



TREASURY
WINE ESTATES



ANNUAL REPORT 2013



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OUR COMMITMENT TO QUALITY IS
REFLECTED IN OUR AWARD WINNING WINES.
BUILDING STRONG BRANDS IS FUNDAMENTAL
TO REALISING SUSTAINABLE PROFIT
GROWTH IN THE LONG TERM.



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OUR LOCATIONS



HEAD OFFICES



AUSTRALIA & NEW ZEALAND

AUSTRALIA

Corporate head office:
Melbourne, Victoria
6 regional sales offices
25 vineyards
8,782 planted hectares
10 wineries

NEW ZEALAND

Country sales head office:
Auckland
3 regional sales offices
5 vineyards
311 planted hectares
2 wineries

AMERICAS

USA

Regional head office:
Napa Valley, California
4 regional sales offices
25 vineyards
3,239 planted hectares
7 wineries

CANADA

Country head office:
Toronto, Ontario
4 regional sales offices

EUROPE, MIDDLE EAST & AFRICA

UK

Regional head office:
Twickenham, Middlesex

NORDICS & WESTERN EUROPE

Regional head office:
Stockholm, Sweden
1 regional sales office

ITALY

Country head office:
Gabbiano, Tuscany
145 planted hectares
1 winery

ASIA

SINGAPORE

Regional head office:
Singapore
6 regional sales offices

FINANCIAL SUMMARY



- Statutory net profit after tax (including material items) \$42.3 million, down 52.9%.
- Growth in three out of four regions; collectively EMEA, Asia and ANZ EBITs¹ up 17.2%^{2,3,4}.
- Addressing inventory challenges in the US.
- Pre-tax material item expense of \$154.7 million reported.
- EBITs \$209.2 million; includes \$7.0 million unrealised loss on foreign exchange options.
- Net sales revenue (NSR) per case up 1.9%.
- Non-current inventory up 23.0% to \$446.0 million; luxury and masstige wine⁵ now 90% of non-current inventory, up from 83% at FY12.
- Statutory EPS 6.5 cents per share, down 53.2%; EPS (before material items and SGARA) 21.1 cents per share, up 1.0% on a reported currency basis.
- Final dividend 7 cents per share, unfranked. Full year dividend 13 cents per share, in line with the prior year.

Net sales revenue⁶ (A\$M)

FY13	1,688.7	2.8%
FY12	1,642.0	INCREASE

Statutory EPS (cents per share)

FY13	6.5	53.2%
FY12	13.9	DECREASE

Asia, EMEA & ANZ EBITs growth (%)

FY13	17	19PPTS
FY12	36	DECREASE

Non-current inventory (A\$M)

FY13	446.0	23.0%
FY12	362.5	INCREASE

1. Earnings before interest, tax, SGARA and material items.

2. For income statement measures, unless otherwise stated all percentage or dollar movements from prior periods are pre any material items and on a constant currency basis.

3. Throughout the Annual Report, constant currency assumes current and prior period earnings of foreign operations are translated and cross border transactions are translated at current year exchange rates.

4. Unless otherwise stated, all financial comparisons are in respect of the prior corresponding year.

5. TWE participates in three segments; luxury (A\$20+), masstige (A\$10–A\$20) and commercial (A\$5–A\$10). Segment price points are retail shelf prices.

6. NSR stated pre material items.

CHAIRMAN'S REPORT



Dear Shareholder,

Please find enclosed the Treasury Wine Estates Limited (TWE) 2013 Annual Report, our second full report as a standalone wine business and my first as TWE's Chairman.

In reflecting on TWE's financial performance over the fiscal year, I recognise that 2013 has been a challenging period for the business. As outlined at last year's Annual General Meeting, many of these challenges were expected as the business cycled through the commercial implications of weather-impacted 2011 vintages in both Australia and California. Other challenges, such as those affecting TWE's US inventory required urgent action and tough decisions to be taken by the Company.

Despite this, TWE remains well positioned to achieve its commercial and strategic objectives by delivering sustainable growth over the longer term. As such, the Board regards the financial results achieved in FY13 as a solid performance, although the one-off losses incurred in the US significantly dented the overall profit performance of the Company, which was, given that context, disappointing.

Following the write-down of excess US inventory, the Board undertook a review and concluded that TWE required a leader with stronger operational focus to deliver the Company's growth ambitions. As a consequence, Chief Executive Officer David Dearie left the business on 23 September 2013, with Warwick Every-Burns, a member of the Board, stepping in as interim Chief Executive whilst the search for a permanent replacement takes place.

The challenges TWE has faced in the Americas do need to be set in context against how the business has performed in its other three key regions; with modest growth in Australia & New Zealand (ANZ) complemented by strong performances in both Europe, Middle East & Africa (EMEA) and Asia.

Overall TWE's 2013 financial performance demonstrates that the fundamentals of the Company's strategy in three out of four regions are working, and our decisive action on the US will better enable TWE to achieve its priority to win in the Americas.

That is why the Board continues to support the Company's strategic direction and the focus on key platforms such as: building exceptional brands, increasing the production and supply of luxury and masstige wine, maintaining the scale and efficiency of the commercial portfolio, and expanding routes-to-market globally.

New banking facilities entered into in August 2013 support the inherent strength of TWE's balance sheet and contribute to TWE's strength, whilst continuing to support our strategic objectives by enabling operational flexibility.

Despite a challenging year, and due to the underlying strength of TWE's balance sheet mentioned above, I am pleased to report a final dividend of 7 cents per share (unfranked), to give a full year dividend of 13 cents per share.

More than ever before, 2013 reinforced the benefit of TWE's global footprint, with strong brand and profit growth in regions such as Asia and EMEA, and an excellent second half in ANZ, contrasting with issues that impacted our performance in the Americas.

The inherent benefit of TWE's geographic footprint was further underpinned by the excellence of the Company's viticultural assets and the exceptional portfolio of wine brands; with 2013 providing further evidence of the fact that TWE wines continue to beat the competition for awards and trophies at the world's leading wine shows and within the world's leading wine publications.

A global wine business also needs a truly global perspective if it is to succeed, and the changes made to TWE's Board, announced at last October's AGM, have brought fresh insight, energy and skills to our business. Accordingly, I would like to thank all our Board members for their significant contribution over the year.

The entire Board is committed to the highest standards of corporate governance and ensuring that our business is both a positive contributor to the communities in which we operate and adheres to all relevant regulations and industry standards in the markets where we operate. As such, over the course of FY13, the Board continued to visit our sites across the globe; to meet with Vintrepreneurs, customers and consumers in order to better understand our business, our operating environment and the needs of local communities.

During the year, TWE continued to make excellent progress across the key pillars of our corporate social responsibility agenda, embracing a series of programs and partnerships to drive employee volunteering, workplace giving, environmental management and responsible procurement.

The health and safety of the Vintrepreneurs who work for, or on behalf of, TWE remains a top priority for the Board so it was pleasing to see the Company reducing its lost time injury frequency rate (LTIFR) from 7.3 to 6.0 in FY13.

FY13 also saw an increasing focus on the role of alcohol within our society, with understandable concern voiced by governments and other stakeholders about the minority of individuals who consume alcohol in an irresponsible manner.

This is an area of great interest to the Board, and TWE is actively engaged in a number of campaigns that provide education on alcohol and the responsible consumption of wine, including working with the Winemakers Federation and DrinkWise in Australia, the Wine & Spirits Trade Association and Drinkaware in the UK, and the Wine Institute in the United States. TWE also remains committed to ensuring that our iconic wine brands are only marketed and sold in a responsible manner.

On behalf of the Board, I would like to thank our inaugural Chairman, Max Ould, for his excellent stewardship over TWE in the period following the Company's demerger from Foster's Group Limited.

I would also like to acknowledge David Dearie's contribution as Chief Executive Officer over the financial year. He played a critical role in guiding TWE through its demerger and establishing the Company as a standalone business and successfully built the profile of TWE's iconic wine brands internationally.

Finally, my thanks go to the senior management team and all Vintrepreneurs for their ongoing commitment to achieve TWE's ambition to become the world's most successful and celebrated wine company.

I also wish to place on record my sincere thanks to our shareholders for their ongoing support and investment in our business.

Kind regards,



Paul Rayner
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT



Dear Shareholder,

At last year's Annual General Meeting it was clearly stated that FY13 would be a challenging year for Treasury Wine Estates, as the business dealt with a range of issues arising from weather impacted vintages in 2011.

Set against a backdrop of increased Cost of Goods (COGS), US inventory challenges and a reduced supply of luxury and masstige wines, our full year EBITs of \$209.2 million (before material items) reflect these challenges.

Global economic change and currency fluctuations further contributed to a volatile operating environment, yet despite these events TWE saw strong brand performance and profit growth in three out of our four key regions.

US INVENTORY

Challenges such as those affecting TWE's US inventory required immediate action to address barriers to sustainable long-term growth in the world's largest wine market.

TWE's US inventory holding has, since the creation of TWE, been at the high end of our acceptable range. Recent efficiencies in warehousing and logistics within key US distributors, lower than forecast depletions of our tactical brands and slower consumer uptake of some new products added further inventory. As a result of these matters it became clear that our existing approach to reduce inventory levels was inadequate and a more robust and immediate solution was required.

The decisions taken on US inventory will result in three actions at the distribution level. The first is the destruction of old and obsolete wine in the distribution network; the second, additional investment in Discounts and Rebates (D&R) to accelerate the depletion of wine through distributors and retailers; and lastly we will ship fewer cases in the US in FY14 than we deplete.

These actions will address excess inventory at the distributor and retail level in the US. However, because of the long-term agricultural nature of the wine business, TWE had produced wine from past vintages in expectation of these sales. Consequently, as a result of this one-off reduction in inventory levels, TWE has also written down the corresponding bulk wine and finished goods to net realisable value.

A pre-tax material item expense of \$154.3 million to resolve our excess commercial wine position was therefore a tough but necessary step to rebase our operations in the United States, and will lay a strong platform for future growth in the world's largest wine market.

RESULTS

Over the course of the year, TWE continued to invest in the long-term drivers of success, with significant increases in the quality of our grape intake and an expansion of premium land holdings providing evidence of the action TWE is taking to better manage volatility and decrease dependencies on any one calendar vintage.

A strong increase in non-current inventory, up 23.0% to \$446.0 million, further demonstrates TWE's commitment to investing for sustainable long-term profit growth and was complemented by additional investments in our supply network and premium land assets, contributing to reported net debt of \$210.9 million.

Total volume for the year was marginally up on FY12, growing by 0.9% to 32.1 million cases, with net sales revenue (NSR) per case also increasing, up 1.9%.

Our reported EPS was down 53.2%; however EPS (before material items & SGARA) of 21.1 cents per share, was up 1.0%.

A final dividend of 7 cents per share (unfranked) was declared, contributing to a full year dividend of 13 cents per share, representing a solid return to shareholders over a challenging year.

Successful brand building activities over the second half of FY13 contributed to our full year financial performance and I am pleased that the strength of our wines, and hard work of our team of Vintrepreneurs, delivered solid results over the period.

GROWTH

TWE's FY13 performance provides further reinforcement as to why TWE must continue to focus on driving top-line growth by building exceptional brands and investing in premium wines.

For long-term sustainable growth it is vital that we continue to invest and allocate TWE's resources to support the best opportunities. These are the brand and market combinations which generate superior returns for our shareholders and position our brands for future success.

TWE's global footprint remains an integral driver of our commercial performance; so it was pleasing to see our business growing in three out of four of our key regions over FY13.

Modest EBITs growth in ANZ was driven by excellent execution of our brand initiatives. As a result TWE outperformed the market in value terms by 3.1 percentage points¹. This is a strong result in light of a 5.9% COGS per case increase driven by the 2011 vintage and the tough retail environment. The second half produced EBITs growth of 21.3% versus the prior year.

In the Americas, Beringer continued to show positive momentum in significant parts of its portfolio with Beringer Classics volume up 4.8%² over the year. The brand also grew strongly in export markets, including EMEA and Asia. EBITs of \$66.8 million for the region were down 14.5% driven by lower shipments to our distributors and an 11% reduction in the availability of US-sourced luxury wines and increased COGS from vintage 2011.

The EMEA region delivered another strong improvement in EBITs, up \$11.6 million to \$16.0 million. This result reflects a continued turnaround in our performance driven by a focus on profitable shipment growth, superb in-market execution, expanded distribution, ongoing brand investment and enhanced customer relationships. Our Wolf Blass brand outperformed UK market volume and value growth in the second half of FY13 by 21.5% and 11.9% respectively.

Asia enjoyed another year of excellent EBITs growth, up 35.6% to \$54.5 million, driven by an increased allocation of Penfolds Luxury & Icon wines, with particularly strong growth in the key markets of China, Hong Kong and Japan. Net sales revenue per case was up 6.0% driven by price increases and unprecedented

levels of demand for this year's Penfolds Luxury & Icon release. TWE continues to outperform the market through a focus on commercial execution and the benefits of increased investment in brand building and people.

FY14 OUTLOOK

Actions to address excess commercial inventory in the US are expected to impact our FY14 EBITs by up to \$30 million. With many variables in FY14, TWE is providing reported currency EBITs guidance in the range of \$230 million to \$250 million (based on Australian dollar spot rates as at 19 August 2013).

Two key drivers will result in lower first half EBITs in FY14. First the US shipment realignment is weighted towards the first half of the year and across Asia, we intend to increase brand building investment by up to 70%, also weighted to the first half ahead of volume growth.

The depletion outlook for the US is expected to improve as a consequence of our recent actions and the EBITs outlook for our EMEA, Asia and ANZ regions is for full year growth.

The inherent strength of TWE's portfolio of wine brands; high quality production and supply assets; and exceptional capabilities of our people has seen the business through an extremely demanding year.

I want to thank the senior management team for their commitment over the year, and pay tribute to the teams of Vintrepreneurs across TWE whose hard work and dedication played a significant part in delivering these financial results.

I would also like to thank the Board for its confidence in appointing me as interim Chief Executive Officer, and recognise the contribution made by our Chairman, Paul Rayner.

Finally, I very much wish to thank our shareholders, large and small, for their ongoing investment in, and commitment to, our business.

Kind regards,



Warwick Every-Burns
Chief Executive Officer

1. Nielsen, MAT 30 June 2013.

2. Nielsen, MAT 22 June 2013, Total Food, Drug, Liquor Channels.

A COMMITMENT TO QUALITY



The quality mantra for wine is a complex and balanced affair. It must provide an experience and a real sense of enjoyment, and it should not hide from commanding a price that reflects what it delivers. In the history of TWE, we have put quality ahead of quantity, and here is some evidence in FY13 that our investment in crafting great wine is paying off.

WOLF BLASS

International Wine Challenge
2013 Red Winemaker of the Year

Wolf Blass Black Label ranked
equal second among the world's
leading Cabernet Sauvignon
based blends at the inaugural
Master Blend Classification

Twelve 90+ scores from *Wine
Advocate* and *Wine Spectator*

Five double gold medals at the
China Wine and Spirit Awards

Wolf Blass Black Label 2007
awarded Best Red Blend
(non-Bordeaux) at the Five
Nations Wine Challenge

LINDEMAN'S

Number One in four countries:
#1 wine brand in Norway
(Vinmonopolet MAT Oct 2012),
#1 Australian wine brand in
Canada (Redbooks MAT May
2013), #1 Australian wine brand
in Sweden (Systembolaget MAT
March 2013) and #1 Australian
wine brand in the Netherlands
(Nielsen MAT March 2013)

Three 'Best Values' from
Wine Spectator for Lindeman's
Bins wines

2012 Lindeman's Bin 50 Shiraz
named in Matthew Jukes' *100
Best Australian Wines 2013-14*

2012 Lindeman's Bin 95
Sauvignon Blanc awarded three
trophies and two gold medals

Lindeman's retail sales volume
in the US in positive growth
for the year, outperforming
the Australian category
(Nielsen MAT to June 2013)



PENFOLDS

2008 Grange received a perfect score of 100 points from Robert Parker's *Wine Advocate*

2008 Grange received a perfect score of 100 points from *Wine Spectator*

2008 Grange received a perfect score of 20/20 from leading Swiss title, *Schweizerische Weinzeitung* and is named a 'Best of the Best' honouree for International Red Wines in the Robb Report

Winery of the Year in the *James Halliday Australian Wine Companion 2014*

Awarded 'Best Launch' for the acclaimed Ampoule project at The Drinks Business Awards 2013, held at the London International Wine Fair

BERINGER

2009 Knights Valley Reserve rated #8 in *Wine Spectator* Top 100 Wines of the Year

Inaugural vintage of Beringer Quantum scores 92 points in *Wine Spectator* upon release, and sells out immediately

2011 Private Reserve Chardonnay awarded 92 points from *Wine Spectator*, the fifth vintage in a row to score 92+ points from *Wine Spectator* or *Wine Advocate*

2009 Private Reserve Cabernet awarded 93 points from *Wine Advocate*

Brand refresh for Beringer Classics saw this flagship commercial range back in growth

ROSEMOUNT ESTATE

230+ awards including 18 trophy wins for Rosemount Estate over the course of the year, including most successful exhibitor at the 2012 Royal Queensland Wine Show

15 awards at the 2013 International Wine Challenge including two trophies

Rated outstanding winery in the *James Halliday Australian Wine Companion 2013*, with 11 Rosemount Estate wines also receiving 90+ point scores

2011 Nursery Project Graciano Mataro Grenache blend awarded James Halliday Wine Companion Trophy for Best Other Red Varietal Blend at the 2012 Royal Melbourne Wine Show

WYNNS COONAWARRA ESTATE

Wynns receives eight 90+ scores from Robert Parker's *Wine Advocate*

PEPPERJACK

Pepperjack Shiraz is Australia's #1 selling red wine by value for 33 consecutive months (Nielsen ScanTrack Liquor, Monthly MAT data October 2010 to June 2013)

COLDSTREAM HILLS

2011 Coldstream Hills Roslyn Vineyard Limited Release Pinot Noir wins Trophy and Gold at the 2012 Dan Murphy's National Wine Show of Australia



HEEMSKERK

2008 Heemskerk Coal River Valley Chardonnay Pinot Noir wins the Regional Trophy at the 2013 Decanter World Wine Awards

YELLOWGLEN

Yellowglen takes on the French, launching Exceptional Vintage XV by Yellowglen and receiving outstanding acclaim from Australia's leading wine writers

DEVIL'S LAIR

Devil's Lair The Hidden Cave Cabernet Shiraz awarded four trophies in FY13 – two at 2013 Royal Sydney Wine Show and one each at 2012 Royal Melbourne Wine Show and 2012 Margaret River Wine Show



NZ
PRODUCER
OF THE
YEAR

TROPHY

93
PTS

SEPPELT

2011 Seppelt The Victorians Shiraz awarded Trophy and Gold at the 2013 Macquarie Group Sydney Royal Wine Show

MATUA

Matua named the 2012 International Wine & Spirit Competition (IWSC) New Zealand Producer of the Year and awarded Best Sauvignon Blanc in the Southern Hemisphere at the 2012 Five Nations Wine Challenge

STAGS' LEAP

2009 Stags' Leap 'The Leap' Cabernet Sauvignon scored 93 points from *Wine Enthusiast*

HOT
BRAND

PLATINUM

GOLD

GABBIANO

Gabbiano Chianti Classico 2009 Riserva awarded a platinum medal at the Critics Challenge International Wine Competition and a gold medal at San Francisco International Wine Competition

CHATEAU ST. JEAN

Chateau St. Jean #16 'Hot Brand' Domestic Wines in *IMPACT*, March 1–15 2013

GREG NORMAN ESTATES

2011 Greg Norman Estates Santa Barbara Pinot Noir awarded Gold at 2012 Sunset International Wine Competition

CELEBRATING OUR PEOPLE



At TWE, our ambition is to become the world's most successful and celebrated wine company, and each day our Vintrepreneurs drive us towards this ambition.



WHEN OUR VINTREPRENEURS WIN, WE CELEBRATE IT

To become the world's most successful and celebrated wine company, we need to celebrate our accomplishments and the great things our Vintrepreneurs do every day. In this spirit, we introduced our 'Let's Celebrate!' Program in the second half of FY13 to ensure celebration is a central part of our culture and everyday behaviour.

The Program ensures everyone feels appreciated for the contributions they make. It means that anyone can recognise their fellow Vintrepreneurs at any time, and be rewarded themselves for doing great work. There are many ways Vintrepreneurs can be recognised, with the highest honour being a Vintrepreneur Icon Award. The Icon Awards pay tribute to the great icons who have shaped the wine industry, such as Jacob Beringer, Ray Beckwith, Bill and Ross Spence, and Wolfgang Blass. And just like these industry icons, TWE's Icon Awards recognise and celebrate those who are adventurous and achieve great things.

Vintrepreneur Icon Awards are given throughout the year to those who have gone significantly above and beyond expectations in their contribution to TWE. Each quarter, our peer-voted Celebration Panel selects six Vintrepreneur Icons of the Quarter, who receive a wonderful TWE experience, and are then in the running to be named one of our Vintrepreneur Icons of the Year. Our Vintrepreneur Icons of the Year will be honoured with a special, once-in-a-lifetime TWE experience of their choosing, and we are delighted to present our first annual Icons and their stories here.

SIMPLIFYING PROCESSES AND WAYS OF WORKING TO DRIVE EFFICIENCIES



Jason Ryan
*Director, Legal Affairs,
Australia*



Jason has demonstrated that he is capable of much more than just performing his duties as our Director of Legal Affairs. Through his leadership role in our Acting Profitably Program, he is currently leading 11 separate Company-wide initiatives to simplify out-dated processes and drive efficiencies. These initiatives have delivered some incredible results for TWE, and are likely to reap a projected benefit of \$2 million by FY14, with additional efficiency benefits to be realised over time.

Jason always maintains a positive attitude and has been a true agent of change in tackling processes that were left untouched for years. One outstanding example of his work is our customer sign-up process, which Jason and his team dramatically changed to be more customer friendly, more streamlined, and to require fewer resources. This has made for happier customers and liberated our Vintrepreneurs with more time to concentrate their energies on activities that will drive TWE towards its ambition.

The Acting Profitably Program is key to our Company's future growth and success and Jason's contribution to the project has been exceptional. He is a fantastic example of what it means to walk the talk of being a true Vintrepreneur.

ELEVATING NEW ZEALAND'S HEALTH AND SAFETY STANDARDS AND PROMOTING CONTINUOUS EDUCATION



Paula Langford
*QHSE Assistant,
New Zealand*



Paula has played an instrumental role in raising the standards of our Health & Safety Program in New Zealand. In 2012 Paula set out to improve the Program and create greater engagement with the NZ team. She saw two areas of opportunity, the first was to put a H&S training qualification in place, and the second was to increase the levels of adult literacy within the team to make it easier for them to fully understand and embrace the Program.

Paula worked with two training companies to create a joint program (NZQA certified H&S qualification) that incorporated adult literacy development and fully integrated our systems, processes and behaviours. Her ability to build relationships, and dedication to attending and hosting sessions (including coordinating private sessions when colleagues required additional support), meant that participants have completed the qualification, even when they didn't think it was possible to begin with.

Paula secured 100% government funding to cover the cost of the Program and TWE has recently been selected as a finalist at the NZ Annual Safeguard Awards for the Program.

This initiative has created a team of Vintrepreneurs who are now fully engaged with safety and our business as a whole. We are therefore very proud to call Paula a Vintrepreneur Icon.

