.6	**4.7**	5.1	**932.6**	927.1

IT development costs

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

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

NOTE 18 – INTANGIBLE ASSETS / CONTINUED

Recoverable amount of cash-generating units (CGUs)

For the purpose of impairment testing, the Group's CGUs have been reviewed and determined as follows:

— Australia & New Zealand (ANZ)

— Americas

— Europe, Middle East & Africa (EMEA)

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

Australia & New Zealand (ANZ)

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

Americas

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

EMEA

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

Key assumptions and sensitivities

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

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

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

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

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

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

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

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

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

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

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

	AMERICAS		EMEA		ANZ		TOTAL	
	2012 $M	2011 $M	2012 $M	2011 $M	2012 $M	2011 $M	2012 $M	2011 $M
Carrying amount of goodwill	–	–	**4.7**	5.1	–	–	**4.7**	5.1
Carrying amount of indefinite life brand names	**337.0**	316.3	**166.0**	166.2	**389.9**	388.9	**892.9**	871.4

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

Indefinite life brand names

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

NOTE 19 – PAYABLES

	2012 $M	2011 $M
Current		
Trade creditors	**174.9**	126.5
Other creditors	**289.1**	242.7
Total current payables	**464.0**	369.2

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

Foreign exchange transaction disclosures

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

ALL BALANCES TRANSLATED TO AUD	AUD $M	USD $M	GBP $M	OTHER $M	TOTAL $M
2012					
Trade creditors	**105.3**	**44.8**	**9.1**	**15.7**	**174.9**
Other creditors	**153.2**	**76.3**	**37.3**	**22.3**	**289.1**
Total creditors	**258.5**	**121.1**	**46.4**	**38.0**	**464.0**
2011					
Trade creditors	71.2	37.7	7.6	10.0	126.5
Other creditors	130.2	64.8	29.9	17.8	242.7
Total creditors	201.4	102.5	37.5	27.8	369.2

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

NOTE 20 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital structure and financial risk management framework

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

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

— liquidity risk;

— interest rate risk;

— foreign exchange risk; and

— counterparty credit risk.

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

	NOTE	LIQUIDITY	INTEREST RATE	FOREIGN EXCHANGE	CREDIT
Net debt	22	×	×	×	
Receivables	12	×		×	×
Other financial assets				×	×
Payables	19	×		×	
Derivative financial assets and liabilities	21			×	×

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

(a) Liquidity risk

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

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

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

The Group is in compliance with all undertakings under its various financing arrangements. Unutilised facilities totalling $455.1 million (2011: $362.5 million) have maturity dates beyond 12 months of balance date.

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

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

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

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

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

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

(b) Capital Management

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

The key objectives include:

— maintaining a credit profile and the requisite financial metrics that secures access to alternate funding sources with a spread of maturity dates and sufficient undrawn committed facility capacity; and

— optimising over the long term, and to the extent practicable, the weighted average cost of capital to reduce the cost of capital to the Group while maintaining financial flexibility.

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

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

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

(c) Interest rate risk

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

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

NOTE 20 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES / CONTINUED

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

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

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

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

	SENSITIVITY ASSUMPTION		PRE-TAX IMPACT ON PROFIT			
	2012	2011	2012		2011	
CURRENCY			– $M	+ $M	– $M	+ $M
United States dollar	**+/- 25bp**	+/- 25bp	**0.2**	**(0.2)**	0.3	(0.3)
Australian dollar	**+/- 25bp**	+/- 25bp	–	–	–	–
Great Britain pound	**+/- 25bp**	+/- 25bp	–	–	–	–

The movements in profit on a consolidated level are primarily a result of interest costs from borrowings. There would have been no significant impact on equity (2011: nil impact).

(d) Foreign exchange risk

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

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

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

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

ALL BALANCES TRANSLATED TO AUD	AUD $M	USD $M	GBP $M	OTHER $M	TOTAL $M
2012					
Cash and cash equivalents	**17.9**	**1.5**	**2.2**	**7.0**	**28.6**
Loan receivable	**1.2**	**–**	**–**	**–**	**1.2**
Bank loans	**(20.0)**	**(43.0)**	**–**	**–**	**(63.0)**
Other loan payable	**(1.0)**	**–**	**(0.2)**	**–**	**(1.2)**
Net debt	**(1.9)**	**(41.5)**	**2.0**	**7.0**	**(34.4)**
2011					
Cash and cash equivalents	13.8	11.3	8.1	31.6	64.8
Bank loans	–	(135.4)	–	–	(135.4)
Other loans	(1.1)	–	–	–	(1.1)
Net debt	12.7	(124.1)	8.1	31.6	(71.7)