REVITALISING A MUCH LOVED VINEYARD TO DELIVER EXCEPTIONAL WINES



John Garduno
*Vineyard Manager,
United States*



Talk to John and his passion for our vineyards is immediately apparent. Ask him about Knights Valley and its turnaround, and you'll soon understand why the wines taste so good and are so widely celebrated today.

In 2009, John was asked to expand his role as Manager of Asti Vineyard to include Knights Valley (also in Sonoma County, California). He accepted the challenge and turned his attention to the new task at hand.

Under his stewardship, John and his team's hard work and focus on key viticultural practices has unlocked the true potential of our Knights Valley Vineyard. As a result of improved irrigation strategies, timely canopy management and targeted nutritional inputs, the wine grapes which we produce in Knights Valley today are loaded with plush tannins, dark berry flavours, good structure and length. In addition to the other wine grapes that make up the Beringer Knights Valley wines, John led his team to grow the fruit that comprises the 2009 Knights Valley Reserve Cabernet Sauvignon, which was named by *Wine Spectator* as the #8 Wine of the Year in 2012.

John's commitment to quality in the vineyards of Knights Valley has meant that today we have unprecedented demand for these wines. His role modelling of our behaviours, his passion, his leadership and love for the vines of Knights Valley make him a true Icon.

OPERATING AND FINANCIAL REVIEW



Commitment to making wine to a quality, not a quantity, is core to our strategy of building exceptional brands.

BUSINESS OVERVIEW

Treasury Wine Estates (TWE) is a leading international wine business, with a portfolio of luxury, mass-prestige (masstige) and commercial wines¹, selling more than 32 million 9L cases and generating reported net sales revenue of \$1.66 billion (\$1.69 billion before material items) in the year ended 30 June 2013.

With a portfolio of more than 80 brands, including wines from Australia, the US, New Zealand and Italy, TWE comprises four regional business units: Australia & New Zealand (ANZ); Europe, Middle East & Africa (EMEA); the Americas; and Asia. TWE has production facilities in internationally recognised wine regions, including Australia, the US, New Zealand and Italy, and sources grapes from a mix of Company-owned, leased and third party vineyards.

GLOBAL INDUSTRY OVERVIEW

The fundamentals of the global wine industry are becoming more favourable for premium wine producers of scale and significance, such as TWE. Across the world, demand for luxury and masstige wine is increasing, and after several years of oversupply, the global supply and demand cycle is moving into balance.

According to Nielsen², value growth in key TWE markets is strongest in the luxury and masstige categories, with 8.4%³ value growth in the >\$20 category in Australia, 4.2%⁴ value growth in the >\$20 category in the US and 12.1%⁵ value growth in the >£8 category in the UK.

Wine consumption is increasing with per capita growth in wine consumption in the US and China outpacing the reduction in per capita consumption in Italy and France. This trend is expected to continue and importantly, demand is strongest at the premium price points in all key TWE markets.

STRATEGIES

In light of current and forecast global supply and demand dynamics for premium wine, TWE's core strategy is to:

- build exceptional brands;
- increase the production and supply of luxury and masstige wine;
- maintain the scale and efficiency of the commercial portfolio; and
- expand routes-to-market in new and existing markets and channels, both in Australia and internationally.

Build exceptional brands

Building exceptional brands is a key strategic platform for TWE. At a general level, 'everyday' brand building relates to investment in point-of-purchase price support and advertising and promotion, but importantly, market and consumer research and insights, development of TWE's in-market physical presence and consumer facing activities are also critical elements of TWE's brand building investment platform.

Commitment to making wine to a quality, not a quantity, together with active investment behind brands, is core to the strategy of building exceptional brands.

TWE is continually investing in new product development and innovation to ensure the Company remains at the forefront of evolving consumer tastes and preferences. Taking trusted brands to new consumer groups will drive TWE's strategic goal of building exceptional brands and fundamentally drive volume and sales growth.

Increasing the production and supply of premium wine

TWE is actively investing in increasing its long-term inventory of luxury and masstige wine. To increase the production and supply of premium wine, TWE is pursuing a range of options, under the banners of 'Project Uplift' and 'Project Soar' in Australia and the US, respectively. These initiatives involve land and vineyard acquisitions, improved optimisation of existing vineyards (i.e. planting the right varieties in the right areas) and further developing grower relationships.

1. TWE segments its wine portfolio into three price segments, commercial (RRP \$5–\$10), masstige (RRP \$10–\$20) and luxury (\$20+).
2. A global information and measurement company.
3. Nielsen Bottled wine MAT to 30 June 2013.
4. Nielsen MAT to 22 June 2013.
5. Nielsen MAT to 22 June 2013.

Increasing the production and supply of premium wine / continued

Given the inherent agricultural nature of the wine industry and long duration cycle, uplifting the production and supply of premium wine requires upfront investment and, in many cases, time. The time required from planting a luxury vineyard to selling the wine, and thereby realising a return on the investment, can be in excess of 14 years compared to commercial wine, which can be planted, harvested and released in less than five years. Bulk wine purchases for TWE's commercial brands will reduce this even further.

During FY13⁶, in addition to uplifting production capabilities in TWE-owned and leased vineyards, TWE acquired the remaining 50% share of the Matua Marlborough Winery in New Zealand, to support the rapidly growing global demand for New Zealand wines, and invested in 600 hectares of premium vineyards in South Australia and the Napa Valley.

TWE is a growth company and will continue to review all land and brand opportunities.

Maintaining the scale and efficiency of the commercial portfolio

TWE's commercial portfolio is critical to maintaining the efficiencies and scale of TWE's production and packaging asset footprint, while also generating between 20–30% of TWE's annual EBITs⁷.

During FY13, TWE continued to exit unprofitable commercial volume in key markets, such as the United Kingdom and New Zealand. To offset the impact of the reduction in commercial volume, TWE is actively seeking industry solutions, such as new packaging arrangements with third parties. Under a new arrangement with another domestic wine producer in Australia, TWE now packages wine for the third party producer in Australia and the third party producer packs wine for TWE in the United Kingdom. Having commenced in October 2012, this arrangement provided TWE with immediate, increased efficiencies in the supply network by utilising spare capacity in Australia.

Expand routes-to-market in new and existing markets and channels, both in Australia and internationally

TWE currently sells direct to market and through strategic distributors depending on the market structure and regulations.

TWE is continually considering new markets and channels within which to distribute its portfolio of wines. In addition to existing markets, TWE is exploring several emerging markets as potential avenues of growth.

In FY13, TWE established a team that is dedicated to increasing TWE's presence in the Global Travel Retail market. Of the total Global Travel Retail market, wine is estimated to comprise approximately 27%⁸ of the beverage alcohol segment, which presents opportunities for global wine companies with luxury and well-known brands.

Further, the rapid growth in the global online and Direct-To-Consumer category also presents opportunities for TWE to educate customers, create loyal brand buyers and generate additional sales either directly or via our retail and on-premise partners.

STRATEGIES FOR FUTURE FINANCIAL YEARS

TWE remains committed to investing in the business while maintaining credit metrics consistent with an investment grade credit profile. Increasing the production and supply of luxury and masstige wines will underpin the Company's ability to satisfy growing consumer demand for branded, premium wines and will help protect the Company from the financial impacts of future, adverse vintage variation.

Three of the four TWE Regional business units are currently tracking according to the growth plan. In the Americas, TWE has taken decisive actions to address the US inventory levels, which is expected to impact FY14 by up to \$30 million. The actual EBITs impact will primarily be determined by TWE's depletions performance over the year. With many variables in FY14, TWE has provided EBITs guidance in the range of \$230 million and \$250 million for FY14. The guidance accommodates the reduction in shipments in the US and prevailing Australian dollar spot rates at the time of announcement⁹.

Other factors impacting TWE's future financial performance are the expected benefit of increased supply of luxury and masstige wine from the 2012 Australian and Californian vintages available for sale in FY14 and beyond.

Also in FY14, TWE plans to significantly increase brand building investment, which includes, discounts and rebates, trade marketing and advertising and promotional spend designed to further enhance the strength of TWE's brand portfolio and drive volume and sales growth.

Beyond FY14, TWE believes that its strong brands will continue to appeal to consumers who seek authentic brands they can trust to deliver consistently on quality. TWE will continue to seek growth opportunities for these brands in new markets and channels.

6. FY11 is the financial year ended 30 June 2011; FY12 is the financial year ended 30 June 2012; FY13 is the financial year ended 30 June 2013; FY14 is the financial year ended 30 June 2014; FY15 is the financial year ended 30 June 2015.

7. Earnings before interest, tax and SGARA and material items.

8. The IWSR.

9. Spot exchange rates as at 19 August 2013.

VINTAGE UPDATE

The 2013 Australian vintage was excellent for TWE. Growing conditions were generally drier and hotter than in recent years. TWE's intake of masstige and luxury fruit in 2013 is in line with the 2012 intake and TWE is particularly pleased by the size and quality of the intake of popular varieties, including South Australian and Victorian Shiraz.

After a challenging 2012 vintage, the 2013 vintage in New Zealand was also excellent. Optimal weather and growing conditions throughout the season contributed to New Zealand's largest vintage on record, with total yield up 28% on the prior year. TWE is very pleased with its high quality intake from key growing regions, notably Marlborough, Central Otago and Hawkes Bay.

The 2013 Californian vintage has commenced approximately three weeks earlier than prior years, with unusually hot then mild temperatures combining to drive this earlier than normal season. TWE expects the quality of the 2013 vintage to be consistent with the 2012 vintage, with yields in line with long-term seasonal average.

MATERIAL BUSINESS RISKS

The material risks faced by TWE that are likely to have an effect on the financial prospects of TWE as outlined in the Strategies for Future Financial Years section of this Operating and Financial Review (OFR), and how TWE manages these risks include:

Agricultural factors

Winemaking and grape growing are subject to a variety of agricultural factors beyond TWE's control, such as disease, pests and extreme weather conditions. Additionally, the long lead times involved in crafting the wine years before the actual sale of the wine makes forecasting difficult for wine makers. To the extent that any of the foregoing impacts the quality and quantity of grapes available to TWE for the production of its wines, the result of the operations could be adversely affected.

The weather-affected 2011 vintages in both Australia and California are examples of how vintage variation impacts earnings, resulting in a significant reduction in the supply of luxury and masstige wines available for sale in FY13 and an overall increase in cost of goods sold of \$2.09 per case.

In the short term, TWE manages vintage variation by operating a flexible grape sourcing model; sourcing fruit from a variety of geographic locations and sources, such as TWE-owned and leased vineyards, third party grower contracts and the bulk wine market.

From a long-term, strategic perspective, growing inventory of luxury and masstige wines will enable TWE to be better positioned to smooth the impact of year to year vintage variation by building inventory in favourable years and drawing on it in unfavourable years.

Foreign exchange rate movements

TWE is exposed to foreign exchange risk from a number of sources, namely from the export of Australian produced wine to key offshore markets, namely in the North American and EMEA regions. Foreign exchange rate movements impact TWE's earnings on a transactional and a translational basis.

To partially manage the transactional exposures, TWE has been operating a risk management program since November 2011. Under this program, 52% of TWE's exports from Australia to the US are protected in the event that the Australian dollar moves above US\$1.06 in FY14, while approximately 48% of TWE's exports to the UK are protected if the exchange rate stays above £0.67 over the same period. Despite the recent depreciation in the Australian dollar, exporting commercial wine to the US and Europe remains challenging.

Third party distributor risk

TWE adopts a diversified route-to-market model, utilising owned distribution, third party distribution and retail. Routes-to-market vary by market. Further, in on-premise and off-premise channels, TWE partners with retailers and hospitality providers to offer and showcase its wine brands for sale. Generally, wholesalers and retailers also sell wines that compete with TWE. More recently, TWE has observed customers vertically integrating and selling wines, particularly lower priced private label wines, that directly compete with TWE's branded wines on shelf.

TWE cannot totally mitigate this risk. TWE's network of distributors and retailers is a critical route-to-market, and TWE actively works with its distributor partners around the world to maintain healthy and mutually agreeable commercial arrangements.

Competition

TWE operates in a competitive business environment in Australia and internationally. Each of the markets in which TWE operates is characterised by competition on the basis of quality, price and brand awareness, which can be heightened during periods of grape oversupply. Consequently, TWE's financial performance, revenues and market share may be adversely affected by the actions of its competitors, such as price discounting or increased marketing initiatives, and TWE's response to such actions.

Portfolio and cost structure misalignment

Wine sales are affected by consumer preferences which drive industry trends for different types of wines. This may involve varieties or the geographic origin of wines. If there is a decline in consumer preferences for a particular varietal, TWE may not be able to respond quickly due to the lead time required to switch grape varieties, which in turn, may result in excess inventory and a subsequent bulk wine and finished good write down. Wine production asset utilisation may also be adversely impacted, and when a major change is required, even changes to TWE's footprint.

Regulation

TWE's business is highly regulated in many markets in which it sells its products. These regulations govern many parts of its operations, including the manufacturing, marketing, advertising, distribution and sales of TWE's products. The alcohol industry in a particular market could be subjected to changes or additions to existing regulations, which could increase the cost of goods or restrict TWE from selling or marketing its products.

OPERATIONS AND FINANCIAL POSITION REVIEW¹

TWE Profit and Loss²

A\$M	REPORTED CURRENCY			CONSTANT CURRENCY ³	
FOR THE TWELVE MONTHS ENDED 30 JUNE	2013	2012	CHANGE	2012	CHANGE
Volume (m 9L cases)	32.1	31.8	0.9%	31.8	0.9%
Net sales revenue	1,688.7	1,640.8	2.9%	1,642.0	2.8%
<i>Net sales revenue/case (\$)</i>	52.67	51.66	2.0%	51.69	1.9%
Other revenue	71.9	39.8	80.9%	41.1	75.2%
Total revenue	1,760.7	1,680.6	4.8%	1,683.1	4.6%
Cost of goods sold	(1,181.8)	(1,100.0)	(7.4)%	(1,104.4)	(7.0)%
<i>Cost of goods sold/case (\$)</i>	36.86	34.63	(6.4)%	34.77	(6.0)%
Gross profit	578.9	580.6	(0.3)%	578.7	—
Gross profit margin	34.3%	35.4%	(1.1)ppts	35.2%	(0.9)ppts
Cost of doing business ⁴	(369.6)	(370.4)	0.2 %	(371.1)	0.4 %
<i>Cost of doing business margin</i>	21.9%	22.6%	0.7ppts	22.6%	0.7ppts
EBITS	209.2	210.2	(0.5)%	207.6	0.8%
EBITS margin (% of NSR)	12.4%	12.8%	(0.4)ppts	12.6%	(0.2)ppts
SGARA	3.8	(23.4)	NM ⁵	(24.4)	NM
EBIT	213.0	186.8	14.0%	183.2	16.3%
Net finance costs	(14.4)	(6.3)	(128.6)%	(6.5)	(121.5)%
Profit before tax	198.6	180.5	10.0%	176.7	12.4%
Tax expense	(58.7)	(60.7)	3.3%	(62.4)	5.9%
Net profit after tax (before material items)	139.9	119.8	16.8%	114.3	22.4%
Material items (before tax)	(154.7)	(40.0)		(40.3)	
Tax on material items	57.5	9.9		10.2	
Material items (after tax)	(97.2)	(30.1)	NM	(30.1)	NM
Minority interests	(0.4)	0.2	NM	0.2	NM
Net profit after tax	42.3	89.9	(52.9)%	84.4	(49.9)%
Reported EPS (cents)	6.5	13.9	(53.2)%		
SGARA (after tax)	2.7	(15.5)	NM	(15.8)	NM
Net profit after tax (before material items & SGARA)	136.8	135.5	1.0%	130.3	5.0%
EPS (before material items & SGARA) (cents)	21.1	20.9	1.0%		
Average no. of shares (millions)	647.2	647.2			

1. Financial information in this report is based on the audited financial statements. Non-IFRS measures have not been subject to audit or review.

2. NSR, Cost of goods sold and Cost of doing business are stated pre material items.

3. 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.

4. Cost of doing business calculated as Gross profit less EBITs.

5. Not meaningful.

Exchange rates: Transactional cash flows are calculated using spot exchange rates on the day of the relevant transaction.

Average exchange rates used for translational purposes in 2013 full year results are: \$A1 = \$US 1.0274 (2012: \$A1 = \$US 1.0317),

\$A1 = GBP 0.6552 (2012: \$A1 = GBP 0.6511). Period end exchange rates used for balance sheet items in 2013 full year results are:

\$A1 = \$US 0.9282 (30 June 2012: \$A1 = \$US 1.0033), \$A1 = GBP 0.6084 (30 June 2012: \$A1 = GBP 0.6467).

SGARA: Australian Accounting standard AASB141 'Agriculture'.

RECONCILIATION TO STATEMENT OF COMPREHENSIVE INCOME

A\$M

FOR THE TWELVE MONTHS ENDED 30 JUNE	REFERENCE	2013
EBIT	TWE Profit and Loss – page 18	213.0
Material items before tax		(154.7)
Profit before tax and finance costs	Statement of Profit or Loss and Other Comprehensive Income – page 72	58.3

GROUP OPERATIONAL PERFORMANCE¹⁰

Volume

Total volume was 32.1 million cases, up 0.3 million cases, driven by growth in ANZ and Asia volume, partially offset by lower volume in the Americas and EMEA.

Net sales revenue

Net sales revenue increased 2.9% to \$1,688.7 million on a reported currency basis or 2.8% on a constant currency basis. Growth in net sales revenue reflects increased volume in ANZ, while in Asia, higher net sales revenue was driven by both increased volume and an increased allocation of the 2013 Penfolds luxury and icons. Lower net sales revenue was reported in the Americas and in EMEA, driven by lower volume.

Net sales revenue per case on a constant currency basis increased \$0.98, or 1.9%, driven by pricing and mix in the Americas, Asia and EMEA.

Cost of goods sold

Cost of goods sold increased \$2.09 per case, driven by the weather-affected 2011 vintages in both Australia and California. As expected, the increase in cost of goods sold adversely impacted all TWE regions.

Cost of doing business margin

Cost of doing business margin decreased 0.7ppts to 21.9%, driven by no accruals for the FY13 short-term incentive payments (STIP), further supported by ongoing benefits from TWE's Acting Profitably program, which is focused on new sources of revenue, process improvements and efficiency.

EBITS

EBITS of \$209.2 million was down 0.5% on a reported currency basis and up 0.8% on a constant currency basis.

SGARA

The SGARA gain of \$3.8 million in the current year was principally driven by a favourable Californian 2012 vintage coming off a very challenging 2011 vintage, with the SGARA gain of \$2.0 million in the Americas, reversing the prior year's loss by \$18.5 million on a reported currency basis.

An increase in grape prices and solid overall yields in Australia and New Zealand were the drivers of positive SGARA \$1.8 million (versus a prior year loss of \$6.9 million on a reported currency basis).

Material items

A material item expense of \$154.7 million before tax was reported.

As part of action taken by TWE to reduce distributor inventory days in the US, TWE raised a \$33.8 million provision (cash impact in FY14) for the destruction of aged and obsolete US distributor inventory and a \$38.1 million provision (cash impact in FY14) to accelerate depletions of current excess inventory at distributor warehouses in the US. Additionally, TWE booked an \$82.4 million (non-cash) net realisable value write-down for finished goods and bulk wine.

Other material items reported in FY13 include a fair value gain on the acquisition of the remaining 50% share of Matua Marlborough New Zealand Winery of \$7.9 million, lease termination costs principally relating to two vineyards as a result of the demerger from Foster's Group of \$5.3 million and restructuring and redundancy costs of \$3.0 million.

Net profit after tax

Net profit after tax for FY13 was \$42.3 million, and reported EPS was 6.5 cents per share. Net profit after tax (before material items and SGARA) was \$136.8 million, and EPS on the same basis was 21.1 cents per share.

Dividend

The Directors have declared a final dividend of 7 cents per share, unfranked, bringing the full year dividend to 13 cents per share.

As a result of the demerger from Foster's Group, TWE is required to reset the cost base of all assets of the Australian tax consolidated group based on relative market values as at the date of demerger. This is expected to result in the receipt of tax refunds during FY14, which will drive TWE's franking account into deficit as at 30 June 2014. Refunds will be recognised in the form of tax offsets, which will be available to offset TWE's future tax liability. TWE expects to pay unfranked dividends in FY14 and FY15.

10. All movements are in respect to the previous corresponding period.

REGIONAL INSIGHTS AND OPERATIONAL PERFORMANCE

AUSTRALIA & NEW ZEALAND



A\$M	REPORTED CURRENCY			CONSTANT CURRENCY	
FOR THE 12 MONTHS ENDED 30 JUNE	2013	2012	CHANGE	2012	CHANGE
Volume (m 9L cases)	8.6	8.0	6.5%	8.0	6.5%
NSR	600.8	574.1	4.7%	575.9	4.3%
NSR per case (A\$)	70.22	71.43	(1.7)%	71.65	(2.0)%
EBITS	110.1	109.0	1.0%	109.4	0.6%
EBITS margin	18.3%	19.0%	(0.7)ppts	19.0%	(0.7)ppts

REGIONAL INSIGHTS

TWE continues to be the leading supplier of premium wine brands in Australia, with 21% bottled market share¹¹.

Australia is the home market of TWE's flagship brands including Penfolds, Wolf Blass, Pepperjack and Wynns Coonawarra Estate. The challenging 2011 vintage in Australia underpinned some significant shortfalls in these popular brands in the first half of FY13. Furthermore, the lower volumes and higher cost of crafting these wines resulted in a 5.9% increase in COGS per case in the region on a constant currency basis.

In Australia, TWE adopts a multi-channel distribution approach, selling wine through retail chain stores as well as a network of independent retailers and on-premise across Australia.

Having outperformed the market in the key Christmas trading period, depletion momentum accelerated in the second half of FY13, underpinning a 15.6% increase in TWE's volume. While volume growth was reported across all customers, the cost of doing business with the major Australian retailers is increasing and TWE is actively reallocating brand building investment to support that growth.

The New Zealand wine category is in growth in all key markets and TWE is investing to ensure that it is well positioned to satisfy the growing global demand for these wines. In FY13, global exports of TWE's New Zealand exports grew by 48%. To support TWE's growth objectives for the New Zealand portfolio, TWE acquired the remaining 50% share of the Matua Marlborough Winery in New Zealand which provided an immediate uplift in production capacity.

RESULT HIGHLIGHTS

Strong depletion momentum in the second half of FY13 underpinned a 6.5% growth in volume. TWE outperformed market volume and value growth by 5.8ppt and 3.1ppts, respectively,¹² in FY13, led by key brands including Wolf Blass, Matua and Annie's Lane.

Volume in the New Zealand market was lower than the prior year driven by the exit from unprofitable price points during the year.

Lower net sales revenue per case reflects increased allocation of the 2013 Penfolds release to alternate markets – notably Asia – and higher costs of doing business with major Australian retailers, partially offset by portfolio-wide price increases.

EBITS of \$110.1 million, up marginally on the prior year, reflects the lower cost of doing business driven by the reallocation of brand building investment from marketing and promotion to point-of-purchase trade support, together with a reduction in overheads, partially offset by significantly higher COGS per case, as a result of the 2011 vintage in Australia; up 5.9% on a constant currency basis.