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

	SENSITIVITY ASSUMPTION**		PRE-TAX IMPACT ON PROFIT				IMPACT ON EQUITY			
	2012	2011	2012		2011		2012		2011	
CURRENCY*			+ $M	- $M	+ $M	- $M	+ $M	- $M	+ $M	- $M
United States dollar	**13.3%**	14.2%	**(3.2)**	**4.1**	(1.7)	2.3	**(102.8)**	**137.6**	(109.1)	145.2
Great Britain pound	**10.9%**	12.2%	**(0.5)**	**0.6**	(4.1)	5.2	**(0.4)**	**5.8**	(10.1)	12.8
Euro	**10.7%**	12.4%	**(2.4)**	**3.0**	(2.3)	3.0	**(2.4)**	**3.0**	(2.9)	3.7
Canadian dollar	**8.8%**	10.0%	**(1.8)**	**2.2**	(1.6)	2.0	**–**	**–**	–	–
New Zealand dollar	**7.4%**	9.1%	**(1.0)**	**1.2**	(0.1)	0.1	**(6.1)**	**7.1**	(6.8)	8.1

* Australian dollar versus individual currencies.

** Implied 1yr currency volatility at reporting date (Source: Bloomberg).

(e) Credit risk

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

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

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

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

NOTE 20 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES / CONTINUED

(f) Fair values

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

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

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

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

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

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

Bank loans represent loans denominated in USD.

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

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

NOTE 21 – DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

Hedge of transactional foreign currency

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

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

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

NOTE 22 – BORROWINGS

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

Details of major arrangements

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

Receivable Purchasing Agreement

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

Financial Guarantees

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

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

NOTE 23 – PROVISIONS

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

Other Provisions

	ONEROUS CONTRACTS $M	RESTRUCTURING $M	WARRANTIES/ OTHER $M	TOTAL $M
2012				
Carrying amount at start of year	**3.1**	**3.3**	**2.7**	**9.1**
Charged/(credited) to comprehensive income	**10.6**	**–**	**(1.1)**	**9.5**
Payments	**(1.3)**	**(3.2)**	**–**	**(4.5)**
Foreign currency translation	**0.2**	**–**	**–**	**0.2**
Carrying amount at end of year	**12.6**	**0.1**	**1.6**	**14.3**
2011				
Carrying amount at start of year	5.1	13.4	4.7	23.2
Charged/(credited) to comprehensive income	–	(0.3)	1.1	0.8
Payments	(1.0)	(9.8)	(3.1)	(13.9)
Foreign currency translation	(1.0)	–	–	(1.0)
Carrying amount at end of year	3.1	3.3	2.7	9.1

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

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

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

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

NOTE 24 – CONTRIBUTED EQUITY

	NOTE	2012 SHARES MILLION	2011 SHARES MILLION
Paid up capital			
Ordinary fully paid shares	(a),(b)	**647.2**	647.2

(a) Ordinary shares

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

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

(b) Restricted shares

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

(c) Share consolidation

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

(d) Foster's demerger scheme

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

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

NOTE 25 – RESERVES

	NOTE	2012 $M	2011 $M
Cash flow hedge reserve	(a)	**(0.2)**	–
Share based payments reserve	(b)	**6.8**	0.2
Demerger reserve	(c)	**–**	170.7
Foreign currency translation reserve	(d)	**(352.4)**	(404.4)
Total reserves		**(345.8)**	(233.5)

Nature and purpose of reserves

(a) Cash flow hedge reserve

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

(b) Share based payment reserve

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

(c) Demerger and other reserve

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

(d) Foreign currency translation reserve

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

NOTE 26 – KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES

Information regarding individual director and executive remuneration and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Directors' Report.