11. Nielsen, MAT June 2013, total bottled wine market in Australia.

12. Nielsen, 26 weeks to June 2013.

AMERICAS



A\$M	REPORTED CURRENCY			CONSTANT CURRENCY	
FOR THE 12 MONTHS ENDED 30 JUNE	2013	2012	CHANGE	2012	CHANGE
Shipments (m 9L cases)	15.4	15.7	(1.6)%	15.7	(1.6)%
Depletions (m 9L cases)	15.0	15.4	(2.7)%	15.4	(2.7)%
NSR	704.0	707.5	(0.5)%	710.9	(1.0)%
NSR per case (A\$)	45.69	45.20	1.1%	45.42	0.6%
EBITS	66.8	79.0	(15.4)%	78.1	(14.5)%
EBITS margin	9.5%	11.2%	(1.7)ppts	11.0%	(1.5)ppts

REGIONAL INSIGHTS

The Americas region comprises TWE's US, Canadian, Latin American and Caribbean businesses and represents approximately half of TWE's overall shipments.

Market dynamics in the US remain challenging. In FY13, TWE had 11% less US-sourced luxury wine to sell due to supply constraints resulting from the weather-affected 2010 and 2011 Californian vintages. With a current strong weighting to commercial wine, repositioning the portfolio in the US towards the luxury and masstige segments is a key strategic priority.

In FY13, TWE remains focused on shifting the Beringer portfolio more towards the masstige segment with the launch of the Distinctions Series, within which Beringer Knights Valley is a flagship wine. TWE is also focusing new product development on upstream line extensions, exemplified by Quantum and Luminus. Quantum was awarded 92 points by both the *Wine Advocate* and *Wine Spectator* magazines and was already fully allocated on the first day of release.

Strategic off-premise accounts in the US represent more than half of TWE's total depletions¹³, making execution in this segment of the market vital. In FY13, TWE's performance in key strategic accounts in the US was impacted by role vacancies in the first half of the year. These vacancies have been filled and a new partnering approach has been embedded that is focused on consumer activities and winning at the point of purchase.

Slower than expected depletions of TWE's tactical brands, combined with distributor inventory levels already being at the upper-end of the acceptable range, improved distributor logistics and warehousing and optimistic new product development demand forecasts resulted in TWE taking immediate action to reset the inventory base in the region.

In FY13, TWE announced a \$154.3 million provision comprising \$33.8 million for the destruction of old and obsolete wine at distributor warehouses; \$38.1 million for the accelerated depletion of current, excess commercial wine at distributors and an \$82.4 million write-down to net realisable value of excess finished goods and bulk wine.

Canada remains an important export market for TWE's Australian brands and is an exciting export opportunity for TWE's US and New Zealand portfolio.

RESULT HIGHLIGHTS

Lower shipments of commercial inventory in the US and an 11% reduction in US-sourced luxury wine available for sale in FY13. Shipments exceeded depletions in the US by circa 450k cases principally due to optimistic new product development demand forecasts and slower moving tactical brands.

Marginal uplift in net sales revenue per case principally reflects price increases on supply-constrained luxury wines.

Lower EBITs principally reflect lower shipments in FY13, and increased COGS from the 2011 vintages in Australia and California.

13. Depletions refers to volume movement from a distributor partner to an on-premise or off-premise retailer.

REGIONAL INSIGHTS AND OPERATIONAL PERFORMANCE / CONTINUED

EUROPE, MIDDLE EAST & AFRICA (EMEA)



A\$M	REPORTED CURRENCY			CONSTANT CURRENCY	
FOR THE 12 MONTHS ENDED 30 JUNE	2013	2012	CHANGE	2012	CHANGE
Volume (m 9L cases)	6.7	6.9	(3.1)%	6.9	(3.1)%
NSR	248.5	253.0	(1.8)%	249.4	(0.4)%
NSR per case (A\$)	37.08	36.56	1.4%	36.04	2.9%
EBITS	16.0	5.7	180.7%	4.4	263.6%
EBITS margin	6.4%	2.3%	4.1ppts	1.8%	4.6ppts

REGIONAL INSIGHTS

The EMEA region includes the United Kingdom, 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.

TWE sells directly to large retail chains in the UK and Denmark, while in the Nordics, TWE distributes directly to governments, which control the marketing and sale of alcohol.

While the UK has been an important driver of commercial volumes for TWE in the past, TWE has more recently focused on growing profitable and sustainable volume, having exited sales and channels where it did not make commercial sense. As a result, the region is now returning profits.

Leveraging TWE's strong customer relationships, TWE sold a record number of cases through the Impulse channel in the UK in FY13. Largely underpinned by the performance and brand health of Lindeman's, TWE outperformed the market by volume and value by 8.9% and 9.1%, respectively¹⁴. The impulse channel represents an exciting avenue for future profitable growth in the UK.

The UK is Europe's largest consumer of fine wine, with the value of annual consumption estimated to be £1.1 billion (5.0 million cases)¹⁵, of which approximately 3% is Australian wine. In FY13, TWE sold a record number of luxury and icon wines through its traditional retail channels and worked closely with Bibendum, the UK's largest on-premise distributor of fine wine.

The Nordics is a profitable but mature market for TWE. The Australian wine category is in decline and with a significant market share in the Australian category, TWE has not been immune. In response, TWE has been working on a range of exciting new initiatives to address the health of the Australian category in these markets, as well as actively seeding brands from other supply regions, notably California and New Zealand.

RESULT HIGHLIGHTS

Volume was lower in FY13 due to the planned exit from unprofitable sales in the first half, while comparable second half volume increased 7.3%. Strong second half volume growth reflects increased distribution breadth, enhanced relationships with key retail customers, particularly in the UK, improving brand health – notably Wolf Blass and Lindeman's – and investment in sales and marketing capability.

Net sales revenue per case increased 2.9% on a constant currency basis, reflecting profitable volume growth, favourable mix and price increases on luxury wines.

EBITS improved \$11.6 million to \$16.0 million on a constant currency basis, with margin expansion underpinned by improved in-market execution and continued focus on cost management.

14. Nielsen MAT June 2013.

15. TWE estimate.

ASIA



A\$M FOR THE 12 MONTHS ENDED 30 JUNE	REPORTED CURRENCY			CONSTANT CURRENCY	
	2013	2012	CHANGE	2012	CHANGE
Volume (m 9L cases)	1.4	1.2	20.8%	1.2	20.8%
NSR	135.4	106.2	27.5%	105.8	28.0%
NSR per case (A\$)	97.14	92.00	5.6%	91.66	6.0%
EBITS	54.5	41.2	32.3%	40.2	35.6%
EBITS margin	40.3%	38.8%	1.5ppts	38.0%	2.3ppts

REGIONAL INSIGHTS

Asia is an exciting region for TWE, already representing 26% of company earnings. Low per capita consumption, growing household affluence and increasing interest in luxury red wine underpin the favourable market fundamentals and outlook for TWE's wine portfolio.

Key markets for TWE in Asia are Singapore, Hong Kong, Malaysia, Thailand, China, Japan, Taiwan and Korea. TWE remains focused on penetrating the luxury wine market in Asia.

More than half of TWE's sales in Asia are through the off-premise channel, and are largely through modern retailers with western retail formats. The remaining volume is sold through a mix of on-premise and travel retail channels, with a focus on the premium hotel, restaurant and duty free stores.

TWE's expansion in Asia to date has been limited by supply constraints of premium wine. While in the early stages of investing in increased production of premium wine, TWE is strongly focused on seeding its premium brands in Asia by reallocating wine from established markets. In FY13, TWE executed a global strategy to increase the allocation of the 2013 Penfolds release into Asia, with Penfolds volume and NSR in the region increasing 38% and 45%, respectively, in FY13.

Investment in brands in Asia is focused on direct consumer engagement. In FY13, while brand building was very focused on the 2013 Penfolds release, TWE also invested in its physical presence in the region, participated in all major wine fairs, hosted more than 20 winemaker visits, increased the number of gift boxes in Hong Kong and China by 40K, and nearly doubled the number of tasting events in South East Asia.

The outlook for Asia in FY14 is for continued growth. TWE will continue to increase brand building efforts in Asia and will allocate investment resources to this dynamic and highly competitive market. In FY14, TWE plans to increase brand building in the region by circa 70% to support future volume growth.

RESULT HIGHLIGHTS

Strong volume growth, up 20.8%, driven by an increased allocation of the 2013 Penfolds release to Asia to meet growing consumer demand, expanded distribution (new markets and distributors) and investment in new sales channels in China. Combined Hong Kong and China volume grew 39% and Japan volume up 23%, contributing to TWE's outperformance in key Asian markets.

Higher net sales revenue per case reflects confluence of favourable mix, price increases and unprecedented levels of demand for the 2008 vintage Grange across the region.

Strong EBITs growth, up 35.6% on a constant currency basis and 32.3% on a reported currency basis. Uplift in EBITs margin despite increased brand building investment in research and insights, increased consumer focused activities and continued investment in sales and marketing capability.

CORPORATE

Corporate costs were \$38.2 million in FY13 compared with \$24.5 million in the prior period. The increase in corporate costs principally reflects the establishment of a standalone IT function.

Other Expenses includes \$7.0 million of unrealised time value loss on option derivatives under the Group's foreign exchange risk management program that hedges a portion of forecast transactional exposures relating to Australian exports. Under current accounting standards (AASB 139), reporting entities are required to separate the intrinsic value and time value of an option. AASB 139 requires that movements in time value are recognised in the Consolidated Income Statement.

The unrealised loss that has been recognised in the current period is non-cash, relates to option derivatives with maturity dates beyond FY13. TWE's foreign risk management program resulted in a \$71k benefit to current year cost of goods sold and \$303k cash outflow (including option premium paid of \$361k) during FY13.

Subject to final deliberations by the IASB, it is expected that changes to the treatment of the time value component on option derivatives, namely the issue of the IFRS9 Exposure Draft, will align the accounting with the underlying economic exposure that is being hedged. This will enable such movements to be deferred (along with the intrinsic value) in the foreign currency translation reserve, with any realised cash flow from the option derivatives to be recognised in cost of goods sold.

BALANCE SHEET

A\$M

AS AT	30 JUN 2013	30 JUN 2012	CHANGE
Cash and cash equivalents	10.8	28.6	(17.8)
Receivables	460.9	447.6	13.3
Current inventories	714.5	711.5	3.0
Non-current inventories	446.0	362.5	83.5
Property, plant and equipment (PP&E)	1,024.4	931.1	93.3
Agricultural assets	227.1	195.6	31.5
Intangible assets	1,009.9	932.6	77.3
Tax assets	228.9	200.3	28.6
Other assets	5.7	11.0	(5.3)
Total assets	4,128.2	3,820.8	307.4
Payables	480.0	464.0	16.0
Borrowings	225.0	64.2	160.8
Tax liabilities	314.4	293.2	21.2
Provisions	91.9	58.6	33.3
Other liabilities	9.0	1.5	7.5
Total liabilities	1,120.3	881.5	238.8
Net assets	3,007.9	2,939.3	68.6

Net assets increased by \$68.6 million for the year ended 30 June 2013.

The increase in net assets was principally driven by continued investment in the production of luxury wine, with non-current inventory increasing by \$83.5 million and total inventory increasing by \$86.5 million. TWE also invested in IT systems, other PP&E and agricultural assets in FY13.

Working capital increased during the year, principally driven by an increase in total inventory and foreign exchange impacts.

Reported net debt at 30 June 2013 was \$210.9 million, an increase of \$176.5 million from \$34.4 million at 30 June 2012. Had the uncommitted receivable purchasing agreement not been available, the net debt and debtors would have been \$122.6 million higher at 30 June 2013 (\$23.8 million higher at 30 June 2012). Net assets would be unchanged in both years.

A\$M

NET DEBT AS AT	30 JUN 2013	30 JUN 2012	CHANGE
Borrowings	225.0	64.2	160.8
Cash	(10.8)	(28.6)	17.8
Loans to other persons	(3.3)	(1.2)	(2.1)
Net debt	210.9	34.4	176.5

BALANCE SHEET / CONTINUED

Under the A\$500 million committed multi-currency revolving term debt facility (with A\$200 million which is undrawn, maturing in April 2014 and A\$300 million maturing in April 2016), the undrawn committed amount stands at A\$274.9 million.

On 8 August 2013, TWE entered a new committed revolving term debt facility, totalling US\$250 million, with US\$170 million maturing in August 2016 and US\$80 million maturing in August 2018.

CASH FLOW

A\$M

FOR THE 12 MONTHS ENDED 30 JUNE	2013	2012	CHANGE
EBITS	209.2	210.2	(0.5)%
Depreciation and amortisation	76.8	67.7	
EBITDAS	286.0	277.9	2.9%
Change in working capital	(143.2)	(9.8)	
Other items	14.0	(0.1)	
Net operating cash flows before financing costs, tax and material items	156.8	268.0	(41.5)%
Cash conversion¹	54.8%	96.4%	(41.6)ppts
Capital expenditure	(124.3)	(81.4)	
Net investment expenditure	(67.0)	(2.6)	
Total investment expenditure	(191.3)	(84.0)	
Asset sale proceeds	3.5	0.9	
Cash flows after net capital expenditure, before financing costs, tax and material items	(31.0)	184.9	
Net interest paid	(14.7)	(6.8)	
Tax paid	(23.2)	(59.9)	
Cash flows before dividends and material items	(68.9)	118.2	
Dividends paid/distributions to minority interests	(84.1)	(78.0)	
Cash flows after dividends before material items	(153.0)	40.2	
Material item cash flows			
operating	(5.8)	(21.7)	
investing	1.2	34.4	
Total material item cash flows	(4.6)	12.7	
Loans to other parties (including investment sale proceeds)	(2.0)	3.2	
Share repurchase (employee share plan)	(4.5)	(2.8)	
Borrowings acquired	(9.9)	—	
Debt revaluation and foreign exchange movements	(2.5)	(16.0)	
(Increase)/decrease in net debt²	(176.5)	37.3	
Reconciliation to Statement of Cash Flows			
Net operating cash flows before financing costs, tax and material items	156.8	268.0	
Net interest paid	(14.7)	(6.8)	
Tax paid	(23.2)	(59.9)	
Net operating cash flows before net capital expenditure and material items	118.9	201.3	
Material item cash flows – operating	(5.8)	(21.7)	
Net cash flows from operating activities	113.1	179.6	
Cash conversion, including operating material items	52.8%	88.6%	

1. Cash conversion (Net operating cash flows before financing costs, tax and material items divided by EBITDAS).

2. Reconciliation to Total cashflows from activities per Statutory Statement of Cashflows of \$(24.3) million: increase in net debt of \$(176.5) million adjusted for FX movements of \$2.5 million, adjusted for net proceeds and repayments of borrowings of \$139.8 million as per the Statutory accounts adjusted for borrowings acquired of \$9.9 million.

CASH FLOW / CONTINUED

Net debt increased \$176.5 million to \$210.9 million, principally due to capital and investment expenditure of \$191.3 million and an increase in working capital.

Total capital and investment expenditure in FY13 was \$191.3 million. Capital expenditure of \$124.3 million is in line with guidance. Capital expenditure included investment in IT systems (\$33 million), increased oak purchases (\$20.2 million), and winery and vineyard upgrades (collectively, \$57.2 million).

Investment expenditure (acquisitions) of \$67.0 million relates to the purchase of premium vineyards in South Australia and the Napa Valley and the purchase of the remaining 50% of the Matua Marlborough New Zealand winery.

The increase in working capital of \$143.2 million principally reflects the cash flow impact of increased non-current inventory and reduction in payables, including nil STIP for FY13. The balance sheet movement in net working capital related balances (based on year end exchange rates) is lower than the \$143.2 million cash flow impact (based on average exchange rates) due to a lower AUD used for translation. This is partially offset by inventory write-downs and related accruals.

Relative to the prior year's movement, the increase in working capital in FY13 was significantly higher principally driven by the working capital benefit in FY12 from the build-up of creditor balances following the demerger of TWE from Foster's in May 2011, the absence of a STIP provision in respect of FY13 and the continued investment in non-current inventory.

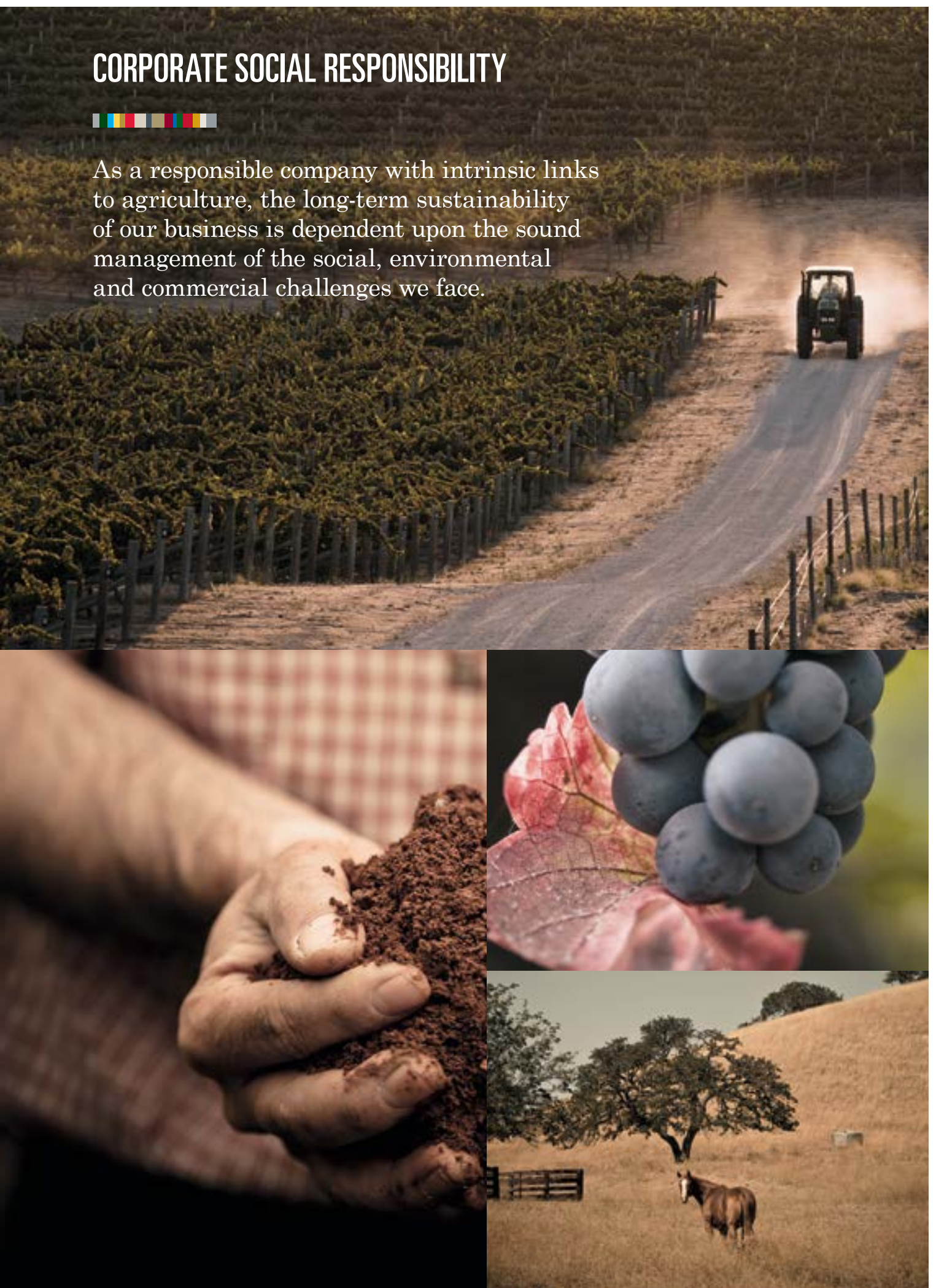
The debtors sale facility (non-recourse basis) has provided a circa \$100 million operating cash flow benefit in FY13, with a second half benefit of circa \$70 million from the sale of debtor balances relating to increased sales of luxury and icon wines in the final quarter of FY13.

Capital expenditure in FY14 is expected to be in the range of \$100 million – \$130 million.

CORPORATE SOCIAL RESPONSIBILITY



As a responsible company with intrinsic links to agriculture, the long-term sustainability of our business is dependent upon the sound management of the social, environmental and commercial challenges we face.



CORPORATE SOCIAL RESPONSIBILITY (CSR)

Our CSR strategy, targets and supporting activities seek to establish TWE as a positive force in the communities where we operate. Only by successfully managing environmental and social risks, both now and in the future, can TWE drive commercial sustainability, competitive advantage and community engagement.

Our five-year CSR strategy, defined in FY12, is underpinned by a set of guiding CSR Principles, detailed on page 29. The strategy concentrates on four strategic priorities, which reflect the scope of our CSR programs and 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.

PRIORITIES IN FY14

To ensure that the CSR program remains commercially relevant and focuses attention on those areas of most material importance, a series of reviews were undertaken during FY13, overseen by TWE's Global CSR Council. As a result of these reviews, in FY14 we have prioritised our CSR activity on four key areas:

- Advancing alcohol education and responsible consumption in the wine category.
- Safeguarding the sustainability of our supply chain.
- Supporting our people as agents of change in their communities.
- Creating a diverse and inclusive Vintrepreneurial culture.

These key activity areas are underpinned by a continued focus on efforts to ensure the safety of our people and communities, improving the resource efficiency of our operations and driving meaningful collaboration and partnerships with key external stakeholders.

These priority areas provide TWE with greater scope and opportunity to effect positive and meaningful change. Our focus on alcohol education and responsible consumption acknowledges the inherent responsibility we have as a producer and marketer of wine to our communities and consumers. Safeguarding sustainable supply reflects increasing stakeholder expectation for transparency around the social and environmental impact of our operations and those of our suppliers. It also reflects a continued focus on the impacts of climate change and adaptation measures taken within our business to produce wines under changing climatic conditions. Supporting our people as agents of change builds upon our efforts in FY13 and celebrates the strong connection our people have to their local and global community. Driving a diverse and inclusive work environment is an integral part of our Vintrepreneurial culture and will serve to broaden our collective knowledge, giving us a competitive edge in the regions and markets where we operate. It will help TWE understand and better connect with our customers, consumers and each other.

Key objectives and targets for FY14 and performance against our FY13 plans are detailed on pages 32 to 33.

GOVERNANCE

The Global CSR Council, chaired by the CEO, continues to provide the executive oversight and assessment of delivery against our CSR strategy. The Council comprises eleven senior executive representatives from our geographies and operations globally, and receives updates on progress three times per year.

In addition, 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 Councils occurred 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 FY13, the global Diversity and Inclusiveness Council, established in FY12, continued to evolve as a global forum to identify opportunities to enhance the diversity of TWE's workforce, coordinate diversity initiatives and to measure progress over time. For further detail on our Diversity & Inclusion Program, please refer to pages 34 to 35.

Note: the CSR data presented in this report covers the Company's operations globally, excluding our recently acquired Matua Marlborough winery in New Zealand unless otherwise stated.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

The HSE program, covering our direct operations, continued to develop and produce strong results in FY13, with our Recordable Case Injury Frequency Rate (RCIFR) reducing from 14.9 to 12.7 (as at 30 June 2013), which represents a 14.8% improvement against FY12 performance.

We continue to focus on HSE programs that address high risk hazards within our organisation and industry, and support these programs through 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 risk management practices, audit results, incidents, trends and other relevant information are shared with senior management, the Risk, Governance and Compliance Council and the Board on a monthly basis to ensure transparency and oversight on our HSE practices. In FY13, we enhanced our HSE Management Systems and Audit Program for launch in FY14 to ensure that we continue to improve and remain a leader in wine industry health, safety and environment risk management. In FY14, we will be focusing on lost time injury frequency rate (LTIFR). This is a more meaningful metric to track and provides greater insight into what is happening within the business to deliver the desired safety culture.