Key Management Personnel compensation

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

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

Equity instrument disclosures relating to key management personnel

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

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

NOTE 26 – KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURE / CONTINUED

	BALANCE AT START OF YEAR	SHARES ACQUIRED THE DURING YEAR AS PART OF REMUNERATION	SHARES ACQUIRED THROUGH THE YEAR THROUGH THE VESTING OF LTIP	OTHER SHARES ACQUIRED DURING THE YEAR	OTHER CHANGES DURING THE YEAR	BALANCE OF SHARES HELD AT END OF YEAR
2012						
Non-executive Directors						
MG Ould	32,573	–	–	–	–	32,573
ML Cattermole	61,214	–	–	–	–	61,214
WL Every-Burns	1,667	–	–	25,000	–	26,667
P Rayner	–	–	–	35,000	–	35,000
P Hearl	–	–	–	–	–	–
Director total	95,454	–	–	60,000	–	155,454
Executive KMP						
DCM Dearie	118,015	14,257	–	–	–	132,272
M Fleming	110,974	–	–	–	–	110,974
P Conroy	111,538	18,501	–	–	(13,491)	116,548
S McNab	22,033	40,150	–	–	–	62,183
B Williams	–	10,647	–	–	–	10,647
Key management personnel total	**362,560**	**83,555**	**–**	**–**	**(13,491)**	**432,624**
Grand total	**458,014**	**83,555**	**–**	**60,000**	**(13,491)**	**588,078**
2011						
Non-executive Directors						
MG Ould	–	–	–	32,573	–	32,573
ML Cattermole	–	–	–	61,214	–	61,214
WL Every-Burns	–	–	–	1,667	–	1,667
PA Rayner	–	–	–	–	–	–
Director total	**–**	**–**	**–**	**95,454**	**–**	**95,454**
Executive KMP						
DCM Dearie	–	–	–	118,015	–	118,015
M Fleming	–	–	–	110,974	–	110,974
S Brauer	–	–	–	33,974	–	33,974
PR Jackson	–	–	–	126,803	–	126,803
AN Davie	–	–	–	64,344	–	64,344
Key management personnel total	**–**	**–**	**–**	**454,110**	**–**	**454,110**
Grand total	**–**	**–**	**–**	**549,564**	**–**	**549,564**

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

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

Some directors of TWE are also directors of public companies which have transactions with the Group. The relevant directors do not believe they have the individual capacity to control or significantly influence the financial policies of those companies. The companies are therefore not considered to be related parties for the purpose of the disclosure requirements of AASB 124 'Related Party Disclosures'.

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

NOTE 27 – EMPLOYEE EQUITY PLANS

As at 30 June 2012, the Group has the share-based payment arrangements outlined in this note. Further details of the equity arrangements are included in the Directors' Report.

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

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

— Long Term Incentive Plan (LTIP)

— Restricted Share Plan

STIP Deferred Share Plan

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

LTIP

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

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

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

Restricted Share Plan

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

— Demerger Restricted Shares

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

— Targeted Restricted Shares

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

Fair value of awards

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

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

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

NOTE 27 – EMPLOYEE EQUITY PLANS / CONTINUED

PLAN	GRANT DATE	EXPIRY DATE	BALANCE START OF YEAR NO.	GRANTED DURING YEAR NO.	FORFEITED DURING YEAR NO.	EXERCISED DURING YEAR NO.
2012						
STIP Deferred Share Plan						
STI	15-Sep-11	14-Sep-13	–	**710,638**	**24,335**	**94,745**
LTIP						
ROCE	6-Jun-11	30-Sep-12	**493,707**	–	**68,229**	**6,634**
ROCE	6-Jun-11	30-Sep-13	**532,072**	–	**101,907**	**26,719**
TSR	6-Jun-11	30-Sep-12	**493,707**	–	**63,266**	**11,597**
TSR	6-Jun-11	30-Sep-13	**532,072**	–	**98,317**	**30,309**
TSR	25-Nov-11	30-Jun-14	–	**393,586**	–	–
EPS	25-Nov-11	30-Jun-14	–	**393,586**	–	–
EPS	13-Apr-12	30-Jun-14	–	**3,405,181**	**141,971**	**12,476**
TSR	13-Apr-12	30-Jun-14	–	**3,405,181**	**141,971**	**12,476**
Restricted Share Plans						
Demerger	3-Jun-11	5-May-14	**743,784**	–	**40,956**	–
Targeted	29-Aug-11	30-Jun-14	–	**18,493**	–	–
Targeted	3-Feb-12	3-Feb-14	–	**138,267**	–	**46,089**
Targeted	1-Jun-12	1-Jun-15	–	**4,512**	–	–
2011						
LTIP						
ROCE	6-Jun-11	30-Sep-12	–	493,707	–	–
ROCE	6-Jun-11	30-Sep-13	–	532,072	–	–
TSR	6-Jun-11	30-Sep-12	–	493,707	–	–
TSR	6-Jun-11	30-Sep-13	–	532,072	–	–
Restricted Share Plans						
Demerger	3-Jun-11	5-May-14	–	743,784	–	–

(i) The dividend yield is based on historic and future yield estimates.
(ii) In the absence of a significant trading history, the volatility assumption is based on the actual historical volatility of TWE's daily closing share price since listing.
(iii) The risk-free rate is derived from the yield on Australian Government Bonds of appropriate term.