CSR GUIDING PRINCIPLES

Our CSR Guiding Principles describe what we stand for and how we operate across our global communities.

PRINCIPLE 1	PRINCIPLE 2	PRINCIPLE 3
We believe that we should lead the wine industry in corporate social responsibility, and this defines how we operate across our value chain • Across the value chain, the decisions we make in the course of running our business consider environmental and social implications. • We assess these implications and their effects on our key stakeholder groups, including our growers, suppliers, our operations, customers and consumers, and we take a balanced approach. • We track and report this information, authentically and transparently. We communicate it regularly as part of our business reporting (that means the good with the bad). • We take an active role in shaping our industry to move it forward.	We protect and enhance the people and places around us, creating a well and connected community. • We are a company comprised of many communities. We want them to be well and socially connected. • The responsible consumption of our products enhances social connection. • We do not support the abuse of our product in any market in which we operate. We take on this tough task and we work tirelessly to educate and inform our consumers of this. We are in it for the long term. • We care about and value our people. We want a safe, inspired and informed group of people working with us.	We use as little as we need, as efficiently as we can. • As custodians of our lands, we look to make a positive contribution to the communities in which we operate. • We know that energy and water are limited resources, and we will use them as efficiently as we can. • We are continuing to maintain our focus on reducing the carbon emissions from across our value chain. • Through design and education, we support making our packaging the most recoverable it can be. • We do not want any waste, anywhere.



FY13 ACHIEVEMENTS

TWE delivered a solid performance against the CSR strategy in FY13. A summary of key achievements is provided in the table below.

INITIATIVE	KEY FY13 ACHIEVEMENTS
Responsible consumption of alcohol	✓ Supported industry labelling efforts promoting the responsible consumption of alcohol.
Third party sustainable certification for Company-owned and operated vineyards and wineries	✓ Certification received for 100% of ANZ and US vineyards and wineries ¹ .
TWE community investment program – ‘Agents of Change’	✓ A\$1.075 million of value delivered to our communities globally through volunteering, grants, matched giving and cause-related marketing efforts within our Agents of Change program.
Diversity and Inclusion	✓ Achieved 14.75% volunteering participation rate against a baseline of 0%.
Workplace safety	✓ Launched the Diversity and Inclusion survey to identify areas of importance to our people for focus in FY14.
Supply chain social and environmental risk management	✓ Reduced RCIFR by 14.8%.
Employee engagement on CSR	✓ Established and communicated the TWE Responsible Procurement Code.
Consumer engagement on CSR	✓ Achieved 86% awareness level of core CSR programs.
	✓ Expanded our CarboNZero™ wines, launching the 900 Grapes range. This range joins our Squealing Pig range certified in FY12.

1. Wineries within the scope of this initiative are those producing more than 2,100 cases of wine per year. Wineries and vineyards acquired during the reporting period are also excluded.

METRIC	UNIT OF MEASURE	FY13 ¹	FY12	FY11 ²
Environment				
Energy Efficiency	MJ/9Le ³	11.3	13.6	13.3
Water Efficiency	L/9Le	37.4	38.8	35.4
Total Energy Consumed ⁴	GJ	514,480	525,736	498,497
Total Water Consumed ⁵	ML	27,522	17,576	13,676
Total CO ₂ -e Emissions ⁶	Tonnes CO ₂ -e	64,123	64,326	62,347
Total Solid Waste Generated ⁷	Tonnes	52,980	49,334	51,539
% Solid Waste to Recycling ⁷	%	95.58	93.99	93.60
Social				
RCIFR	RCI/million hours worked	12.7	14.9 ⁸	17.6
% Women in the Workforce ⁹	%	37.2	36.3	36.7

1. Due to timing requirements of reporting, a portion of our June 2013 environmental performance data for energy, water, waste and carbon emissions has been estimated. Similarly, as a portion of our June 2012 data was estimated to align with business reporting timelines last year, numbers presented in our FY12 Annual Report have been updated here with actual data.
2. FY11 data has been updated with revised estimates and actual data where available.
3. 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. It also includes Australian volumes packaged under contract.
4. Includes all wineries, packaging centres and company-owned vineyards. Does not include energy consumed from offices, cellar doors or tool of trade fleet.
5. Includes all wineries, packaging centres and company-owned vineyards. Does not include water consumed 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. Includes all wineries, packaging centres and company-owned vineyards. Does not include waste generated from offices or cellar doors.
8. There was an adjustment to the closing FY12 RCIFR due to a change in status of some injuries that occurred during the FY12 year that were not yet accounted for at the time of the 30 June 2012 reported figure. These were in relation to injuries that were initially reported as minor or first aid, but later became Lost Time Injuries or Medical Treatments due to surgery or additional treatments performed at a later date and therefore had to be backdated into the FY12 data.
9. The FY12 Annual Report disclosed that the proportion of the female population in the Company increased from 37% to 38.2%. This data included casuals, which is not aligned with our headcount definition due to the seasonal nature of the Company's casual workforce. The Company has determined that a true statistical analysis is best reached by excluding these casual employees, hence a re-statement of previously reported FY11 and FY12 figures.

Year on year comparison of environmental performance metrics within the wine industry is challenging. Resource consumption is heavily influenced by highly variable and regionally specific vintage and climatic conditions. For example, rainfall, flooding and temperature variations can significantly impact water consumption rates in irrigated areas. Similarly, energy consumed for frost protection and heating and cooling loads in production facilities is also highly variable and influenced by climatic conditions and vintage volumes.

Data presented here details overall performance across our operations. In FY13 over 95% of water consumed by TWE occurred in the vineyards, with approximately 63% consumed by our ANZ vineyards and 33% by vineyards in the US. Operations in EMEA represented just 0.02% of TWE's total water consumption. Our winery and packaging operations, where our energy and water efficiency metrics track performance, consumed approximately 4.35% of our recorded FY13 total water consumption.

Our vineyard operations in Australia recorded significantly higher volumes of water consumption during the reporting period. The grapevine growing season runs approximately from September–October through to March–April each year. The 2012–13 growing season was extremely hot and dry, requiring elevated supplementary irrigation in the vineyards to adapt to these conditions. Vastly reduced rainfall recorded in all months from October to February compounded these conditions. All months from October to February in Australia recorded hotter than average temperatures, in the order of 1.6°C

above the long-term average¹. Additionally, water consumption data for recently acquired vineyards in Australia has also been reported within FY13 data, contributing to elevated absolute water consumption.

US winery and packaging operations reported a 28% improvement in water efficiency², TWE-wide water efficiency increased by 3.58% driven largely by these improvements in the US operations and increases to our Australian production volume.

Energy consumption is dominated by our winery and packaging operations, with those in ANZ consuming 48% of TWE's FY13 total energy consumption, while those in the US consumed 22%. Similarly, these operations constitute in the order of 77% of TWE-wide carbon emissions. Operations in EMEA represented just over 0.6% of TWE's total energy consumption.

US operations recorded a 33% improvement in energy efficiency in the last year. Overall, TWE operations recorded a 17% improvement in energy efficiency in FY13 against FY12 performance, reflecting the efforts of our US wineries and packaging centre and additional efficiencies gained through increases to Australian production volumes. Reported weight of total waste generated increased by 7%, driven largely by increases to organic waste. Waste material to landfill, however, decreased by 21% in FY13 against reported FY12 volumes. Over 95% of waste generated by our operations is reused or recycled.

1. Source: Bureau of Meteorology.

2. Efficiency refers to water or energy consumed per unit case produced.

OUR COMMITMENT TO SUSTAINABLE FARMING



Our commitment to sustainable farming has resulted in 100% of company-owned and operated vineyards and wineries¹ across Australia, New Zealand and California achieving sustainable certification by independent third parties. In Australia, our operations are certified under Freshcare Environmental, meeting the requirements of EntWine™²; in New Zealand, we are certified to the Sustainable Winegrowing New Zealand program; operations in California are certified under the California Sustainable Winegrowing Alliance, the Sustainability in Practice program and/or the Napa Green Certified Land and Winery program.

1. Producing over 2,100 cases of wine per year.

2. EntWine™ is the Winemaker's Federation of Australia's environmental assurance scheme.

FY14 OBJECTIVES AND TARGETS

In accordance with our CSR strategy and four strategic priorities, we have developed the following FY14 objectives and targets shown below. ★ indicates those activities that fall within our FY14 key activity area.

FY14 KEY ACTIVITY AREA	FY14 TARGET	FY13 PERFORMANCE	FY13 TARGET
Sustainability			
Objective: Third party sustainable certification for Company-owned and operated vineyards and wineries in ANZ and US			
★ Safeguarding the sustainability of our supply chain	Maintain certification for company owned and operated operations Extend engagement across grower suppliers	Achieved	100% ¹ by 30 June 2013
Objective: Ongoing improvements in resource efficiency			
	Implement identified projects, and quantify savings Explore options for increasing use of renewable energy	US – achieved. Water efficiency increased by 28% while energy efficiency increased by 33% in FY13 against FY12 levels AUS – energy efficiency improvement projects identified and included in FY14 capital works program. Grant received from AUS government to support activity	Regions to continue with resource efficiency programs: US – targeting 30% water & energy efficiency improvement by 30 June 2014 against the 1 July 2011 baseline AUS – focused on implementation of resource efficiency projects to improve efficiency against the 1 July 2012 baseline
Objective: Implementation of Responsible Procurement Code & Process focusing on environmental practices of suppliers			
★ Safeguarding the sustainability of our supply chain	Extend integration of Responsible Procurement Code within supplier and procurement process targeting Tier 1 and 2 suppliers	Responsible Procurement Code and evaluation process incorporated into requests for tender during FY13	Adoption of Responsible Procurement Code and processes across key suppliers globally
Objective: Assess the environmental impact of our packaging			
	Review pilot outcomes for permanent integration within assessment process Quantify benefits of planned and completed lightweighting initiatives	Pilot process established	Implementation of global assessment process across current and new product development
Responsibility			
Objective: Enhance positive OH&S culture			
	Targeting LTIFR of <5 ²	RCIFR at end June 2013 = 12.7, which equates to a 14.8% improvement over the year. Whilst this did not achieve the stated target, of RCIFR = 10, it did meet the internally set CEO target of 10% improvement against FY12 performance	Achieve RCIFR ³ of 10.
Objective: Support our people as agents of change in their communities			
★ Supporting our people as agents of change in their communities	30% volunteering participation rate	Achieved \$1.075m of value delivered 14.75% volunteering participation rate	Deliver \$1m value to our communities globally 12% volunteering participation rate

1. Wineries within the scope of the target are those producing more than 2,100 cases of wine per year.

2. LTIFR = Lost Time Injury Frequency Rate. This is a more meaningful metric to track and provides greater insight into what is happening within the business to deliver the desired OH&S culture. This also aligns with industry standards enabling further opportunity to benchmark TWE performance against industry peers should this be desired by management.

3. The RCIFR is a rolling rate based on the number of recordable case injuries against the number (millions) of man-hours worked.

FY14 KEY ACTIVITY AREA	FY14 TARGET	FY13 PERFORMANCE	FY13 TARGET
Responsibility / continued			
Objective: Implementation of Responsible Procurement Code & Process focusing on the social practices of our suppliers			
★ Safeguarding the sustainability of our supply chain	Extend integration of Responsible Procurement Code within supplier and procurement process targeting Tier 1 and 2 suppliers	Responsible Procurement Code and evaluation process incorporated into requests for tender during FY13	Adoption of Responsible Procurement Code and processes across key suppliers globally
Objective: Promote the responsible consumption of alcohol			
★ Advancing alcohol education and responsible consumption in the wine category	Develop an employee facing alcohol education and ambassador program and implement globally Communicate guidelines and policy to employees	Socially Responsible Marketing Guidelines and Responsible Alcohol Policy drafted Supported industry labelling efforts promoting the responsible consumption of alcohol Maintained representation on industry bodies focused on responsible consumption of alcohol – Drinkaware (UK) and DrinkWise (AUS)	Drive awareness and education on responsible consumption with internal and external audiences Deliver and embed Socially Responsible Marketing Guidelines within our internal processes
Governance			
Objective: Diversity and Inclusion			
★ Creating a diverse and inclusive Vintrepreneurial culture	Establish program supporting flexible work practices Improve diversity in leadership	The retention rate of female employees across the Company improved by 6.9ppts, from 78.5% to 85.4% The proportion of female employees in the Company increased by 0.9ppts, from 36.3% to 37.2% Female representation in senior management roles increased by 2.7ppts, from 16.4% to 19.1% The percentage of female candidates in the recruitment process increased by 0.2ppts, from 36.6% to 36.8%	Diversity Council to prioritise and drive progress against nominated objectives
Objective: Undertake external CSR stakeholder engagement survey			
	Seek external stakeholder feedback on CSR program	Activity deferred to FY14. Full value of this initiative would be better achieved once the CSR program had been in place for a year. Achieved internal awareness level of 86% across core CSR programs	100 stakeholders globally surveyed on TWE's CSR strategy & objectives
Objective: Develop CSR Lead Indicator Tool based on Global Reporting Initiative (GRI) metrics and undertake benchmarking exercise			
	Achieve GRI C level rating	Activity deferred to FY14. Full value of this initiative would be better achieved once the CSR program had been in place for a year	Achieve GRI C level rating
Commercial⁴			
Objective: Improve investor environment social governance (ESG) communications			
	Identify environmental project for natural capital impact assessment	Maintained listing on FTSE4GOOD Index ⁵ Completed Carbon & Water Disclosure reports ⁶	5% improvement in FTSE4GOOD rating Improved score on Carbon Disclosure Project submission

4. In FY13 we set a target to implement a project evaluation tool. Upon review, it was agreed to not create an additional tool, rather to utilise the existing project review processes for relevant projects.

5. Score for FTSE4GOOD unavailable at the time of reporting.

6. Performance against our recently submitted Carbon Disclosure and Water Disclosure reports was not available at the time of reporting.

DIVERSITY AND INCLUSION



We are a company of Vintrepreneurs as diverse as our wines and the people who enjoy them.



FY13 OBJECTIVES AND INITIATIVES

The following diversity objectives were set for FY13:

- Increase the proportion of female employees in the Company.
- Increase female representation in senior management roles.
- Increase the percentage of female candidates in the recruitment process, as well as the retention of female employees across the Company.

In an effort to achieve the above objectives, various diversity initiatives were undertaken throughout FY13, including:

- Evolution of the global Diversity and Inclusion Council, established in FY12 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.
- Launch of a diversity and inclusion survey to the business, and determination of FY14 focus areas that are important for our employees.
- Establishment of a global women's networking group, 'Women in Wine', with the aim of supporting, educating and inspiring women at all levels of our organisation.
- Improving the Diversity and Inclusion Policy.

FY13 PROGRESS

The following outcomes were achieved against the above objectives for the reporting period:

- Retention rate of female employees across the Company improved by 6.9ppts, from 78.5% to 85.4%.
- Proportion of female employees in the Company increased by 0.9ppts, from 36.3%¹ to 37.2%.
- Female representation in senior management roles increased by 2.7ppts, from 16.4% to 19.1%.
- Percentage of female candidates in the recruitment process increased by 0.2ppts, from 36.6% to 36.8%.

The percentage improvement in female representation across the business, in senior management roles and in the recruitment process was not achieved. In light of this, for FY14, the proposed objectives have been developed in conjunction with supporting internal metrics to track progress, and planned actions and initiatives, to ensure these objectives are achieved.

In addition, we note that the proportion of women on the Board (excluding executive directors) decreased from 20% (1 in 5) in FY12 to 14% (1 in 7) in FY13. This is due to the dilution of the female population through the growth of the Board in appointing three additional non-executive directors on 1 September 2012, all of whom were male. These appointments were made as the particular skills of these directors were considered essential to ensure the Board has the appropriate skills and experience to support the Company's strategic aims. The Board will continue to review its structure and membership to ensure that it meets business requirements and will endeavour to progress Board diversity in the future.

FY14 OBJECTIVES

The Diversity and Inclusion survey identified the following FY14 diversity focus areas:

1. Flexible work practices; and
2. Improving gender diversity in leadership.

The FY14 measurable objectives aim to build on the Company's current initiatives, reflect the Company's needs and are directly linked to achieving progress in the focus areas identified in the diversity and inclusion survey.

The FY14 objectives are as follows:

Increase Flexible Work Practices:

- Increase awareness and understanding of the Flexible Work Practice policy by November 2013.
- Implement a program for senior leaders to educate them on Flexible Work Practices by December 2013 and cascade communication to all leaders and employees in the business by June 2014.

Increase Gender Diversity in Leadership

- Achieve at least one suitably qualified female at short list for interview in leadership roles by November 2013.
- Achieve a 25% increase in the number of females in leadership roles by the end of FY15, from 32% to 40%.

The Company will support the achievement of the above objectives through regular tracking and periodic updates to Management and the Human Resources Committee.

FY14 INITIATIVES

The following programs and initiatives are planned for FY14, to support the above objectives:

- Conduct employee focus groups on the above areas.
- Promote Flexible Work Practices and parental leave policies to employees.
- Provide training to support leaders and employees utilising Flexible Work Practices and parental leave policies.
- Conduct an annual employee opinion survey encompassing Diversity and Inclusion.
- Develop talent management, leadership development and mentoring/coaching programs to support the diversity in leadership objectives above.
- Develop promotion and recruitment guidelines.
- Annual pay equity analysis and actions to reduce gender pay gap.
- Implement Diversity and Inclusion targets in executive (direct reports to the CEO) key performance objectives.

1. The FY12 Annual Report disclosed that the proportion of the female population in the Company increased from 37% to 38.2%. This data included casuals, which is not aligned with our headcount definition due to the seasonal nature of the Company's casual workforce. The Company has determined that a true statistical analysis is best measured by excluding these casual employees. The FY12 data is re-stated to exclude casuals, which shows the proportion of the female population had decreased marginally in FY12 from 36.7% to 36.3%.

BOARD OF DIRECTORS



Paul Rayner BEc, MAdmin, FAICD
Chairman

Member of the Board since May 2011. Chairman since 1 September 2012. Mr Rayner is an independent Director.

Chair of the Nominations Committee.

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

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 Committee of Boral Limited.

Warwick Every-Burns AMP, Harvard University
(Advanced Management Program 1996)

*Chief Executive Officer, Executive Director
(since 23 September 2013)*

Non-Executive Director (until 23 September 2013)

Member of the Board since May 2011. Chief Executive Officer since 23 September 2013. Mr Every-Burns was an independent Director until 23 September 2013.

Chairman of the Human Resources Committee (until 23 September 2013).

Member of the Audit & Risk and Nominations Committees (until 23 September 2013).

Mr Every-Burns was appointed Chief Executive Officer of Treasury Wine Estates on an interim basis on 23 September 2013. Mr Every-Burns previously worked for over 30 years in the consumer packaged goods sector. Most recently, he was President of International Business and a member of the Worldwide Executive Committee, of The Clorox Company, a NYSE listed, S&P 500 business with a market capitalisation of circa US\$11 billion. He was based at The Clorox Company's headquarters in the United States for over five years and has a deep understanding of brands and brand marketing. Mr Every-Burns began his career at Unilever; is a former Managing Director of Glad Products of Australia & New Zealand and is currently on the Advisory Council of the Frontier Strategy Group.

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

Member of the Board since May 2011.
Mrs Cattermole is an independent Director.

Member of the Audit & Risk, Human Resources and Nominations Committees.

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

Ed Chan BA/Ec, MS
Non-Executive Director

Member of the Board since 1 September 2012.
Mr Chan is an independent Director.

A Hong Kong resident, Mr Chan is currently Vice Chairman of Charoen Pokphand Group and a director of Hong Kong-listed CP Lotus. From 2006 to 2011, he was the President and CEO of Wal-Mart China. He has also held senior positions with Dairy Farm, including his last position as North Asia Regional Director, as well as leading the Bertelsmann Music Group business in Greater China. Mr Chan began his career as a consultant with McKinsey & Co, working in both Hong Kong and the United States.

Michael Cheek B.BA (Hons)

Non-Executive Director

Member of the Board since 1 September 2012.
Mr Cheek is an independent Director.

Member of the Human Resources Committee.

Mr Cheek is an American resident who has held prior roles as Chairman of Finlandia Vodka Worldwide for the Brown-Forman Corporation and also as a non-executive director for Glenmorangie. His career spans over ten years with Brown-Forman in executive roles, including President, Global Spirits Group and President, North American Spirits. Mr Cheek also spent over nine years with the Coca-Cola Company in senior positions in both The Wine Spectrum and in Coca-Cola USA. He is a member of the Board of Advisers of the privately owned Jose Cuervo Co.

Peter Hearl B Com (UNSW), MAIM, GAICD, Member – AMA

Non-Executive Director

Member of the Board since February 2012.
Mr Hearl is an independent Director.

Member of the Human Resources Committee and Chairman since 23 September 2011.

Member of the Audit & Risk Committee.

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 and New Zealand listed company Goodman Fielder Limited and a member of the UNSW's Australian School of Business Alumni Leaders Group. Mr Hearl is also honorary Chairman of the US based UNSW Study Abroad-Friends and US Alumni Inc.

Garry Hounsell BBus(Acc), FCA, CPA, FAICD

Non-Executive Director

Member of the Board 1 September 2012.
Mr Hounsell is an independent Director.

Chairman of the Audit & Risk Committee and Member of the Nominations Committee.

Mr Hounsell is an Australian resident and currently Chairman of PanAust Limited; he also holds directorships with Qantas Airways Limited, Dulux Group Limited and Ingeus Limited. Mr Hounsell is also Chairman of Investec Ltd's Global Aircraft Fund and on the Advisory Council of Rothschild Australia. He is a former director of Orica Limited, Freehills and Nufarm Limited and has held senior positions at Ernst & Young and Arthur Andersen. Mr Hounsell succeeds Paul Rayner as Chair of TWE's Audit and Risk Committee.

David Dearie

*Chief Executive Officer, Executive Director
(until 23 September 2013)*

Member of the Board since May 2011.
Chief Executive Officer since May 2011.

Mr Dearie was appointed Chief Executive Officer of Treasury Wine Estates on 9 May 2011. He has extensive experience in alcohol beverage companies, most recently Managing Director, Australia and New Zealand Wine for Foster's Group Limited and prior to this, Managing Director, Western Europe and Africa for Brown-Forman. Mr Dearie started his career with Whitbread and Co in various business development and sales roles before joining Inchcape in sales and marketing roles, rising to Regional Director South East Asia.

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 2013, 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 the Company’s 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.

Until 23 September 2013, the Board had eight members, with seven non-executive directors (including the Chairman) and one executive director. Following the resignation of David Dearie from the Board, the Board currently has seven members, with six non-executive directors (including the Chairman) and one executive director.

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

.....
Paul Rayner – Chairman

.....
Warwick Every-Burns – Chief Executive Officer
(since 23 September 2013)

.....
Lyndsey Cattermole, AM

.....
Peter Hearl

.....
Garry Hounsell

.....
Ed Chan

.....
Michael Cheek

.....
David Dearie – Chief Executive Officer
(until 23 September 2013)

.....
Details of the respective directors’ qualifications, tenure, directorships of other listed companies, experience and other responsibilities are provided on pages 36 to 37 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 judgement 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 the Chief Executive Officer (who is an executive director), all 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 judgement 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, appointment and re-election of 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 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:

RESPONSIBILITIES AND DUTIES	OBJECTIVES		
	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 or 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	Garry Hounsell (Chair) Lyndsey Cattermole Warwick Every-Burns Peter Hearl	Paul Rayner (Chair) Lyndsey Cattermole Warwick Every-Burns Garry Hounsell	Warwick Every-Burns (Chair) Lyndsey Cattermole Peter Hearl Michael Cheek
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 Hounsell 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 are consistent with the needs of the Company to ensure it achieves 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). • Approve all new employee incentive plans and amendments to existing plans.

	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 47 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, including in the current year. 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 2001*.

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 (if provided under the Committee Charter), as the case may be;
- a Committee – from the Committee Chairman (if provided under the Committee Charter);
- the Chairman – from the Chairman of the Audit and Risk Committee, or otherwise from another director.

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

The Company 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 personnel. This ethical framework provides the foundation for the maintenance and enhancement of the Company's reputation.

The Company'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, the Company:

- 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

The Company has adopted a Whistleblower Policy (the 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 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

The Company 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 the Company, 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 Human Resources 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 (the 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'. In the case of directors and members of the Wine Leadership Team:

- They 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, approval must be sought prior to any sale or purchase:
 - 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, including buying and selling Company shares in a three-month period or the use of forward contracts unless prior approval is obtained from the Chairman (or in the case of the Chairman, a director chosen by the Board for that purpose).

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

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

This commitment will not only enrich the Company's culture, but will also serve to broaden our collective knowledge and give us a competitive edge in the marketplace. It will help us to understand and connect more effectively with our customers, communities and each other.

The Company has adopted the ASX Principles on diversity. The Board has committed to reviewing and assessing progress against the Company's diversity and inclusion objectives annually. To that end, the Company is pleased to report progress made in FY13, along with our FY14 measurable objectives, which can be found on pages 34 to 35.

The Company's Diversity and Inclusion Policy can be found on our website.

4.6 Risk management

The Board has approved a Risk Management Policy (the Policy) and a Risk and Assurance Framework (the Framework) to oversee and manage risk.

The Policy provides guidance and direction on the management of risk in the Company and states the Company's commitment to the effective management of risk to reduce uncertainty in the Company's business outcomes.

The Risk and Assurance Framework 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 Policy and Framework, which are both posted on the Company's website, acknowledge that all employees have a role in managing risk and in particular they are encouraged to report incidents, hazards and risks. 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.

The Chief Executive Officer and Chief Financial Officer have provided a written declaration to the Board, in accordance with the Corporations Act 2001, confirming that:

- the Company's financial records have been properly maintained;
- the Company's financial statements and notes to the financial statements give a true and fair view and comply with the relevant accounting standards;
- the Company's financial statements are founded on a sound system of risk management and internal control, which operates effectively in all material respects in relation to financial reporting risks; and
- the risk management and internal controls, which implements the policies adopted by the Board, have been operating efficiently and effectively, in all material respects, during the financial 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.

The Company will review the lead audit partner of the external audit firm at least once every five years. 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.

A summary of the Company's guidelines relating to the selection, appointment and re-election of its external auditor is posted on the Company's website.

Internal audit

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

Internal audit uses a risk-based methodology, including the use of the organisation's risk assessment program, in setting the annual internal audit plan. In performing their work, internal audit have unrestricted access to review all aspects of the Company's operations.

Internal audit operates under a Charter approved by the Board. 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

The Company 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 (the 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. The Company also holds periodic briefing sessions for directors and relevant employees on how the continuous disclosure obligations apply to the Company, 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.

The Company'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 the Company, nor can the directorship create an actual or potential conflict of interest with the Company's business interests.

4.10 Corporate Social Responsibility

The Company is committed to maximising positive and minimising negative social, environmental and economic impacts through its integrated approach to corporate social responsibility (CSR). The Global CSR Council establishes a range of objectives and targets to deliver against the Company's CSR Guiding Principles (the Principles). The Principles, detailed on page 29, 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 is detailed further on pages 32 to 33.

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 2013 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:

- Operating and Financial Review (OFR) on pages 15 to 26;
- Details of Company directors on pages 36 to 37; and
- Remuneration report on pages 51 to 71.

CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs that have occurred in the financial year.

PRINCIPAL ACTIVITIES

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

STATUTORY INFORMATION

The Group's consolidated financial statements have been presented for the financial year ended 30 June 2013 and appear on pages 72 to 122.

OPERATING AND FINANCIAL REVIEW

An OFR for the 2013 financial year is provided on pages 15 to 26.

DIRECTORS

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

	DATE OF APPOINTMENT	DATE OF RESIGNATION
Maxwell Ould (Chairman)	10 February 2011	1 September 2012
David Dearie (Managing Director)	5 November 2010	
Lyndsey Cattermole	10 February 2011	
Warwick Every-Burns	9 May 2011	
Paul Rayner (Chairman from 1 September 2012)	9 May 2011	
Peter Hearl	17 February 2012	
Garry Hounsell	1 September 2012	
Ed Chan	1 September 2012	
Michael Cheek	1 September 2012	

Particulars of the current directors' qualifications, experience and Board Committee responsibilities are detailed on pages 36 to 37.

COMPANY SECRETARY

The Company Secretary is Paul Conroy, LLB (Hons), B.Com. He has been the Company's Chief Legal Officer and Company Secretary since its listing in May 2011.

Mr Conroy has practised as a solicitor for 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 2013 financial year

DIRECTOR	BOARD MEETINGS ¹		AUDIT AND RISK COMMITTEE ¹		HUMAN RESOURCES COMMITTEE ¹		NOMINATIONS COMMITTEE ¹	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Maxwell Ould	3	3	—	—	1	1	—	—
David Dearie	10	10	—	—	—	—	—	—
Lyndsey Cattermole	10	10	5	5	5	5	2	2
Warwick Every-Burns	10	10	5	5	5	5	2	2
Paul Rayner	10	10	1	1	—	—	2	2
Peter Hearl	10	10	2	2	4	4	—	—
Garry Hounsell	7	7	4	4	—	—	—	—
Ed Chan	7	7	—	—	—	—	—	—
Michael Cheek	7	7	—	—	1	1	—	—

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 25 of the Financial Report.

DIVIDENDS

Interim Dividend: The Company paid an interim dividend of 6 cents per ordinary share on 17 April 2013. 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 unfranked and payable on 8 October 2013. The record date for entitlement to this dividend is 10 September 2013.

In summary:

	DIVIDEND PER SHARE	\$'000
Interim dividend paid on 17 April 2013	6 cents per share	\$38,833
Final dividend payable on 8 October 2013	7 cents per share	\$45,305
Total	13 cents per share	\$84,138

The Company paid shareholders a final dividend in respect of the 2012 financial year of A\$45,305,900.08.

EVENTS SUBSEQUENT TO BALANCE DATE

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

CORPORATE SOCIAL RESPONSIBILITY

Matters of environmental and social significance to the Group are addressed within the Corporate Social Responsibility (CSR) program, described in detail on page 28.

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 information on the Group's CSR program, Guiding Principles, achievements and initiatives, and the Company's approach to Occupational Health and Safety (OH&S) are detailed in our Annual Report.

ENVIRONMENTAL REGULATION

Management of environmental issues is a core element of the CSR program, detailed on page 29. 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 produced its inaugural NGER report as a standalone business under this Act in October 2012, covering the FY12 reporting year, and will similarly report in FY13.

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. The Global CSR Council, referred to above, provides the executive oversight of the Company's strategic approach to managing the environmental and social challenges it faces. Although the Company's various operations involve relatively low inherent environmental risks, matters of non-compliance are identified from time to time and are corrected. Where required, the appropriate regulatory authority is notified.

During the 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 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 \$100,000. Amounts paid or payable for audit and non-audit services are disclosed in note 28 of the Financial Report.

A copy of the auditor's independence declaration is set out on page 50 and forms part of this report.

INDEMNITIES AND INSURANCE

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

Each director of Treasury Wine Estates Limited has entered into a Deed of Indemnity, Insurance and Access (Deed) with the Company. Several members of the senior executive team have also entered into a Deed. No director or officer of the Company has received a benefit under an indemnity from the Company during the period ended 30 June 2013 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 30 August 2013.



Paul Rayner
Chairman



David Dearie
Chief Executive Officer

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the audit of Treasury Wine Estates Limited for the year ended 30 June 2013, 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
30 August 2013

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T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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REMUNERATION REPORT

INTRODUCTION

The Directors present the Remuneration Report of the Company and its controlled entities (the Group) for FY13, prepared in accordance with the requirements of the *Corporations Act 2001* (the Act). The Remuneration Report forms part of the Directors' Report.

All references to dollars in the Remuneration Report are to Australian dollars (A\$), unless otherwise specified.

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 consists of the leaders of the key global functions of the Group, 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 management team, setting the overall financial and strategic direction and goals of the Group, 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 in FY12 and meets monthly and on an ad hoc basis as necessary.

A list of all non-executive directors and executives during FY13 is presented in Table 1.1 below.

Table 1.1: Non-executive directors and executives

NAME	TITLE
Non-executive directors	
PA Rayner	Chairman <i>(appointed Chairman on 1 September 2012)</i>
ML Cattermole	Non-executive director
WL Every-Burns	Non-executive director
P Hearl	Non-executive director
G Hounsell	Non-executive director <i>(appointed on 1 September 2012)</i>
E Chan	Non-executive director <i>(appointed on 1 September 2012)</i>
M Cheek	Non-executive director <i>(appointed on 1 September 2012)</i>
M Ould	Former Chairman <i>(retired on 1 September 2012)</i>
Executives	
DCM Dearie	Chief Executive Officer
M Fleming	Chief Financial Officer <i>(exited on 1 July 2013)</i>
P Conroy	Chief Legal Officer
S McNab	Chief Supply Officer
M Collins	Chief Human Resources Officer <i>(appointed on 14 January 2013)</i>
B Williams	Chief Human Resources Officer <i>(exited on 1 July 2012)</i>

REMUNERATION SNAPSHOT

In October 2012, the Chairman of the Human Resources Committee engaged Ernst & Young (Australia) to undertake a review of the Company's remuneration framework to ensure that the current structures remain appropriate for the business. The review identified that the current remuneration framework is broadly aligned to the Company's key business drivers and market practice. No changes are anticipated to the remuneration framework applying to executives for FY14.

The Board considers that the Group's remuneration framework is:

- 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 while retaining key employees.

In light of the draft legislation dealing with proposed remuneration disclosure changes and as a matter of good corporate governance, the Group implemented a clawback policy in FY14 which applies to deferred incentives.

The key remuneration outcomes for executives in FY13 are summarised in Table 1.2 as follows:

Table 1.2: Remuneration framework summary

REMUNERATION ELEMENT	DETAILS
Fixed remuneration	In FY13, no executive received a fixed remuneration increase. No fixed remuneration increases are planned for FY14.
Short-term incentive structure (STIP)	The Group EBITs result for FY13 was 209.2 million, an increase of \$1.6 million in constant currency terms from the prior year result. As the threshold EBITs performance level of 5% constant currency EBITs growth on the prior year was not achieved, no FY13 STIP payment was made.
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 Restricted Share Plan, which was enhanced in FY13 to introduce the flexibility to offer participants rights (as an alternative to restricted shares) and was renamed the Restricted Equity Plan. The FY11 LTIP Demerger Offer 1 vested on 17 September 2012. 50% of awards vested based on achievement of the TSR growth hurdle (nil awards subject to the ROCE hurdle vested). No targeted Restricted Equity Plan awards were granted to executives in FY13. The Group has considered and will implement a global broad-based employee share plan on a phased basis from FY15.

The key remuneration changes for non-executive directors in FY13 are as follows:

- The non-executive director fee pool increased from \$1,750,000 per annum for FY12 to \$2,200,000 per annum for FY13, as approved by shareholders at the 2012 Annual General Meeting.
- In order to support the building of non-executive director shareholdings, the Group established the Director Share Acquisition Plan, to be funded by directors' after-tax fees, in FY13.

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.

The composition, membership and experience of each member of the Committee is detailed in the Board of Directors summary and corporate governance statement in the Annual Report.

The corporate governance statement in the Annual Report outlines the corporate governance framework for the Group. The Human Resources Committee Charter outlines the composition, duties and responsibilities of the Human Resources Committee, including the process for determining the remuneration in relation to the KMP, and is summarised in the corporate governance statement (Section 2.2). The Human Resources Committee Charter is reviewed annually to ensure the Committee's governance requirements are adequately captured and met.

As outlined in the corporate governance statement (Section 3.1), the Group has procedures in place for the reporting of any matter that may give rise to a conflict between the interests of a director and those of the Group. In addition, the Group has adopted a general policy for employees in relation to the disclosure and management of potential conflicts of interest (Section 4.3).

As outlined in the Charter, the Human Resources Committee has unrestricted access to management and external consultants, and the right to seek explanations and additional information from management. Management has provided advice and information to the Committee in line with its responsibilities. The Board's protocols in respect of the engagement of remuneration advisers are outlined in the next section.

Engagement of remuneration advisers

In FY11, the Board (through the Human Resources Committee) appointed Ernst & Young (Australia) (EY) as the lead remuneration adviser to utilise directly on an ongoing basis with respect to independent advice regarding executive remuneration. The Board also adopted a protocol and updated policies to ensure that any advice from consultants required to be provided directly to the Board is provided without undue influence by management. The arrangements made to ensure that any advice is free from undue influence include management not being able to attend Board meetings where remuneration recommendations are discussed.

The Human Resources Committee engaged EY in FY13 to review the Group's remuneration strategy and frameworks. The review included the provision of remuneration recommendations as defined in the Act. The fees paid to EY for the remuneration recommendations were \$276,040 (excluding GST).

In addition to providing remuneration recommendations, EY provided other services to the Group in FY13 (including advice in relation to taxation, internal audit, operations, technology and people matters) and was paid a total of approximately \$1.46 million (excluding GST) for services to the Group in FY13.

The Human Resources Committee also engaged Mercer Consulting (Australia) (Mercer) in FY13 to provide remuneration benchmarking advice in respect of the Group's executives. This advice included the provision of remuneration recommendations as defined in the Act. The fees paid to Mercer for the remuneration recommendations were \$29,400 (excluding GST).

In addition to providing remuneration recommendations, Mercer provided valuations of share-based payments (not involving remuneration recommendations) with fees of \$12,500 (excluding GST) over FY13 paid by the Group for these services.

Both EY and Mercer were engaged in accordance with the Act and the Company's protocols, and provided advice directly to the Committee through the Chairman. Both EY and Mercer provided a declaration of their independence from management. Both consultants and the Board are satisfied the remuneration recommendations were made free from undue influence from the KMP to whom the remuneration recommendations applied, as per the Company's protocols. Remuneration recommendations were provided to the Group as an input into decision-making only. The Board considered the recommendations, along with other factors, in making its remuneration decisions.

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.

Executive shareholding guidelines applying to each of the direct reports of the Chief Executive Officer (CEO) were introduced in FY13. Under the guidelines, each executive is encouraged to have control over ordinary shares in the Company that are worth at least the equivalent of one year's fixed remuneration. Executives are expected to meet the guideline over a reasonable period of time (approximately five years).

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, at stretch performance (presented as fixed: STIP stretch opportunity: LTIP maximum opportunity, as a proportion of 100%): • Chief Executive Officer: 22.2% : 33.3%¹: 44.5%. • Other executives: 25.0% : 37.5%¹ : 37.5%. If expressed at target performance, the remuneration mix is as follows (presented as fixed: STIP target opportunity: LTIP maximum opportunity, as a proportion of 100%): • Chief Executive Officer: 26.7% : 20.0%¹ : 53.3%. • Other executives: 30.8% : 23.1%¹ : 46.1%. For fixed remuneration, the Group’s policy aims to deliver around market median. 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)
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 focus on the Group’s global performance. The STIP arrangements provide eligible employees with the opportunity to earn an award if certain financial hurdles and agreed key performance 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 operates 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. • Restricted Equity Plan – allows the Board to make ad hoc offers of restricted shares or deferred rights 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 25 of the Financial Report.	–

1. The STIP stretch opportunity includes STIP Deferred Shares and assumes an individual multiplier of one is achieved. The STIP target opportunity is 50% of the stretch opportunity.

Table 2.1: Overview of executive remuneration / continued

REMUNERATION ELEMENT	SUMMARY	DISCUSSION IN REMUNERATION REPORT
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	Restricted Equity Plan 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 2013. The actual remuneration mix for executives will vary depending on the level of performance achieved at an organisational and individual level – see Table 5.2 for actual remuneration proportions for FY13.

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 CEO 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 their direct reports' remuneration arrangements annually, and submit their recommendations for approval by the CEO.

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;
- the scope of the role; and
- the level of knowledge, skills and experience required of the individual.

Different markets are considered relevant for different KMP roles. The Group looks at industry and general market peers, with key quantitative criteria applied (such as market capitalisation and revenue). Both Australian and global peers are considered, reflecting the complexity of roles in a global business and the Group's international lens on talent. Executive peer groups are reviewed regularly for accuracy and alignment with the nature of the business.

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 (wine allocations, event tickets, etc) as part of their Total Remuneration (inclusive of 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.

Fixed remuneration is generally reviewed on an annual basis in July–August, with any changes effective from 1 September. Executive roles were not subject to a fixed remuneration increase in FY13. KMP roles were benchmarked by Mercer Consulting in FY13, and no fixed remuneration increases are planned for FY14.

C. Short-term incentive plan

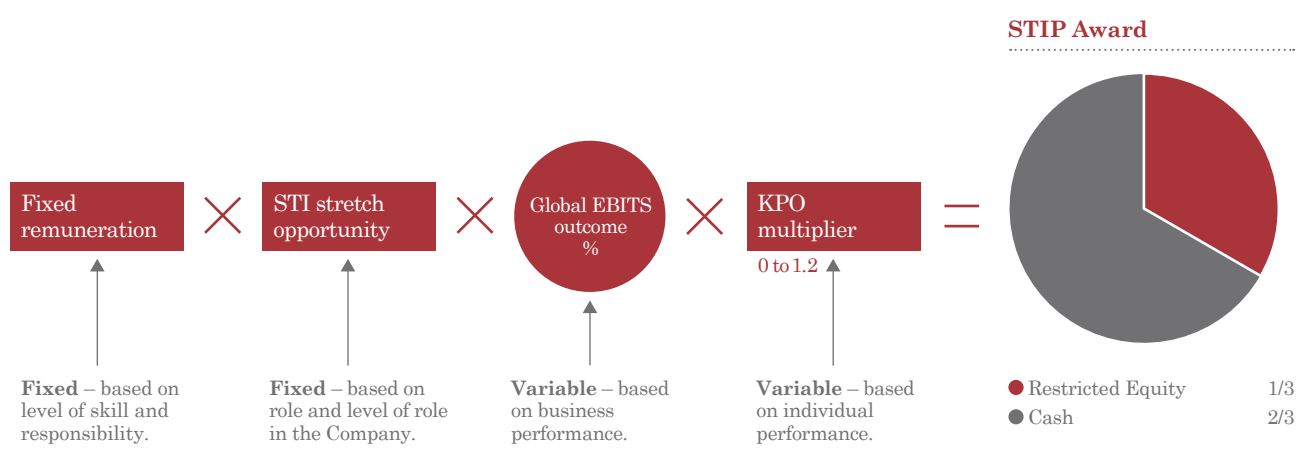
The STIP offered by the Group is linked to the achievement of predetermined Group and individual financial and non-financial performance measures. The STIP is designed to be simple to understand and affordable.

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

To generate a payment under the STIP, prior year constant currency EBITs performance must be exceeded by 5% (threshold). For threshold performance, vesting commences at 25%.

Diagram 2.1 below depicts the approved STIP methodology for executives:

Diagram 2.1 TWE STIP methodology for executives



The key terms of the FY13 STIP are summarised in Table 2.2 below.

Table 2.2: Terms of the FY13 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 operating profit defined as Earnings Before Interest, Tax and SGARA (EBITS), excluding material items. SGARA is excluded to reflect the abstract nature of the SGARA calculation, which does not take into account the Group's ability to value add to grapes through its supply chain. The Board believes that management should be incentivised on an earnings figure pre-SGARA so as to motivate management to maximise real returns. The Board has the discretion to assess the STIP outcome more holistically, considering both financial and non-financial outcomes in making any quality adjustments to the STIP outcome. The intention of the Board exercising its discretion is to ensure that any STIP Awards payable are appropriately aligned to TWE's underlying performance. 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 in the short term. Global EBITs was the sole financial measure for participants for FY13. The non-financial measures encompass individual KPOs, which include 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.

Table 2.2: Terms of the FY13 STIP / continued

STIP ELEMENT	DETAIL
STIP opportunity	For stretch EBITs performance, executives can earn up to 180% of fixed remuneration, which is achieved when the individual receives the highest performance rating (an individual multiplier of 1.2). 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 hurdles 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 Equity in the form of 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. The Board has absolute discretion as to whether participants retain their Restricted Shares upon ceasing employment, taking account of the circumstances of departure.
Cessation of employment	Cash award – Under the STIP guidelines for FY13, if an executive ceases employment with the Group before any STIP payments are made (i.e. September 2013), they are generally not entitled to receive any STIP payment. Restricted Equity – If the executive is dismissed for cause, tenders his/her resignation, is terminated for performance reasons (as determined by the Board) or commits an act that the Board deems to result in forfeiture, then any Restricted Equity will generally be forfeited.
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.

i. FY13 STIP targets

The EBITs targets for FY13 were set against prior year results. The Board sets the Group's STIP performance targets. The CEO'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 FY13 STIP, prior year constant currency EBITs performance must have been exceeded by 5% (threshold). For threshold performance, 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. Each of the CEO's direct reports and their leadership team meet to discuss preliminary performance ratings for their business unit. This calibration process seeks to ensure that each manager is applying a consistent interpretation of the ratings to individual performance.

See Section 4(B) for FY13 STIP outcomes.

ii. FY14 STIP targets

The Board has approved global EBITs growth rate targets applying to FY14, 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 FY14 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 FY13 LTIP are summarised in Table 2.3 below.

Table 2.3: Terms of the FY13 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 FY13 CEO LTIP offer received shareholder approval at the 2012 AGM, and the Group will seek shareholder approval at the 2013 AGM for a FY14 LTIP offer to the CEO.
Performance period	The three-year performance period for relative TSR and EPS CAGR is 1 July 2012 to 30 June 2015. 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 FY13 LTIP is subject to two performance measures which are weighted equally and assessed at the end of the performance period. The Board has chosen performance measures that align management's long-term interests with those of shareholders. These measures are considered consistent with market practice and 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 closely aligned to increases in shareholder value. EPS takes account of the Group's operating profit, capital structure and tax strategy over the medium term. The peer group for relative TSR comprises companies within the S&P/ASX 200 Index, <i>excluding</i> companies from the energy, metal and mining, real estate and finance Global Industry Classification Standards sectors (103 companies at the start of the performance period). This peer group was chosen as these organisations exhibit similar characteristics in terms, of business cyclicity, market capitalisation, stock volatility and business operations, and provide a sufficiently large population to minimise the risk of attrition. The relative TSR peer group remains relatively broad as there are too few industry peers (i.e. within the Consumer Goods/Distillers & Vintners subgroup) to make additional sector exclusions viable. 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 with the performance of other companies in the peer 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. 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, one-off non-recurrent items).