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

BALANCE END OF YEAR NO.	GRANT DATE SHARE PRICE $	FAIR VALUES ESTIMATE AT GRANT DATE $	EXPECTED DIVIDEND YIELD[I] %	EXPECTED SHARE PRICE VOLATILITY[II] %	RISK-FREE INTEREST RATE[III] %
591,558	**3.36**	**N/A**	**N/A**	**N/A**	**N/A**
418,844	**3.46**	**3.33**	**3.5**	**20.0**	**4.8**
403,446	**3.46**	**3.22**	**3.5**	**20.0**	**4.9**
418,844	**3.46**	**1.09**	**3.5**	**20.0**	**4.8**
403,446	**3.46**	**0.86**	**3.5**	**20.0**	**4.9**
393,586	**3.76**	**2.61**	**3.5**	**33.0**	**3.0**
393,586	**3.76**	**3.43**	**3.5**	**33.0**	**3.0**
3,250,734	**4.35**	**4.06**	**3.1**	**30.0**	**3.3**
3,250,734	**4.35**	**3.21**	**3.1**	**30.0**	**3.3**
702,828	**3.42**	**N/A**	**N/A**	**N/A**	**N/A**
18,493	**3.24**	**N/A**	**N/A**	**N/A**	**N/A**
92,178	**3.48**	**N/A**	**N/A**	**N/A**	**N/A**
4,512	**4.43**	**N/A**	**N/A**	**N/A**	**N/A**
493,707	3.46	3.33	3.5	20.0	4.8
532,072	3.46	3.22	3.5	20.0	4.9
493,707	3.46	1.09	3.5	20.0	4.8
532,072	3.46	0.86	3.5	20.0	4.9
743,784	3.42	N/A	N/A	N/A	N/A

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

NOTE 28 – EMPLOYEE BENEFITS

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

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

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

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

NOTE 29 – REMUNERATION OF AUDITORS

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

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

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

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

NOTE 30 – COMMITMENTS

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

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

NOTE 31 – NOTES TO THE CASH FLOW STATEMENT

Reconciliation of cash

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

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

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

NOTE 32 – NON-DIRECTOR RELATED PARTY DISCLOSURES

Ownership interests in related parties

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

Parent Entity

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

Transactions with entities in the wholly owned Group

Transactions between the Company and entities in the Group during the current and prior year included:

— purchases and sales of goods and services; and

— provision of accounting and administrative assistance.

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

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

Transactions with FGL Group

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

— advancement and repayment of loans by FGL to TWE entities;

— provision by FGL of management, accounting and administrative assistance;

— purchases and sales of products and services;

— interest expense/income paid/received by TWE for money borrowed;

— transfer of tax related balances for tax consolidation purposes;

— provision of transactional banking facilities on behalf of TWE; and

— acting as an employer for certain TWE employees, including responsibility for payroll and superannuation.

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

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

NOTE 33 – EVENTS SUBSEQUENT TO REPORTING DATE

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

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

There are no other matters or circumstances which have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