Table 2.3: Terms of the FY13 LTIP / continued

LTIP ELEMENT	DETAIL
Relative TSR vesting schedule	Group's relative TSR ranking in the peer group
	Below the 50th percentile
	At or above the 50th percentile but below the 75th percentile
	At or above the 75th percentile
EPS growth vesting schedule	% of Performance Rights subject to relative TSR measure which vest
	0%
	Straight line vesting between 50–100%
	100%
LTIP opportunity	% of Performance Rights subject to EPS measure which vest
	0%
	Straight line vesting between 0–100%
	100%
Cessation of employment	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 FY13, the number of Performance Rights in an individual's LTIP opportunity was based on the one-month average share price preceding 1 July 2012.
Change of control	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 is to occur, 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.
	To provide prima facie guidance as to how the Board anticipates exercising its discretion, the Board will ordinarily prorate awards, having regard to performance and time elapsed to the date of change of control.

i. FY13 LTIP awards

The grant, movements and value of FY13 LTIP awards to executives are summarised in Table 2.4 below.

Table 2.4: Plan terms and conditions

Grant date	22 November 2012
Vesting/expiry date	30 June 2015

An explanation of the pricing model used to calculate the fair value of awards is set out in note 26 of the Financial Report.

Offers made during the year have the valuations and inputs in Table 2.5 below:¹

Table 2.5: FY13 LTIP valuations and inputs

PERFORMANCE MEASURE	FAIR VALUE (\$)	SHARE PRICE AT GRANT DATE (\$)	EXPECTED VOLATILITY (%)	EXPECTED LIFE (YEARS)	EXPECTED DIVIDEND YIELD (%)	RISK-FREE INTEREST RATE (%)
Relative TSR	3.35	5.16	28	3	3.2	2.69
EPS	4.75					

1. Notwithstanding the different grant dates, all FY13 LTIP Performance Rights allocations were calculated based on a 30-day volume-weighted average price from 1 to 30 June 2012.

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Table 2.6 below details executives' Performance Rights, which were granted in FY13.

Table 2.6: FY13 Performance Rights movements for executives

EXECUTIVE	NUMBER OF AWARDS GRANTED	VALUE AT GRANT DATE (\$)¹	MAXIMUM TOTAL VALUE YET TO VEST (\$)²
DCM Dearie	623,556	2,525,402	2,525,402
M Fleming	249,422	1,010,159	1,010,159³
P Conroy	178,337	722,265	722,265
S McNab	181,004	733,066	733,066
M Collins	136,836	554,186	554,186

1. The value at grant date is calculated based on the fair value shown in Table 2.5.

2. The maximum value is calculated based on the fair value at grant date. The minimum total value of the grant is zero.

3. Mr Fleming exited the business on 1 July 2013. The full amount of 249,422 Performance Rights under the FY13 LTIP offer were forfeited. Therefore, the maximum total value yet to vest in the future will be *nil*.

ii. FY14 LTIP awards

The Board has considered the appropriateness of performance measures and vesting schedules for the FY14 LTIP. In particular, the Company sought advice from external advisers in FY13 in relation to appropriate market practice and methodologies for EPS target setting. In light of the external advice and the Board's assessment of the Company's long-term EPS growth prospects/conditions, the minimum EPS growth hurdle has been increased from 5% to 7.5% and the maximum EPS growth hurdle has been maintained at 15%.

The Board considers that the Company's FY14 EPS targets are challenging but realistic. In setting the Company's EPS target range, the Board considered the high degree of volatility in the agricultural aspects of the Company's operations, including the impact of prior events on future performance, such as weather affected vintages. The Board considers the achievement of 15% EPS growth to be an appropriate level of performance to justify full vesting of the portion of the LTIP award subject to the EPS measure. The Board will review EPS hurdles annually.

The relative TSR measure and vesting schedule remains unchanged.

E. Restricted Equity Plan

From time to time, the Board may make offers to executives under the Restricted Equity 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, Restricted Equity awards 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 Restricted Equity awards will be forfeited.

No Restricted Equity awards were made to executives in FY13.

F. Legacy equity arrangements

i. STIP Deferred Shares

The grant, movements and value of STIP Deferred Shares awarded to executives in respect of FY12 performance are summarised in Table 2.7 below.

Table 2.7: Plan terms and conditions

Grant date	14 September 2012
Vesting date	13 September 2014
Grant price	VWAP \$4.780

Table 2.8 below details STIP Deferred Shares, which were granted in respect of FY12 performance.

Table 2.8: FY12 STIP Deferred Share movements for executives

EXECUTIVE	NUMBER OF AWARDS GRANTED	VALUE AT GRANT DATE (\$)	MAXIMUM TOTAL VALUE YET TO VEST (\$)¹
DCM Dearie	91,506	437,399	437,399
M Fleming²	48,800	233,264	233,264
P Conroy	41,875	200,163	200,163
S McNab	47,168	225,463	225,463
M Collins³	—	—	—

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 exited the business on 1 July 2013. The Board exercised its discretion to allow Mr Fleming to retain the full amount of his 48,800 FY12 STIP Deferred Shares upon his departure, to be released post-employment on the same terms and conditions as the original awards.

3. Ms Collins was not eligible to participate in the FY12 STIP as her employment did not commence until 14 January 2013.

ii. FY12 LTIP Awards

The FY12 LTIP Awards were granted subject to two performance measures (relative TSR and EPS, with an EPS hurdle range of 10% to 20%).

Table 2.9 below details the FY12 LTIP Award terms and conditions.

Table 2.9: Plan terms and conditions

	DAVID DEARIE	ALL OTHER PARTICIPANTS
Grant date	25 November 2011	13 April 2012
Vesting/expiry date	30 June 2014	30 June 2014
Fair value at grant date	Relative TSR – \$2.61 EPS – \$3.43	Relative TSR – \$3.21 EPS – \$4.06
Share price at grant date	\$3.76	\$4.35

The FY12 LTIP award is due to be tested after 30 June 2014.

The vesting schedules for the FY12 LTIP Award are shown in Table 2.10 below.

Table 2.10: Vesting schedules for Offers 1 and 2

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 0–100%
	20% (stretch) or more	100%

iii. 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 grant of one-off Demerger Awards in the form of LTIP Performance Rights was approved by the Company's Board prior to demerger.

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 2.11 below details the FY11 LTIP Demerger Award terms and conditions.

Table 2.11: 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

The vesting schedules for Offers 1 and 2 are shown in Table 2.12 below.

Table 2.12: Vesting schedules for Offers 1 and 2

		% of Performance Rights subject to TSR measure which vest (% of maximum opportunity)
Absolute TSR vesting schedule	% TSR CAGR	
	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%
		% of Performance Rights subject to ROCE measure which vest (% of maximum opportunity)
ROCE vesting schedule – Offer 1	% ROCE CAGR	
	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%
		% of Performance Rights subject to ROCE measure which vest (% of maximum opportunity)
ROCE vesting schedule – Offer 2	% ROCE CAGR	
	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%

Offer 1 vested on 17 September 2012. 50% of awards vested based on achievement of the TSR growth hurdle (nil awards subject to the ROCE hurdle vested).

Table 2.13 below details shares provided to executives on exercise of vested FY11 LTIP Demerger Award (Offer 1) Performance Rights, and Performance Rights which lapsed during FY13.

Table 2.13: Shares provided on exercise of Performance Rights and lapsed Performance Rights.

EXECUTIVE	DATE OF EXERCISE OF OPTIONS/RIGHTS	NUMBER OF ORDINARY SHARES ISSUED ON EXERCISE OF OPTIONS/RIGHTS DURING THE YEAR	VALUE AT EXERCISE DATE (\$)	NUMBER OF OPTIONS/RIGHTS WHICH LAPSED DURING THE YEAR	VALUE OF LAPSED OPTIONS/RIGHTS (\$)
DCM Dearie	17 September 2012	93,727	453,639	93,727	453,639
P Conroy	17 September 2012	57,667	279,108	57,667	279,108
S McNab	17 September 2012	25,391	122,892	25,391	122,892
M Fleming ¹	17 September 2012	—	—	—	—
M Collins ²	17 September 2012	—	—	—	—

1. Mr Fleming did not receive a Demerger Award, as he was not employed by Foster's Group Limited.

2. Ms Collins did not receive a Demerger Award, as she was not employed by Foster's Group Limited.

Offer 2 is due to be tested on 22 September 2013.

iv. FY11 Targeted Restricted Share Demerger Awards

In FY11, upon demerger, executives also forfeited a number of their Restricted Share offers. 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 2.14 below details FY11 Targeted Restricted Share Demerger Award terms and conditions.

Table 2.14: Plan terms and conditions

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

Disposal restrictions were lifted on Offer 1 on 7 July 2013, and restrictions are due to be lifted on Offer 2 on 15 November 2013.

Table 2.15 below details FY11 Targeted Restricted Share Demerger Award (Offer 1) Shares which were released from restriction on 7 July 2013 for executives.

Table 2.15: Shares released from restriction

EXECUTIVE	RESTRICTIONS LIFTED	NUMBER OF SHARES RELEASED
DCM Dearie	7 July 2013	84,041
P Conroy	7 July 2013	64,073

v. 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 2.16 below. These vested shares are held in Mr Fleming's name, but are subject to disposal restrictions.

Table 2.16: 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

In FY12 and FY13, 36,991 Targeted Restricted Shares were released in each financial year (each tranche being valued at \$126,509 at the grant date).

Mr Fleming exited the business on 1 July 2013. The Board exercised its discretion to allow Mr Fleming to retain the full amount of his 36,992 remaining Restricted Shares under Tranche 3 of his FY11 Targeted Award upon his departure, to be released post-employment on the same terms and conditions as the original awards.

SECTION 3 – EXECUTIVES' CONTRACT TERMS

A summary of the key terms of employment contracts for executives in FY13 is presented in Table 3.1 below.

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

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

EXECUTIVE	ROLE	TERMINATION PROVISIONS	
		NOTICE BY THE GROUP	NOTICE ON RESIGNATION
DCM Dearie	Chief Executive Officer	6 months (plus 6 months' severance pay)	6 months
M Fleming ¹	Chief Financial Officer	6 months (plus 6 months' severance pay)	3 months
P Conroy	Chief Legal Officer	12 months	3 months
S McNab	Chief Supply Officer	12 months ²	3 months
M Collins	Chief Human Resources Officer	6 months (plus 6 months' severance pay)	6 months
T Reeves ³	Chief Financial Officer	6 months (plus 6 months' severance pay)	6 months

1. Exited on 1 July 2013.

2. Incorrectly disclosed as 13 weeks (plus 22 weeks' severance pay) in the FY12 Remuneration Report. These terms were revised on Mr McNab's appointment to the Chief Supply Officer role on 1 October 2011 and are now correctly reflected.

3. Commenced as Chief Financial Officer on 1 July 2013.

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

Table 4.1 below shows the Group's EBITs performance for FY12 and FY13, with associated STIP outcomes.

Table 4.1: EBITs performance

PERIOD	EBITS PERFORMANCE	STIP PAYMENT
FY12	\$210.2 million reported (increase of \$32.9 million from FY11 result), \$207.6 million in constant currency	64.8% of stretch STIP opportunity attributable to Group EBITs result
FY13	\$209.2 million (increase of \$1.6 million from FY12 result of \$207.6 million in constant currency)	Nil stretch STIP opportunity attributable to Group EBITs result

Under the plan, STIP outcomes are linked to EBITs performance and individual KPOs.

i. FY13 executive STIP outcomes

The Group EBITs result for FY13 was \$209.2 million, an increase of \$1.6 million from the prior year constant currency result.

As the threshold EBITs performance level of 5% EBITs growth on the prior year constant currency result was not achieved, no FY13 STIP payment was made. As a result, no STIP cash awards or Deferred Share awards will be made for FY13. 100% of the FY13 STIP stretch opportunity will not be earned by executives.

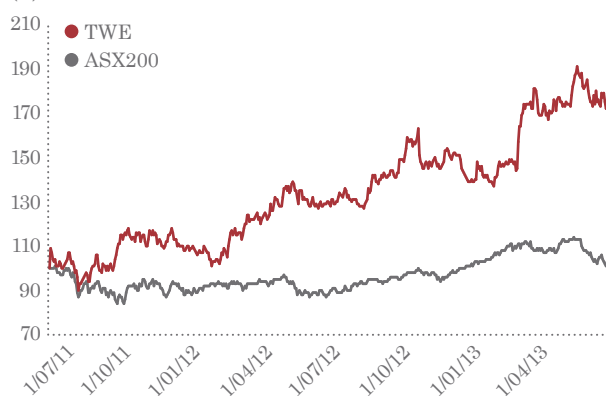
C. LTIP remuneration outcomes

For FY12 and FY13, LTIP awards were linked to relative TSR and EPS growth. The performance targets are outlined in Section 2 above.

The pro forma FY11 EPS (before material items and SGARA) was 18.2 cents per share. The FY12 EPS (before material items and SGARA) was 20.9 cents per share. The FY13 EPS (before material items and SGARA) is 21.1 cents per share.

Diagram 4.1 below outlines the Group's share price growth against ASX 200 index growth over the period from 1 July 2011 to 30 June 2013.

TOTAL SHAREHOLDER RETURN 1 JULY 2011 – 30 JUNE 2013 (%)



The FY11 LTIP offer was based on achievement of absolute TSR growth and ROCE growth targets. The performance targets are outlined in Section 2 above. The FY11 LTIP Demerger Awards (Offer 1) vested on 17 September 2012. 50% of awards vested based on achievement of the TSR growth hurdle (nil awards subject to the ROCE hurdle vested).

The impact of dividends paid in FY13 on shareholder wealth is shown in Table 4.2 below.

Table 4.2: FY13 dividends

EX DIV DATE	RECORD DATE	DATE PAID	DIVIDEND AMOUNT	% FRANKED
28/08/2012	3/09/2012	2/10/2012	7c	50%
6/03/2013	13/03/2013	17/04/2013	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 an established performance history and outcomes have been evaluated.

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

EXECUTIVE	YEAR	CASH SALARY	LEAVE ACCRUAL ¹	SHORT-TERM BENEFITS	
				NON-MONETARY BENEFITS ²	TOTAL CASH INCENTIVE ³
DCM Dearie	FY13	1,281,168	(102,289)	71,283	–
	FY12	1,346,071	3,378	13,867	874,800
M Fleming ⁸	FY13	668,671	53,740	204,543	–
	FY12	692,303	(26,659)	39,368	464,382
P Conroy	FY13	500,246	239	6,815	–
	FY12	500,323	13,343	8,583	394,407
S McNab ⁹	FY13	487,078	785	33,947	–
	FY12	359,818	23,986	28,249	444,574
M Collins ¹⁰	FY13	165,987	16,222	3,965	–
B Williams ¹¹	FY12	399,684	(924)	63,804	114,679
Total	FY13	3,103,150	(31,303)	320,553	–
	FY12	3,298,198	13,124	153,871	2,292,842

1. 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).

2. Non-monetary benefits include motor vehicles, car parking, insurance, product allocations, the value of entertainment and Fringe Benefits Tax on all benefits where applicable.

3. 'Total cash incentive' for FY13 reflects the nil payment made under the FY13 STIP. For FY12, this amount represented the cash payment and excluded the portion of the STIP award to be delivered in STIP Deferred Shares in FY13 (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'.

4. Other payments include domestic relocation assistance, including living away from home allowances and reimbursement of stamp duty upon purchase of local property.

5. 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.

6. 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 FY13, this includes FY12 STIP Deferred Shares awarded in September 2012. This amount is determined in accordance with AASB 2 'Share-based Payment'. No STIP Deferred Shares were awarded in respect of FY13.

7. 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.

POST-EMPLOYMENT BENEFITS		SHARE-BASED PAYMENTS			
OTHER PAYMENTS ⁴	SUPERANNUATION	TERMINATION BENEFITS	TOTAL AMORTISATION VALUE OF LTIP ⁵	OTHER EQUITY ⁶	TOTAL ⁷
–	17,315	–	900,587	270,147	2,438,211
–	–	–	397,090	189,676	2,824,882
191,480	14,319	660,389	(169,171)	413,750	2,037,721
87,067	22,862	–	153,999	211,256	1,644,578
–	10,544	–	309,548	218,872	1,046,264
–	16,472	–	161,330	162,653	1,257,111
–	13,641	–	282,069	109,905	927,425
–	11,936	–	139,772	41,148	1,049,483
–	14,938	–	98,820	–	299,932
–	18,746	487,947	103,824	35,795	1,223,555
191,480	70,757	660,389	1,421,853	1,012,674	6,749,553
87,067	70,016	487,947	956,015	640,528	7,999,609

8. Mr Fleming exited the business on 1 July 2013. He received a termination payment of \$660,389, including payment in lieu of notice. No FY13 STIP award was payable. The full amount of 314,869 Performance Rights under the FY12 LTIP offer and 249,422 Performance Rights under the FY13 LTIP offer were forfeited. The Board exercised its discretion to allow Mr Fleming to retain the full amount of his 36,992 remaining Restricted Shares under Tranche 3 of his FY11 Targeted Award, as well as his 48,800 FY12 STIP Deferred Shares upon his departure, to be released post-employment on the same terms and conditions as the original awards.
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.
10. Ms Collins commenced her role as Chief Human Resources Officer on 14 January 2013. Disclosures have been prorated for the portion of the year that Ms Collins was in the role.
11. Mr Williams exited the business on 1 July 2012. He received a termination payment of \$487,947, including annual leave and payment in lieu of notice. Based on his participation for the 12-month performance period, Mr Williams received a cash STIP of \$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 was 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.

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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 FY13 remuneration outcomes in Table 5.1. Refer to Table 2.1 for the remuneration mix based on maximum performance.

Table 5.2: Remuneration proportions

EXECUTIVE	TOTAL FIXED REMUNERATION ¹		AT RISK – STIP		AT RISK – LTIP ²		AT RISK – OTHER EQUITY	
	FY13 (%)	FY12 (%)	FY13 (%)	FY12 (%)	FY13 (%)	FY12 (%)	FY13 (%)	FY12 (%)
DCM Dearie	52	48	0	31	37	14	11	7
M Fleming ³	56	50	0	28	(8)	9	20	13
P Conroy	49	43	0	31	30	13	21	13
S McNab	58	41	0	42	30	13	12	4
M Collins ⁴	67	N/A	0	N/A	33	N/A	0	N/A

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 FY12 and FY13.
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 forfeiture. Non-executive directors did not receive any remuneration by way of Performance Rights and are therefore not included in the table.
3. Mr Fleming's remuneration proportions do not add to 100% as termination benefits are not included.
4. Total fixed remuneration and STIP have been prorated for the portion of the year that Ms Collins was in the role.

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 FY13 of \$2,200,000 per annum (inclusive of superannuation guarantee contributions payable to the non-executive directors and any fees which a non-executive director agrees to sacrifice on a pre-tax basis), as approved by shareholders at the 2012 Annual General Meeting. The fee pool increase for FY13 was to assist with future Board growth and director fees did not increase for FY13.

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. No changes are proposed to the non-executive director fee pool for FY14.

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.

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.

C. Non-executive director shareholdings

Non-executive directors are encouraged to hold shares in the Company, and are required to build their shareholding to the equivalent of one year's base fees over a reasonable period of time. In order to support this, the Company established the Director Share Acquisition Plan (DSAP) to enable non-executive directors to increase their shareholding in the Group over time, through regular purchases of shares on market. The DSAP operates by applying a portion of directors' after-tax fees to acquire the Company's shares on the ASX on a quarterly basis at the prevailing market rate.

The Group has established an arrangement with Computershare Plan Managers Pty Limited, as agent of the plan trustee, to acquire shares on a quarterly basis through an independent broker. The Company pays the brokerage costs for these transactions. Appropriate 'Chinese wall' arrangements have been established by both the Group and Computershare Plan Managers Pty Limited that are designed to ensure that the people executing the purchases are quarantined from price sensitive non-public information regarding the Group. On this basis, the scheduled quarterly acquisitions are able to take place in accordance with the Group's Share Trading Policy.

D. Non-executive director fees

There was no increase in non-executive director fees in FY13.

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

Table 6.1: FY13 Non-executive director fees

BOARD/COMMITTEE	CHAIRPERSON FEE (\$)	MEMBER FEE (\$)¹
Board base fee	390,000	130,000
Audit and 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.

The above fees include superannuation.

Non-executive director fees were set in 2011 and have remained unchanged over the period since demerger. The Board reviewed the non-executive director fee framework applying to FY14 and, taking account of market data, determined to maintain the Board fees as outlined above.

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

In addition, non-executive directors receive a wine allowance and a travel allowance for travel taking more than four hours, in addition to any business-related expenses that may be incurred in carrying out their duties.

The Board believes that the travel allowance is appropriate given the international nature of the Company. Travel costs are not included in base fees, but are paid to non-executive directors as appropriate so that it is a targeted spend for the business to compensate for actual travel taken during the year.

Relevant travel allowances are detailed in Table 6.2 below.

Table 6.2: Non-executive director travel allowances

TRAVEL TIME	TRAVEL ALLOWANCE
Travel taking between 4–12 hours	\$2,500 each trip (i.e. generally \$5,000 per meeting)
Travel taking more than 12 hours	\$5,000 each trip (i.e. generally \$10,000 per meeting)

E. Remuneration paid to non-executive directors

Details of non-executive director remuneration for FY13 and FY12 are set out in Table 6.3.

Table 6.3: Non-executive director remuneration (\$)

NON-EXECUTIVE DIRECTOR	YEAR	FEES	NON-MONETARY BENEFITS ¹	OTHER BENEFITS ²	SUPER- ANNUATION	TOTAL
PA Rayner³	FY13	337,307	1,107	15,000	16,470	369,884
	FY12	159,887	1,860	15,000	15,112	191,859
ML Cattermole	FY13	154,942	1,107	15,000	15,058	186,107
	FY12	155,094	1,860	15,000	14,906	186,860
WL Every-Burns³	FY13	163,187	1,107	15,000	15,563	194,857
	FY12	127,650	1,860	15,000	42,350	186,860
PR Hearl⁴	FY13	136,376	1,107	15,000	13,624	166,107
	FY12	48,924	523	5,000	4,853	59,300
GA Hounsell⁵	FY13	131,265	11,944	15,000	11,652	169,861
E Chan⁶	FY13	103,769	1,365	30,000	4,564	139,698
MV Cheek⁷	FY13	112,083	355	55,000	–	167,438
MG Ould⁸	FY13	61,589	702	–	4,118	66,409
	FY12	374,224	1,860	15,000	15,775	406,859
Total	FY13	1,200,518	18,794	160,000	81,049	1,460,361
	FY12	865,779	7,962	72,963	92,996	1,031,738

1. Non-monetary benefits include product allocations, the value of entertainment and Fringe Benefits Tax where applicable.

2. Other benefits comprise the directors' travel allowances (where relevant).

3. Mr Every-Burns and Mr Rayner were appointed as non-executive directors on 9 May 2011. Mr Rayner was appointed as Chairman of the Board on 1 September 2012.