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

NOTE 34 – CONTROLLED ENTITIES

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

ENTITY	NOTES	COUNTRY OF INCORPORATION	EQUITY HOLDING 2012 %	EQUITY HOLDING 2011 %
Aldershot Nominees Pty. Ltd.*		Australia	**100**	100
B Seppelt & Sons Limited*		Australia	**100**	100
Beringer Blass Distribution S.R.L.		Italy	**100**	100
Beringer Blass Italia S.R.L.		Italy	**100**	100
Beringer Blass Wine Estates Chile Limitada		Chile	**100**	100
Beringer Blass Wine Estates Limited		UK	**100**	100
Beringer Blass Wines Pty. Ltd.*		Australia	**100**	100
Bilyara Vineyards Pty. Ltd.*		Australia	**100**	100
Cellarmaster Wines (UK) Limited		UK	**100**	100
Cellarmaster Wines Holdings (UK) Limited		UK	**100**	100
Coldstream Australasia Limited*		Australia	**100**	100
Cuppa Cup Vineyards Pty. Ltd.		Australia	**100**	100
Devil's Lair Pty. Ltd.		Australia	**100**	100
Ewines Pty. Ltd.		Australia	**100**	100
FBL Holdings Limited		UK	**100**	100
Foster's Wine Estates Sales Company	(a)	USA	**100**	100
Graymoor Estate Joint Venture		Australia	**48.8**	48.8
Graymoor Estate Pty. Ltd.		Australia	**48.8**	48.8
Graymoor Estate Unit Trust		Australia	**48.8**	48.8
Greg Norman Estates Joint Venture		Australia	**70**	70
Il Cavaliere del Castello di Gabbiano S.R.L.		Italy	**100**	100
Interbev Pty. Ltd.*		Australia	**100**	100
Invin Wines Pty. Ltd.		Australia	**100**	100
Island Cooler Pty. Ltd.		Australia	**100**	100
James Herrick Wines Limited		UK	**100**	100
Leo Buring Pty. Ltd.		Australia	**100**	100
Lindeman (Holdings) Limited*		Australia	**100**	100
Lindemans Wines Pty. Ltd.		Australia	**100**	100
Mag Wines Pty. Ltd.		Australia	**100**	100
Majorca Pty. Ltd.*		Australia	**100**	100
MBL Packaging Pty. Ltd.		Australia	**100**	100
Mildara Holdings Pty Limited*		Australia	**100**	100
North America Packaging (Pacific Rim) Corporation		USA	**100**	100
North Para Environment Control Pty. Ltd.		Australia	**69.9**	69.9
Penfolds Wines Pty Ltd		Australia	**100**	100
Premium Land, Inc.		USA	**100**	100
Raust International Investments BV		Netherlands	**100**	100
RH Wines Pty Ltd		Australia	**100**	100
Robertsons Well Pty. Ltd.		Australia	**100**	100
Robertsons Well Unit Trust		Australia	**100**	100
Rosemount Estates Pty. Ltd.		Australia	**100**	100
Rothbury Wines Pty. Ltd.*		Australia	**100**	100
Roxburgh Vineyards Pty. Ltd.		Australia	**100**	100

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

NOTE 34 – CONTROLLED ENTITIES / CONTINUED

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

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

ENTITY	NOTES	COUNTRY OF INCORPORATION	EQUITY HOLDING 2012 %	EQUITY HOLDING 2011 %
TWE Finance (Aust) Limited*		Australia	**100**	100
TWE Finance (UK) Limited		UK	**100**	100
TWE Insurance Company Pte. Ltd.		Singapore	**100**	100
TWE Share Plans Pty Ltd		Australia	**100**	100
TWE US Finance Co.		USA	**100**	100
VEA Pty. Ltd.		Australia	**100**	100
Wolf Blass Wines Pty. Ltd.*		Australia	**100**	100
Woodley Wines Pty. Ltd.		Australia	**100**	100
Wynn Winegrowers Pty. Ltd.		Australia	**100**	100
Wynns Coonawarra Estate Pty Ltd		Australia	**100**	100

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

Notes

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

NOTE 35 – DEED OF CROSS GUARANTEE

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

A summarised consolidated statement of comprehensive income, retained earnings reconciliation and a consolidated statement of financial position, comprising the Company and those controlled entities which are a party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed, at 30 June 2012 are set out below.

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

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

NOTE 35 – DEED OF CROSS GUARANTEE / CONTINUED

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

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

NOTE 36 – PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

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

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2012 or 30 June 2011.

NOTE 37 – CONTINGENT LIABILITIES

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

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

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2012

In the Directors' opinion:

(a) The Directors declare that the financial statements and notes set out on pages 65 to 117 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date.

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

(c) there are reasonable grounds to believe that members of the Closed Group identified in note 34 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee described in note 35.