4. Mr Hearl was appointed on 17 February 2012.

5. Mr Hounsell was appointed on 1 September 2012.

6. Mr Chan was appointed on 1 September 2012.

7. Mr Cheek was appointed on 1 September 2012.

8. Mr Ould retired on 1 September 2012.

DEFINITIONS

TERM	DEFINITION
Earnings per Share (EPS)	NPAT excluding SGARA divided by the weighted average number of shares. Adjusted EPS is used to calculate performance outcomes, meaning that the Board retains the discretion to adjust EPS to ensure that participants are not penalised or provided with a windfall benefit arising from matters outside of management's control (for example, one-off non-recurrent items).
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.
Return on Capital Employed (ROCE)	EBITS divided by (average net assets plus average net debt).
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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	2013 \$M	2012 \$M
Revenue	3	1,728.4	1,680.6
Cost of sales		(1,303.9)	(1,100.0)
Gross profit		424.5	580.6
Other income	3	9.5	32.7
Selling expenses		(182.1)	(182.1)
Marketing expenses		(70.9)	(90.4)
Administration expenses		(94.9)	(90.1)
Other expenses		(28.8)	(104.7)
Share of net profits of associates and joint ventures accounted for using the equity method		1.0	0.8
Profit before tax and finance costs		58.3	146.8
Finance income		0.7	3.3
Finance costs		(15.1)	(9.6)
Net finance costs	3	(14.4)	(6.3)
Profit before tax		43.9	140.5
Income tax expense	5	(1.2)	(50.8)
Net profit		42.7	89.7
Net (profit)/loss attributable to non-controlling interests		(0.4)	0.2
Net profit attributable to members of Treasury Wine Estates Limited		42.3	89.9
Other comprehensive income/(loss)			
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges		0.5	(0.5)
Tax on cash flow hedges		(0.3)	0.3
Exchange difference on translation of foreign operations		106.4	52.0
Other comprehensive income for the year, net of tax		106.6	51.8
Total comprehensive income for the year attributable to members of Treasury Wine Estates Limited		148.9	141.7
Non-controlling interests		0.4	(0.2)
Total comprehensive income for the year		149.3	141.5
		CENTS PER SHARE	CENTS PER SHARE
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic	7	6.5	13.9
Diluted	7	6.5	13.8

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	NOTE	2013 \$M	2012 \$M
Current assets			
Cash and cash equivalents	9	10.8	28.6
Receivables	10	457.1	445.2
Inventories	11	714.5	711.5
Current tax assets		0.1	10.9
Assets held for sale	13	2.5	3.5
Derivative financial assets	19	1.0	0.6
Total current assets		1,186.0	1,200.3
Non-current assets			
Receivables	10	3.8	2.4
Inventories	11	446.0	362.5
Investments	12	2.0	6.6
Derivative financial assets	19	0.2	0.3
Property, plant and equipment	14	1,024.4	931.1
Agricultural assets	15	227.1	195.6
Intangible assets	16	1,009.9	932.6
Deferred tax assets	5	228.8	189.4
Total non-current assets		2,942.2	2,620.5
Total assets		4,128.2	3,820.8
Current liabilities			
Payables	17	480.0	464.0
Borrowings	20	0.7	21.0
Provisions	21	88.2	54.4
Derivative financial liabilities	19	4.3	1.1
Total current liabilities		573.2	540.5
Non-current liabilities			
Borrowings	20	224.3	43.2
Deferred tax liabilities	5	314.4	293.2
Provisions	21	3.7	4.2
Derivative financial liabilities	19	4.7	0.4
Total non-current liabilities		547.1	341.0
Total liabilities		1,120.3	881.5
Net assets		3,007.9	2,939.3
Equity			
Contributed equity	23	3,042.6	3,042.2
Reserves	24	(236.2)	(345.8)
Retained earnings		197.3	239.1
Total parent entity interest		3,003.7	2,935.5
Non-controlling interest		4.2	3.8
Total equity		3,007.9	2,939.3

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	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 2011	3,045.0	61.0	–	0.2	(404.4)	170.7	2,872.5	4.3	2,876.8
Profit/(loss) 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
Profit for the year	–	42.3	–	–	–	–	42.3	0.4	42.7
Total other comprehensive income	–	–	0.2	–	106.4	–	106.6	–	106.6
Total comprehensive income for the year	–	42.3	0.2	–	106.4	–	148.9	0.4	149.3
Transactions with owners in their capacity as owners directly in equity									
Share-based payment expense	–	–	–	7.9	–	–	7.9	–	7.9
Shares issued – deferred share plan	4.9	–	–	(4.9)	–	–	–	–	–
Purchase of own shares	(4.5)	–	–	–	–	–	(4.5)	–	(4.5)
Dividends to owners of the Company	–	(84.1)	–	–	–	–	(84.1)	–	(84.1)
Balance at 30 June 2013	3,042.6	197.3	–	9.8	(246.0)	–	3,003.7	4.2	3,007.9

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

		2013 \$M INFLOWS/ (OUTFLOWS)	2012 \$M INFLOWS/ (OUTFLOWS)
	NOTE		
Cash flows from operating activities			
Receipts from customers		2,121.3	2,053.5
Payments to suppliers, governments and employees		(1,969.0)	(1,807.2)
Interest received		0.7	3.4
Borrowing costs paid		(15.4)	(10.2)
Income taxes paid		(23.2)	(59.9)
Other cash payments		(1.3)	—
Net cash flows from operating activities	30	113.1	179.6
Cash flows from investing activities			
Payments for property, plant, equipment and agricultural assets		(134.9)	(69.8)
Payments for intangible assets		(28.9)	(14.2)
Payments for subsidiaries, investments and other assets	22	(27.5)	(0.5)
Net proceeds from repayment of loans		—	0.9
Loans to other parties		(2.0)	(1.2)
Proceeds from sale of property, plant and equipment		2.2	0.9
Proceeds from sale of assets held for sale		1.1	2.9
Proceeds from sale of investments and other assets		—	2.8
Other cash receipts		1.4	31.5
Net cash flows from investing activities		(188.6)	(46.7)
Cash flows from financing activities			
Payments for on-market share purchase		(4.5)	(2.8)
Payments to non-controlling interests		—	(0.3)
Dividend payments		(84.1)	(77.7)
Proceeds from borrowings		750.3	318.5
Repayment of borrowings		(610.5)	(408.9)
Net cash flows from financing activities		51.2	(171.2)
Total cash flows from activities		(24.3)	(38.3)
Cash and cash equivalents at the beginning of the year		28.6	64.8
Effects of exchange rate changes on foreign currency cash flows and cash balances		6.5	2.1
Cash and cash equivalents at end of the year	9, 30	10.8	28.6

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of preparation

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

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

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission (ASIC), relating to the rounding off of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest tenth of one million dollars 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 30 August 2013. The directors have the power to amend and reissue the financial statements.

Principles of consolidation

The consolidated financial statements have been prepared for the consolidated entity comprising the Company, and all its controlled entities. Controlled entities are listed in note 33.

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

The financial reports of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Average exchange rates used in translating profit and loss items in 2013 are AUD\$1 = USD 1.0274 and GBP 0.6552 (2012: USD 1.0317 and GBP 0.6511). Year end exchange rates used in translating financial position items in 2013 are AUD\$1 = USD 0.9282 and GBP 0.6084 (2012: USD 1.0033 and GBP 0.6467).

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 profit or loss and other comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. These amounts remain in equity until either the hedged transaction occurs or the disposal of the net investment, at which time they are recognised in the statement of profit or loss and other comprehensive income.

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

Translation differences on non-monetary items such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income.

Foreign group companies

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

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

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

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

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

Revenue recognition

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

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

Sale of goods

Revenue is recognised when the significant risk and rewards of ownership have passed to the buyer, the amount can be reliably measured 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 executed 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.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are deducted from the cost of the asset.

Borrowing costs

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

Acquisition of assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

Business combinations

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

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

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

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

Impairment of assets

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

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

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

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

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

Impairment losses recognised for goodwill are prohibited from being reversed.

Cash and cash equivalents

Cash and cash equivalents 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 trade 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 a non-current asset.

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

Inventories

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

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

Investments in associates

Investments in associates 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 profit or loss and other comprehensive income and its share of movements in reserves are recognised in the Group's other comprehensive income. The cumulative post acquisition changes in the Group's share of net assets of the associate, 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 profit or loss and other comprehensive income. Associates are those entities over which the Group has significant influence, but not control and which is neither a subsidiary nor a joint venture.

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

Non-controlling interest

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

Financial assets at fair value through 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 as effective hedging instruments. Gains or losses on investments held for trading are recognised in the statement of profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 profit or loss and other comprehensive income.

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

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

Derecognition of financial assets

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

Derivative financial instruments

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

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 profit or loss and other comprehensive income. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the statement of profit or loss and other comprehensive income such that it is fully amortised by maturity.

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

Leases

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

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

Where an asset is acquired by means of a finance lease, which effectively transfers to the Group substantially all the risks and benefits incidental to ownership of the leased item, costs are capitalised at the inception of the lease at the fair value of the leased 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 profit or loss and other comprehensive income.

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

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 profit or loss and other comprehensive income in the period the asset is derecognised.

Intangible assets

Brand names

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

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

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

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

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's 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 profit or loss and other comprehensive income. Costs incurred in maintaining agricultural assets are recognised as expenses in the statement of profit or loss and other comprehensive income as incurred.

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

Assets held for sale and discontinued operations

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

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

recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

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

Interest-bearing loans and borrowings

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

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

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

Payables

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

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

Employee benefits

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

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 26.

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 change 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.

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 that 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 reporting date.

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

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

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

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

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

The Company formed a consolidated group for income tax purposes with each of its Australian resident subsidiaries on 21 May 2011.

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

Contributed equity

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

Earnings per share

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

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

Operating segments

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

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

The Group has identified the following reportable segments:

(i) Australia & 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

The Group's wine portfolio includes some of the world's leading commercial, masstige and luxury wine brands such as Penfolds, Beringer, Lindeman's, Wolf Blass and Rosemount. The Group also distributes beer under license in New Zealand. In the year ended 30 June 2013, the Group commenced providing contract bottling services to third parties.

Accounting policies and intersegment transactions

The price of intersegment transactions 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES / CONTINUED

Segment loans payable and loans receivable

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

Other

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

Major customers

The Group has two major customers whose revenues represent 17.8% (2012: 18.2%) and 11.0% (2012: 12.0%) of the Group's reported revenues.

New Accounting Standards and Interpretations

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

REFERENCE	TITLE
AASB 2011-9	Presentation of items of other comprehensive income

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 and becomes applicable 1 January 2015.

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 Group. This standard is not expected to have a significant impact on the financial statements and becomes applicable to annual reporting periods commencing 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 for 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 to annual reporting periods commencing 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 to annual reporting periods commencing 1 January 2013.

AASB 13 Fair value measurement

The standard provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. This standard is not expected to have a significant impact on the financial statements and becomes applicable to annual reporting periods commencing 1 January 2013.

AASB 119 Employee benefits

The standard changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. Revised accounting for defined benefit plans removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. This standard is not expected to have a significant impact on the financial statements and becomes applicable to annual reporting periods commencing 1 January 2013.

AASB 2011-4 Amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements

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

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

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

Net realisable value of inventory

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

Agriculture

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

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

Taxation

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

On 21 May 2011, the Company and its wholly owned Australian resident subsidiaries formed an Australian tax consolidated group. Under the current tax consolidation rules, the tax costs of assets brought into the income tax consolidated group by members that join the consolidated group are required to be reset under the tax cost setting process. In the financial year ended 30 June 2011, the Company performed an estimate of the effect of the tax cost resetting process which resulted in an increase in deferred tax liabilities of approximately \$2 million.

During the financial year ended 30 June 2013, the Company has commenced additional analysis to confirm the original estimates on the impact of the tax consolidation reset cost base rules given that the Australian Federal Government's potential changes to Australian tax laws, to apply to demergers after 9 November 2010, have not been enacted since their original announcement date. As at the date of signing the accounts, this analysis is incomplete, however based on preliminary estimations, it is anticipated that the Company should be entitled to tax refunds relating to the 2011 to 2013 financial years. These tax refunds will be predominantly realised by the Company in the form of tax offsets that can be utilised against TWE's future tax liabilities. As a result of these anticipated tax refunds, the Company does not expect to be able to frank any future dividends for the next 2 years.

Impairment of assets

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

Useful life of intangible assets

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED**

NOTE 3 – REVENUE, INCOME AND EXPENSES

	2013 \$M	2012 \$M
Revenue		
Net sales revenue*	1,656.5	1,640.8
Other revenue	71.9	39.8
Total revenue	1,728.4	1,680.6
Other income		
Fair value adjustment to investment	7.9	–
IT contract settlement receipt	1.1	31.5
Net profit on disposal of property, plant and equipment	0.5	1.2
Total other income	9.5	32.7
Depreciation of property, plant and equipment	(72.3)	(66.1)
Amortisation of intangible assets	(4.5)	(1.6)
Net agriculture valuation movement	3.8	(23.4)
Finance income	0.7	3.3
Finance costs	(15.1)	(9.6)
Net finance cost	(14.4)	(6.3)
Other disclosures		
Doubtful debts	(2.1)	(0.1)
Inventory obsolescence	(82.7)	–
Rental expense relating to operating leases	(50.3)	(36.5)
Net foreign exchange gains/(losses)	(5.3)	(2.2)
Impairment of non-current assets:		
Property, plant and equipment (note 14)	–	(7.0)
Intangible assets (note 16)	–	(35.8)

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

NOTE 4 – MATERIAL ITEMS

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

	2013 \$M	2012 \$M
Individually material items included in profit/(loss) before income tax:		
Inventory write-down to NRV – tax benefit applicable \$29.7m	(82.4)	–
Special depletion allowance – tax benefit applicable \$14.0m	(38.1)	–
Net distributor inventory destruction – tax benefit applicable \$12.4m	(33.8)	–
Fair value adjustment to investments and other assets – tax expense applicable \$0.0m	7.9	–
Lease termination costs – tax benefit applicable \$0.4m	(2.5)	–
Restructuring and redundancy – tax benefit applicable \$1.0m (2012: tax benefit applicable \$7.0m)	(6.9)	(22.8)
IT contract settlement receipt tax expense applicable \$0.0m – (2012: tax expense applicable \$0.0m)	1.1	31.5
Net gains arising from fixed asset valuation assessments – (2012: tax expense applicable \$3.3m)	–	7.6
Loss on derecognition of abandoned asset and stranded costs – (2012: tax benefit applicable \$6.2m)	–	(56.3)
Total material items – tax benefit applicable \$57.5 m (2012: \$9.9m tax benefit)	(154.7)	(40.0)

Total consolidated material items after tax is \$97.2 million (2012: \$30.1 million).

NOTE 4 – MATERIAL ITEMS / CONTINUED

The Group is working with its major US distribution partners to address excess aged and deteriorating inventory. In the 2013 financial year \$154.3 million of provisions have been raised relating to the destruction of the aged and obsolete inventory at distributors, the acceleration of depletions with additional investment in discounts and rebates and a write down of inventory to net realisable value. These provisions have been disclosed in the financial statements as outlined below.

MATERIAL ITEM	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	\$M
Inventory write-down to NRV	Cost of sales	Inventories	82.4
Special depletion allowance	Net sales revenue	Payables	38.1
Gross distributor inventory destruction	Cost of sales	Provisions	39.6
Discounts and rebates on distributor inventory destruction	Net sales revenue	Payables	(5.8)
			154.3

NOTE 5 – INCOME TAX

	2013 \$M	2012 \$M
The major components of income tax expense/(benefit) are:		
Current income tax	30.9	32.6
Deferred income tax	(29.7)	18.2
Total tax expense	1.2	50.8
Deferred income tax expense included in the income tax expense comprises:		
Increase in deferred tax assets	(25.4)	(0.5)
(Decrease)/increase in deferred tax liabilities	(4.3)	18.7
Deferred income tax	(29.7)	18.2

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

	2013 \$M	2012 \$M
Profit before tax excluding material items	198.6	180.5
Material items before tax	(154.7)	(40.0)
Profit before tax excluding material items	43.9	140.5
Prima facie income tax expense attributable to profit from operations calculated at the rate of 30% (2012: 30%) tax effect of:	13.2	42.2
Non-taxable income and profits, net of non-deductible expenditure	(0.3)	6.2
Other deductible items	(0.8)	(1.5)
Tax losses recouped	(2.3)	–
Change in tax rate	(1.1)	(1.5)
Foreign tax rate differential	(8.9)	(0.3)
Other	2.3	9.2
Over provisions in previous years	(0.9)	(3.5)
Total tax expense	1.2	50.8
Income tax expense on operations	58.7	60.7
Income tax benefit attributable to material items	(57.5)	(9.9)
Income tax expense	1.2	50.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED

NOTE 5 – INCOME TAX / CONTINUED

	2013 \$M	2012 \$M
Deferred income tax relates to the following:		
Movement in deferred tax assets:		
Opening balance	189.4	178.8
Credited to the profit or loss	25.4	0.5
Foreign currency translation	12.8	9.3
Balance sheet reclassification	–	0.5
Other	1.2	0.3
Closing balance	228.8	189.4
Movement in deferred tax liabilities:		
Opening balance	293.2	257.9
(Credited)/charged to the profit or loss	(4.3)	18.7
Business acquisitions	3.7	–
Foreign currency translation	21.9	16.5
Other	(0.1)	0.1
Closing balance	314.4	293.2
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 directly to equity	2.6	4.4
Net deferred tax – debited directly to equity	7.8	7.0
Total current and deferred tax recognised directly in equity	10.4	11.4

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 \$97.5 million (2012: \$98.7 million).

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

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

	2013 \$M	2012 \$M
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Inventory	23.3	21.6
Property, plant and equipment	1.2	1.4
Accruals	18.8	16.4
Provisions	96.1	72.7
Foreign exchange	0.4	0.4
Tax losses	70.4	58.2
Other	18.6	18.7
Total deferred tax assets	228.8	189.4
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Inventory	59.3	29.9
Property, plant and equipment	115.0	127.5
Intangibles	133.2	127.1
Foreign exchange	1.0	1.0
Other	5.9	7.7
Total deferred tax liabilities	314.4	293.2

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED

NOTE 6 – SEGMENT RESULTS

	ANZ \$M	AMERICAS \$M	ASIA \$M	EMEA \$M	CORPORATE \$M	INTERSEGMENT ELIMINATION \$M	CONSOLIDATED \$M
2013							
Total revenue comprises:							
Net sales revenue	600.8	704.0	135.4	248.5	–	–	1,688.7
Other revenue	68.1	0.7	–	0.9	2.2	–	71.9
Intersegment revenue	310.7	10.3	–	38.0	–	(359.0)	–
Material items*	–	(32.2)	–	–	–	–	(32.2)
Total segment revenue (excl other income/interest)	979.6	682.8	135.4	287.4	2.2	(359.0)	1,728.4
Management EBITs	110.1	66.8	54.5	16.0	(38.2)		209.2
SGARA profit/(loss)	1.8	2.0	–	–	–		3.8
Material items	(6.8)	(146.1)	–	–	(1.8)		(154.7)
Management EBIT	105.1	(77.3)	54.5	16.0	(40.0)		58.3
Net finance income/(costs)							(14.4)
Consolidated profit before tax							43.9
Depreciation of property, plant and equipment	47.6	21.7	–	1.6	1.4		72.3
Amortisation of intangible assets	0.2	–	–	–	4.3		4.5
Share of profit of associates & joint ventures	1.0	–	–	–	–		1.0
Capital expenditure	122.9	26.5	0.4	1.6	28.9		180.3
Segment assets (excl intersegment assets)	2,077.9	1,378.0	45.6	313.6	313.1		4,128.2
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**	345.1	10.9	–	41.5	–	(397.5)	–
Total segment revenue (excl other income/interest)	954.3	718.6	106.4	295.2	3.6	(397.5)	1,680.6
Management EBITs	109.0	79.0	41.2	5.7	(24.7)		210.2
SGARA profit/(loss)	(6.9)	(16.5)	–	–	–		(23.4)
Material items	(1.5)	(6.4)	–	(3.2)	(28.9)		(40.0)
Management EBIT	100.6	56.1	41.2	2.5	(53.6)		146.8
Net finance income/(costs)							(6.3)
Consolidated profit before tax							140.5
Depreciation of property, plant and equipment	43.6	21.3	–	1.1	0.1		66.1
Amortisation of intangible assets	–	–	–	–	1.6		1.6
Share of profit of associates & joint ventures	0.8	–	–	–	–		0.8
Capital expenditure	41.3	27.1	–	1.2	23.0		92.6
Segment assets (excl intersegment assets)	1,891.0	1,312.7	34.2	313.1	269.8		3,820.8

* Material items associated with net sales revenue is included in the total material items reported of \$154.7m.

** Intersegment revenue within the ANZ segment as disclosed in the 2012 annual report in respect to the year ended 30 June 2012 of \$365.8m has been restated down to \$345.1m to reflect the elimination of revenue between Australia and New Zealand.

Management EBITs

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

Segment assets

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 7 – EARNINGS PER SHARE

	2013 CENTS PER SHARE	2012 CENTS PER SHARE
<i>Basic earnings per share</i>		
Basic earnings per share (cents) based on net profit attributable to members of Treasury Wine Estates Limited	6.5	13.9
<i>Diluted earnings per share</i>		
Diluted earnings per share (cents) based on net profit attributable to members of Treasury Wine Estates Limited	6.5	13.8
	NUMBER	NUMBER
<i>Weighted average number of shares</i>		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share (in thousands)	647,227	647,227
<i>Effect of potentially dilutive securities</i>		
Deferred shares (in thousands)	8,560	3,504
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share (in thousands)	655,787	650,731
	\$M	\$M
Earnings reconciliation		
<i>Basic and diluted earnings per share</i>		
Net profit	42.7	89.7
Net (profit)/loss attributable to non-controlling interests	(0.4)	0.2
Net profit attributable to members of Treasury Wine Estates Limited used in calculating basic and diluted earnings per share	42.3	89.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED

NOTE 8 – DIVIDENDS

	2013 \$M	2012 \$M
Dividends declared and paid during the year on ordinary shares:		
Final dividend for 2012 of 7.0 cents per share (2011: 6.0 cents)	45.3	38.8
Interim dividend for 2013 of 6.0 cents per share (2012: 6.0 cents)	38.8	38.8
	84.1	77.7
Dividends declared after balance date		
Since the end of the financial year, the directors declared a final dividend of 7.0 cents per share (2012: 7.0 cents) unfranked (2012: 50% franked). This dividend has not been recognised as a liability in the financial statements at year end	45.3	45.3
Franking credit balance		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2012: 30%)	17.9	8.1

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 not impact the franking account balance (2012: \$9.7 million reduction).

NOTE 9 – CASH AND CASH EQUIVALENTS

	2013 \$M	2012 \$M
Cash at bank and on hand	10.8	27.4
On deposit	–	1.2
Total cash and cash equivalents	10.8	28.6

NOTE 10 – RECEIVABLES

	2013 \$M	2012 \$M
Current		
Trade debtors	422.6	389.7
Provision for doubtful debts	(3.0)	(1.0)
Other debtors	17.7	37.3
Prepayments	19.8	19.2
Total current receivables	457.1	445.2
Non-current		
Other debtors	0.5	1.2
Loans to other persons	3.3	1.2
Total non-current receivables	3.8	2.4

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 18(d).

ALL BALANCES TRANSLATED TO AUD	AUD \$M	USD \$M	GBP \$M	OTHER \$M	TOTAL \$M
2013					
Trade receivables (net of provision for doubtful debts)	190.1	153.5	39.7	36.3	419.6
Other receivables	13.0	4.4	0.8	3.3	21.5
Total receivables	203.1	157.9	40.5	39.6	441.1
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

Credit risk

The Group's Credit Managers are responsible for the ongoing review and application of the Accounts Receivable Credit Policy within the business. The credit quality of individual 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 proprietary limited company, a director's guarantee is required with minimal exceptions. Failure to provide a director's guarantee results in either no credit or a limited level of credit offered. Credit terms may be reduced or extended 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	2013 \$M	2012 \$M
Not past due	364.2	353.3
Past due 1–30 days	32.8	27.0
Past due 31–60 days	5.9	3.6
Past due 61 days+	16.7	4.8
Total	419.6	388.7
Comprising		
Current	419.6	388.7

There are no other receivables that are overdue.