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

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

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

Maxwell Ould
Chairman

David Dearie
Chief Executive Officer

17 August 2012

INDEPENDENT AUDITOR'S REPORT

pwc

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

Report on the financial report

We have audited the accompanying financial report of Treasury Wine Estates Limited (the company), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Treasury Wine Estates Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

INDEPENDENT AUDITOR'S REPORT

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Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Treasury Wine Estates Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 47 to 64 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Treasury Wine Estates Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers
PricewaterhouseCoopers

Andrew Mill
Partner

Melbourne
17 August 2012

DETAILS OF SHAREHOLDERS, SHAREHOLDINGS AND TOP 20 SHAREHOLDERS

Details of shareholders and shareholdings

Holding of securities

LISTED SECURITIES 17 AUGUST 2012	NO. OF HOLDERS	NO. OF SHARES	% HELD BY TOP 20
Fully paid ordinary shares	80,553	647,227,144	83.44

Distribution of holdings – 17 August 2012

SIZE OF HOLDING	NUMBER
1 – 1,000	25,370,021
1,001 – 5,000	45,204,236
5,001 – 10,000	12,501,929
10,001 – 100,000	15,685,045
100,001 and over	548,465,913
Total	**647,227,144**

Of these, 2,095 shareholders held less than a marketable parcel of $500 worth of shares (110 shares). In accordance with ASX Business Rules, the last sale price of the Company's shares on the ASX on 17 August 2012 was used to determine the number of shares in a marketable parcel.

Twenty largest shareholders – 17 August 2012

RANK	SHAREHOLDER	NO. OF FULLY PAID ORDINARY SHARES	% OF FULLY PAID ORDINARY SHARES
1.	JP Morgan Nominees Australia	148,346,324	22.92
2.	HSBC Custody Nominees (Australia) Limited	145,579,755	22.49
3.	National Nominees Limited	106,879,072	16.51
4.	Citicorp Nominees Pty Limited	50,222,182	7.76
5.	RBC Global Services Australia Nominees Pty Limited	31,863,026	4.92
6.	Cogent Nominees Pty Limited	21,810,875	3.37
7.	UBS Nominees Pty Ltd	11,628,220	1.80
8.	AMP Life Limited	9,925,572	1.53
9.	Queensland Investment Corporation	2,302,191	0.36
10.	Australian Foundation Investment Company Limited	2,175,501	0.34
11.	Equity Trustees Limited	2,000,000	0.31
12.	BNP Paribas Noms Pty Ltd	1,573,366	0.24
13.	RBC Investor Services Australia Nominees Pty Limited	1,031,457	0.16
14.	Milton Corporation Limited	1,023,271	0.16
15.	Buttonwood Nominees Pty Ltd	940,584	0.15
16.	HSBC Custody Nominees (Australia) Limited	818,361	0.13
17.	UBS Wealth Management Australia Nominees Pty Ltd	798,645	0.12
18.	Questor Financial Services Limited	559,831	0.09
19.	Share Direct Nominees Pty Ltd	548,977	0.08
20.	Merrill Lynch (Australia) Nominees Pty Ltd	501,241	0.08
Total		**540,528,451**	**83.52**

Substantial shareholders – 17 August 2012

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

INSTITUTION	INTEREST (% OF ISC)
Commonwealth Bank	9.37
The Capital Group Companies	7.22
Perpetual Limited	7.41
Ellerston Capital	6.10
FMR LLC & FIL (Fidelity)	6.07

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

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Monday 22 October 2012, at 2.00 pm at The Langham, Melbourne, Australia. Full details are contained in the Notice of Meeting sent to all shareholders.

VOTING RIGHTS

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

Shareholders may also lodge a proxy electronically either via www.investorvote.com.au using the details printed on their personalised proxy form or www.tweglobal.com and clicking on 'AGM Proxy' or www.intermediaryonline.com for custodian voting (subscribers only).

Every shareholder, proxy or shareholder's representative has one vote on a show of hands, except where a shareholder appoints two proxies, in which case neither proxy is entitled to vote on a show of hands. In the case of a poll, each share held by every shareholder, proxy or representative is entitled to one vote for each fully paid share.

SECURITIES EXCHANGE LISTING

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

American Depositary Shares, sponsored by The Bank of New York Mellon, can be purchased through brokers in the US.

SHARE REGISTER AND OTHER ENQUIRIES

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

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

Telephone: 1800 158 360
International: +61 3 9415 4208
Facsimile: +61 3 9473 2500
(For faxing Proxy Forms only: +61 3 9473 2555 (outside Australia) or 1800 783 447 (within Australia))
Email: web.queries@computershare.com.au
Website: www.computershare.com.au

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

Telephone: +61 3 8626 3181
Facsimile: +61 3 8626 2070
Email: investors@tweglobal.com
Website: www.tweglobal.com

77 Southbank Boulevard
Melbourne Victoria 3006
Australia

ELECTRONIC COMMUNICATIONS

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

— check their current and previous holding balances;

— update their address details;

— update their bank details;

— review their dividend history;

— confirm whether they have lodged a TFN/ABN exemption;

— change their Annual Report election;

— download commonly used forms; and

— elect to receive email notification when dividend statements and issuer sponsored holding statements are available to view online.

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

TAX FILE NUMBERS, AUSTRALIAN BUSINESS NUMBERS OR EXEMPTIONS

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

CHANGE OF ADDRESS

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

DIRECT PAYMENT OF DIVIDENDS

Dividends may be paid directly to any bank account in Australia, New Zealand, United States of America or the United Kingdom. Payments are electronically credited on the dividend date with confirmation containing payment details mailed to shareholders, or shareholders can access the payment confirmation via the online Share Registry at www.tweglobal.com.

SHAREHOLDER WINE CLUB

TWE shareholders have the opportunity to purchase a wide range of premium wines representing exceptional value from the newly named TWE Vintrepreneur's Club. Only TWE shareholders have access to the Club, which officially transitioned off the Cellarmaster's platform in July 2012 and is now operated and owned by TWE directly.

Information about the TWE Vintrepreneur's Club will be sent to shareholders with the welcome letter for new shareholders and in upcoming communications for current shareholders. Shareholders can also register to receive information by visiting www.vintrepreneur.com or calling 1300 846 863.

IMPORTANT DATES FOR SHAREHOLDERS

2012

30 June 2012	Year end
17 August 2012	Preliminary final result announcement
3 September 2012	Dividend record date
2 October 2012	Dividend payment date
22 October 2012	Annual General Meeting

2013

28 February 2013*	Announcement of profit result for half year ending 31 December 2012
6 March 2013*	Dividend record date
2 April 2013*	Dividend payment date
30 June 2013	End of financial year
22 August 2013*	Announcement of profit result for the year ending 30 June 2013

* Likely dates and are subject to confirmation.

TREASURY WINE ESTATES LIMITED

ABN 24 004 373 862

COMPANY SECRETARY

Paul Conroy

REGISTERED OFFICE

77 Southbank Boulevard
Southbank Victoria 3006
Australia

Telephone: +61 3 9685 8000
Facsimile: +61 3 9685 8001

OUR BRANDS

- Abel's Tempest
- Angel Cove
- Annie's Lane
- Baileys
- Be.
- Bella Vie
- Beringer Vineyards
- Black Opal
- Bohemian Highway
- Campanile
- Castello Di Gabbiano
- Cellar No. 8
- Chateau St. Jean
- Colby Red
- Coldstream Hills
- Colores Del Sol
- Devil's Lair
- Distant Cousins
- Emma Pearl
- Etude
- Everwild
- Eye Spy
- Fat Bird
- Fickle Mistress
- Fifth Leg
- Great Western
- Greg Norman Estates
- Heemskerk
- Ingoldby
- Jamiesons Run
- Kangaroo Ridge
- Killawarra
- Leo Buring
- Lindeman's
- Little Penguin
- Lumina
- Maglieri
- Magnolia Grove
- Maison de Grand Esprit
- Maker's Table
- Matawara
- Matua
- Meridian Vineyards
- Metala
- Mildara
- Morgan's Bay
- Nine Points
- Penfolds
- Pepperjack
- Robertson's Well
- Rouge Homme
- Rosemount Estate
- Rothbury Estate
- Saltram
- Santa Barbara Collection
- Sbragia Family Vineyards
- Seaview
- Secret Stone
- Seppelt
- Shingle Peak
- Sledgehammer
- Souverain
- Squealing Pig
- St Huberts
- St. Clement
- Stags' Leap Winery
- Stone Cellars
- T'Gallant
- TAZ
- The Skinny Vine
- Tierra Secreta
- Tollana
- Valley of the Giants
- Vin Parfait
- Wolf Blass
- Wynns Coonawarra Estate
- Yarra Ridge
- Yellowglen
- Upside Down
- 900 Grapes
- 19 Crimes

Enjoy Responsibly

What is a standard drink?
150ML – 14.5% ALC/VOL

TREASURY
WINE ESTATES