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

The past due 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 monthly reviews and collection activity conducted from aged trial balances. Where debt cannot be recovered, it is escalated from the credit representative to the credit manager to initiate recovery action.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED**

NOTE 10 – RECEIVABLES / CONTINUED

Credit risk / continued

As at 30 June 2013 the amount of the provision for doubtful debts was \$3.0 million (2012: \$1.0 million). The movement in the provision for trade doubtful debts is:

	2013 \$M	2012 \$M
MOVEMENT IN PROVISION FOR TRADE DOUBTFUL DEBTS		
Opening provision for trade doubtful debts	(1.0)	(2.0)
Add additional provisions raised	(2.1)	(0.1)
Less amounts used	0.1	1.2
Foreign exchange differences	–	(0.1)
Closing provision for trade doubtful debts	(3.0)	(1.0)

NOTE 11 – INVENTORIES

	2013 \$M	2012 \$M
Current		
Raw materials and stores	22.9	19.9
Work in progress	404.6	381.4
Finished goods	287.0	310.2
Total current inventories	714.5	711.5
Non-current		
Work in progress	398.2	359.5
Finished goods	47.8	3.0
Total non-current inventories	446.0	362.5
Total inventories	1,160.5	1,074.0

Inventories recognised as an expense during the year and included in cost of sales amounted to \$719.4 million (2012: \$774.0 million).

In 2013 the write-down of inventories to net realisable value amounted to \$84.7 million (2012: \$0.6 million). The reversal of write-downs amounted to \$2.0 million (2012: \$1.0 million). The write-down and reversals are included in cost of sales.

NOTE 12 – INVESTMENTS

	2013 \$M	2012 \$M
Investments accounted for using the equity method	2.0	6.6
Total investments	2.0	6.6

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.

NAME OF ENTITY	COUNTRY OF INCORPORATION	REPORTING DATE	OWNERSHIP INTEREST	
			2013 %	2012 %
Trebuchet Logistics Pty. Ltd.	Australia	31 December	50.0	–
Fiddlesticks LLC	United States of America	31 December	50.0	50.0
Rapaura Vintners Limited*	New Zealand	30 June	–	50.0

* On 1 November 2012, a Group controlled entity, Treasury Wine Estates (Matua) Limited purchased the remaining 50% issued capital of Rapaura Vintners Limited. A gain of \$7.9m was recognised in other income prior to the acquisition, as a result of remeasuring the existing equity interest in Rapaura Vintners Limited to fair value.

NOTE 13 – ASSETS HELD FOR SALE

	2013 \$M	2012 \$M
Assets		
Production and distribution facilities	2.5	3.5
Total assets classified as held for sale	2.5	3.5

Assets held for sale include Australian vineyards and wineries.

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

	2013 \$M	2012 \$M
Land		
At cost	306.3	280.8
Freehold buildings and improvements		
At cost	357.9	333.3
Accumulated depreciation and impairment	(142.3)	(131.0)
	215.6	202.3
Leasehold buildings and improvements		
At cost	56.7	49.2
Accumulated depreciation and impairment	(31.0)	(28.8)
	25.7	20.4
Plant and equipment		
At cost	1,166.4	1,100.9
Accumulated depreciation and impairment	(736.7)	(695.5)
Projects in progress at cost	47.1	22.2
	476.8	427.6
Total property, plant and equipment	1,024.4	931.1

Reconciliations

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

	LAND		FREEHOLD BUILDINGS		LEASEHOLD BUILDINGS		PLANT AND EQUIPMENT		TOTAL	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Carrying amount at start of year	280.8	265.8	202.3	199.2	20.4	21.3	427.6	426.4	931.1	912.7
Additions	11.6	1.3	4.0	5.4	6.2	1.1	92.6	56.0	114.4	63.8
Business acquisition	1.1	—	4.7	—	—	—	18.3	—	24.1	—
Assets classified as held for sale	—	5.1	—	0.4	—	—	—	4.7	—	10.2
Disposals	(0.3)	—	—	(0.1)	—	—	(1.4)	(3.4)	(1.7)	(3.5)
Impairment	—	—	—	(0.8)	—	(0.6)	—	(5.6)	—	(7.0)
Depreciation expense	—	—	(6.0)	(5.1)	(2.3)	(2.7)	(64.0)	(58.3)	(72.3)	(66.1)
Transfer	0.5	—	2.1	—	—	—	(8.7)	—	(6.1)	—
Foreign currency translation	12.6	8.6	8.5	3.3	1.4	1.3	12.4	7.8	34.9	21.0
Carrying amount at end of year	306.3	280.8	215.6	202.3	25.7	20.4	476.8	427.6	1,024.4	931.1

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED**

NOTE 15 – AGRICULTURAL ASSETS

	2013 \$M	2012 \$M
Agricultural assets	227.1	195.6
Total agricultural assets	227.1	195.6

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

The Group has total owned vineyard resources of around 10,511 hectares (2012: 10,057* 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 and Coonawarra in south-eastern South Australia. 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 the Group with a diversity of premium fruit styles, but also reduces viticultural risk.

Of the total land area under vine, around 1,966 hectares (2012: 1,800 hectares) is under lease arrangements. The Group also has around seven hectares (2012: seven hectares) of olive groves in Tuscany, a region of Italy.

During the fiscal year, the Group owned and leased vineyards yielded 89,441 tonnes of grapes (2012: 78,927** tonnes). Northern Hemisphere harvest of vines normally occurs in September – October, with southern hemisphere harvest around March – April.

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

Vines and grapes are measured at fair value, less estimated point-of-sale costs, with changes in fair value included in the statement of profit or loss and other comprehensive income in the period in which it arises. The fair value of acquired vines is determined with reference to independent valuations of vineyards and the market price of purchased vines. 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 gain before tax of \$3.8 million (2012: net loss before tax of \$23.4 million) comprising a decrement in vines valuation of nil (2012: nil) and gain on grape valuation of \$3.8 million (2012: \$23.4 million loss) being recognised.

* The total vineyard resources disclosed in 2012 of 10,956 included 899 hectares of leased vineyards in Australia.

** The total tonnes of grapes yielded of 87,646 disclosed in 2012 has been updated to more properly reflect produce from the Group owned and leased vineyards.

Reconciliations

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

	2013 \$M	2012 \$M
Carrying amount at start of year	195.6	180.5
Acquisitions	19.5	6.0
Disposal	–	(0.2)
Transfers from/(to) assets held for sale	–	6.7
Fair value increment/(decrement)	–	(2.8)
Transfer	4.2	–
Foreign currency translation	7.8	5.4
Carrying amount at end of year	227.1	195.6

NOTE 16 – INTANGIBLE ASSETS

	2013 \$M	2012 \$M
Brand names and licences		
Brand names and licences at cost	920.7	892.9
IT development costs		
At cost	57.6	36.8
Accumulated amortisation	(6.3)	(1.8)
	51.3	35.0
Goodwill		
Goodwill at cost	37.9	4.7
Total intangible assets	1,009.9	932.6

Reconciliations

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

	BRAND NAMES AND LICENCES		IT DEVELOPMENT COSTS		GOODWILL		TOTAL	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Carrying amount at start of year	892.9	871.4	35.0	50.6	4.7	5.1	932.6	927.1
Acquisitions	–	1.0	18.9	21.8	–	–	18.9	22.8
Business acquisitions	–	–	–	–	30.8	–	30.8	–
Impairment	–	–	–	(35.8)	–	–	–	(35.8)
Amortisation expense	–	–	(4.5)	(1.6)	–	–	(4.5)	(1.6)
Transfer	–	–	1.9	–	–	–	1.9	–
Foreign currency translation	27.8	20.5	–	–	2.4	(0.4)	30.2	20.1
Carrying amount at end of year	920.7	892.9	51.3	35.0	37.9	4.7	1,009.9	932.6

IT development costs

In the prior period a strategic review of information technology infrastructure identified \$35.8 million of assets which were impaired and accordingly these assets were written-off as being surplus to the Group's needs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED

NOTE 16 – 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. The recoverable amount is determined based on value in use which is calculated using a discounted cash flow methodology. 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 recoverable amount of net assets in the ANZ CGU was determined to be in excess of the carrying value and accordingly no impairment was evident in the current or comparative period.

Americas

The recoverable amount of net assets in the Americas CGU was determined to be in excess of the carrying value and accordingly no impairment was evident in the current or comparative period.

EMEA

The recoverable amount of net assets in the EMEA CGU was determined to be in excess of the carrying value and accordingly no impairment was evident in the current or comparative period.

Key assumptions and sensitivities

The value in use tests are sensitive to a number of assumptions, which are discussed in turn below.

The pre-tax, nominal discount rates used in the respective CGU impairment tests were:

	2013	2012
ANZ	13.5%	14.0%
Americas	12.8%	13.5%
EMEA	13.5%	14.0%

The reduction in the discount rates from 2012 to 2013 is primarily as a result of lower risk free rates, market risk premiums and the industry risk profile.

In 2013 the recoverable amount is determined based on value in use which is calculated using a discounted cash flow methodology. Cash flows are based on the most recent financial plans approved by management which incorporate the expected impact of the reduced shipments to US distributors in the Americas CGU. For each CGU, the cash flow projections for a five-year period have been determined based on expectations about future performance. Key assumptions in the cash flows include sales volume growth, costs of sales and costs of doing business. The assumptions regarding sales volume growth and costs of doing business are based on expectations of the market demand and past experience. The assumption on cost of sales is based on expectation about future vintage costs.

In the prior period the recoverable amount was based upon fair value less cost to sell using a discounted cash flow methodology and forecast exchange rates 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 and a GBP exchange rate of A\$1 = GBP 0.66 for 2012 declining over a five year forecast period to A\$1 = GBP 0.56.

Long-term growth rate – cash flows beyond a five year period are extrapolated using a growth rate of 3% (2012: 3%). The growth rate does not exceed the long-term growth rate for the business in which the CGU operates.

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

A change of +0.5% in the ANZ, Americas and EMEA CGUs discount rate would not result in an impairment (2012: No impairment for ANZ and EMEA CGU's, impairment of the Americas CGU by \$35.8 million).

An increase/decrease of 5 cents/pence in both the USD and the GBP exchange rate would not result in an impairment to the ANZ, Americas and EMEA CGUs in the current or prior period.

A change of -0.5% in the ANZ, Americas and EMEA CGUs long-term growth rate would not result in an impairment (2012: No impairment for ANZ and EMEA CGU's, impairment of the Americas CGU by \$24.1 million).

A 5% reduction to the ANZ, Americas and EMEA CGU's cash flows for all years in the forecast period and also in the terminal year calculation would not result in an impairment (2012: No impairment for ANZ and EMEA CGU's, impairment of the Americas CGU by \$37.1m).

Goodwill and indefinite life brand names have been allocated to individual CGU's according to business segment and country of operation.

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

	AMERICAS		EMEA		ANZ		TOTAL	
	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M	2013 \$M	2012 \$M
Carrying amount of goodwill	–	–	5.2	4.7	32.7	–	37.9	4.7
Carrying amount of indefinite life brand names	364.2	337.0	2.8	2.5	553.7	553.4	920.7	892.9

Indefinite life brand names in EMEA and ANZ as at 30 June 2012 have been restated as indefinite life brand names with a carrying value of \$163.5m, previously presented within the EMEA CGU, have been appropriately reflected within the ANZ CGU.

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 \$920.7 million (2012: \$892.9 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 17 – PAYABLES

	2013 \$M	2012 \$M
Current		
Trade creditors	188.6	174.9
Other creditors	291.4	289.1
Total current payables	480.0	464.0

Trade payables are normally settled within 60 days (2012: 60 days) from the date of invoice unless alternative 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
2013					
Trade creditors	105.6	56.3	12.2	14.5	188.6
Other creditors	137.3	115.9	21.4	16.8	291.4
Total creditors	242.9	172.2	33.6	31.3	480.0
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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED**

NOTE 18 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Capital structure and financial risk management framework

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

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

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

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

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

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

(a) Liquidity risk

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

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

	2013 \$M	2012 \$M
Committed arrangements/facilities available to the Group:		
Arrangements to provide standby funds and/or support facilities	500.0	500.0
Amounts utilised	(225.1)	(44.9)
Amount of credit unused	274.9	455.1

The Group is in compliance with all undertakings under its various financing arrangements. Unutilised facilities totalling \$274.9 million (2012: \$455.1 million), of which \$200 million is maturing in April 2014 and \$74.9 million with maturity date beyond twelve months of balance date.

As outlined in note 32, on 8 August 2013, the Group entered a new committed syndicated revolving term debt facility, totalling USD\$250.0 million, with USD\$170.0 million maturing in August 2016 and USD\$80.0 million maturing in August 2018.

Group Treasury, in managing the Group's liquidity risk, will have regard to the Group's ability and cost of access to alternative 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.

(a) Liquidity risk / continued

	MATURING IN:					CONTRACTUAL TOTAL \$M	CARRYING AMOUNT \$M
	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		
2013							
Bank loans*	5.1	4.8	8.3	232.0	–	250.2	223.8
Other loans	–	1.0	0.2	–	–	1.2	1.2
Foreign exchange contracts	2.9	1.4	4.2	0.5	–	9.0	9.0
Trade creditors	188.6	–	–	–	–	188.6	188.6
Other creditors	291.4	–	–	–	–	291.4	291.4
Total financial liabilities	488.0	7.2	12.7	232.5	–	740.4	714.0
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

* 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 alternative funding sources with a spread of maturity dates and sufficient undrawn committed facility capacity; and
- optimising over the long term, and to the extent practicable, the weighted average cost of capital to reduce the cost of capital to the Group while maintaining financial flexibility.

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

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

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

(c) Interest rate risk

The Group'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED

NOTE 18 – 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:

	2013 \$M	2012 \$M
Financial assets		
Cash and cash equivalents	10.8	28.6
Other loans	3.3	1.2
Total assets	14.1	29.8
Financial liabilities		
Bank loans	(225.1)	(63.0)
Total liabilities	(225.1)	(63.0)

Group 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 3.34% (2012: 2.17%) with all other variables held constant.

	SENSITIVITY ASSUMPTION		PRE-TAX IMPACT ON PROFIT			
	2013	2012	2013		2012	
			- \$M	+ \$M	- \$M	+ \$M
CURRENCY						
United States dollar	+/- 25bp	+/- 25bp	0.3	(0.3)	0.2	(0.2)
Australian dollar	+/- 25bp	+/- 25bp	0.2	(0.2)	—	—
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.

(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 timeframe to the anticipated transaction. Only exposures that are forecast as being highly probable are hedged. In implementing the framework, Group Treasury will have regard to the underlying currency net cash flows of the Group, comprising operating, investing and financing cash flows. Details of foreign exchange options and forward exchange contracts at reporting date are outlined in note 19.

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

ALL BALANCES TRANSLATED TO AUD	AUD \$M	USD \$M	GBP \$M	OTHER \$M	TOTAL \$M
2013					
Cash and cash equivalents	3.9	0.6	(2.9)	9.2	10.8
Loan receivable	3.3	–	–	–	3.3
Bank loans	(85.0)	(138.8)	–	–	(223.8)
Other loan payable	(1.0)	–	(0.2)	–	(1.2)
Net debt	(78.8)	(138.2)	(3.1)	9.2	(210.9)
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 loans	(1.0)	–	(0.2)	–	(1.2)
Net debt	(1.9)	(41.5)	2.0	7.0	(34.4)

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

CURRENCY*	SENSITIVITY ASSUMPTION**		PRE-TAX IMPACT ON PROFIT				IMPACT ON EQUITY			
	2013	2012	2013		2012		2013		2012	
			+	–	+	–	+	–	+	–
			\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
United States dollar***	12.1%	13.3%	6.3	(8.9)	6.1	(4.7)	(105.4)	134.5	(112.1)	146.4
Great Britain pound***	10.8%	10.9%	9.5	(8.7)	8.6	(5.4)	(9.3)	11.6	(9.5)	11.8
Euro	11.1%	10.7%	(2.8)	3.5	(2.4)	3.0	(2.5)	3.1	(2.4)	3.0
Canadian dollar	9.4%	8.8%	(2.1)	2.5	(1.8)	2.2	–	–	–	–
New Zealand dollar	7.0%	7.4%	–	–	(1.0)	1.2	(7.6)	8.7	(6.1)	7.1

* Australian dollar versus individual currencies.

** Implied 1 year currency volatility at reporting date (Source: Bloomberg).

*** 2012 comparatives revised for consistent classification with 2013.

(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 \$1.2 million (2012 \$0.7 million) and in respect to cash and other investments were nil (2012: nil).

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

Group Treasury, in managing the Group's counterparty credit risk, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED

NOTE 18 – 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:

	2013 CARRYING AMOUNT \$M	2012 CARRYING AMOUNT \$M	2013 FAIR VALUE \$M	2012 FAIR VALUE \$M
Cash and deposits	10.8	28.6	10.8	28.6
Loans and receivables				
Trade debtors	419.6	388.7	419.6	388.7
Other debtors	18.2	38.5	18.2	38.5
Loan receivable	3.3	1.2	3.3	1.2
Financial assets designated as hedged items				
Foreign exchange contracts	1.2	0.9	1.2	0.9
Total financial assets	453.1	457.9	453.1	457.9
Financial liabilities at amortised cost				
Payables	480.0	464.0	480.0	464.0
Bank loans	223.8	63.0	223.8	63.0
Other loans	1.2	1.2	1.2	1.2
Financial liabilities designated as hedged items				
Foreign exchange contracts	9.0	1.5	9.0	1.5
Total financial liabilities	714.0	529.7	714.0	529.7

Bank loans represent loans denominated in AUD and USD.

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

NOTE 19 – DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

	2013 \$M	2012 \$M
Financial assets		
Current foreign exchange contracts	1.0	0.6
Non-current foreign exchange contracts	0.2	0.3
Financial liabilities		
Current foreign exchange contracts	4.3	1.1
Non-current foreign exchange contracts	4.7	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 \$509.4 million (Australian dollar equivalent) net face value of outstanding foreign exchange contracts at contract rates (2012: \$371.1 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:

	2013 \$M	2012 \$M
Cash flow hedge reserve – opening	0.5	–
Amount recognised in equity during the year	(0.5)	0.8
Amount removed from equity during the year	–	(0.3)
Cash flow hedge reserve – closing	–	0.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED

NOTE 20 – BORROWINGS

	2013 \$M	2012 \$M
Current		
Unsecured	–	20.0
Other	0.7	1.0
Total current borrowings	0.7	21.0
Non-current		
Unsecured	224.1	43.0
Other	0.2	0.2
Total non-current borrowings	224.3	43.2
Total net borrowings consist of:		
Current	0.7	21.0
Non-current	224.3	43.2
Total borrowings	225.0	64.2

Details of major arrangements

Bank loans of \$225.1 million, of which \$140.1 million was drawn in USD with an interest rate of 2.32% (2012: 2.17%) and \$85.0 million in AUD with an interest rate of 5.01% at year end (2012: nil AUD bank loan).

Receivable purchasing agreement

The Group has entered into an uncommitted, non-recourse receivable purchasing agreement to sell certain domestic and international receivables, from time to time, to an unrelated entity in exchange for cash. The facility limit under the receivable purchasing agreement is GBP 80.0 million (2012: GBP 40.0 million). As at 30 June 2013, the Group had sold receivable balances equivalent to GBP 74.6 million in exchange for cash (2012: GBP 15.4 million).

Financial guarantees

The Company has financial guarantees to banks and other financiers of \$225.5 million (2012: \$45.6 million) and to other persons of \$30.5 million (2012: \$27.2 million) that could be called upon at any time in the event of a breach of the Group's financial obligations. The Company does not expect any payments will eventuate under these financial guarantees as the Company and the Group are expected to meet their respective obligations to the beneficiaries of these guarantees.

NOTE 21 – PROVISIONS

	2013 \$M	2012 \$M
Current		
Employee entitlements	37.3	40.1
Other	50.9	14.3
Total current provisions	88.2	54.4
Non-current		
Employee entitlements	3.7	4.2
Total non-current provisions	3.7	4.2

Other provisions

	ONEROUS CONTRACTS \$M	RESTRUCTURING \$M	DISTRIBUTOR INVENTORY/ OTHER \$M	TOTAL \$M
2013				
Carrying amount at start of year	12.6	0.1	1.6	14.3
Charged/(credited) to comprehensive income	4.1	–	42.9	47.0
Payments	(10.1)	(0.1)	(1.1)	(11.3)
Foreign currency translation	0.1	–	0.8	0.9
Carrying amount at end of year	6.7	–	44.2	50.9

Onerous contract provisions are held for non-cancellable lease contracts that have been identified as being surplus to the Group's needs.

The Group has recognised other provisions for a present obligation to pay US distributors destruction costs. This obligation is documented in note 4.

NOTE 22 – BUSINESSES ACQUIRED

(a) Summary of acquisition

On 1 November 2012 a Group controlled entity, Treasury Wine Estates (Matua) Limited purchased the remaining 50% of the issued share capital of Rapaura Vintners Limited. Rapaura Vintners Limited is an integrated winery, packaging and warehouse facility located in Wairau Valley, Marlborough.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

CONSIDERATION	\$M
Cash (refer to (b) below)	27.5
Fair value of equity interest held before the business combination	12.2
	39.7

The assets and liabilities recognised as a result of the acquisition are as follows:

	FAIR VALUE \$M
Net trading assets*	1.2
Plant and equipment	24.1
Net tax balances	(3.7)
Provision for employee benefits	(0.1)
Borrowings**	(12.6)
	8.9
Add: goodwill	30.8
Net assets acquired	39.7

* The fair value of acquired trade receivables is \$0.8m.

** Borrowings includes \$2.7m payable to TWE.

The goodwill is attributable to the substantial benefits to the Group in gaining control over the facility, which will enable the Group to expand the facility and increase the crush capacity from 15,000 tonnes to 25,000 tonnes. The goodwill will not be deductible for tax purposes.

There were no acquisitions in the year ended 30 June 2012.

The acquired business contributed revenues of \$2.0m and net profit of \$1.1m to the Group for the period 1 November 2012 to 30 June 2013. If the acquisition had occurred on 1 July 2012, consolidated revenue and net profit for the year ended 30 June 2013 would have been \$4.0m and \$0.9m respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED

NOTE 22 – BUSINESSES ACQUIRED / CONTINUED

(b) Purchase consideration – cash outflow

	\$M
Outflow of cash to acquire subsidiary, net of cash acquired	40.1
Less: balances acquired	
Borrowings	(12.6)
Outflow of cash – investing activities	27.5

Acquisition related costs of \$13,702 are included in other expenses within profit or loss and in operating cash flows in the statement of cash flows.

NOTE 23 – CONTRIBUTED EQUITY

	NOTE	2013 SHARES MILLION	2012 SHARES MILLION
Paid up capital			
Ordinary fully paid shares	(a),(b)	647.2	647.2

	NOTE	2013 \$M	2012 \$M
Paid up capital			
Ordinary fully paid shares	(a)	3,047.5	3,047.5
Treasury shares	(b)	(4.9)	(5.3)
		3,042.6	3,042.2

(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.

(b) Treasury shares

Included within ordinary fully paid shares are 1.2 million (2012: 1.5 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 26.

NOTE 24 – RESERVES

	NOTE	2013 \$M	2012 \$M
Cash flow hedge reserve	(a)	–	(0.2)
Share based payments reserve	(b)	9.8	6.8
Foreign currency translation reserve	(c)	(246.0)	(352.4)
Total reserves		(236.2)	(345.8)

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 payments reserve

This reserve records the value of shares under the Group's Long Term Incentive Plan offered to employees as part of their remuneration. Refer to note 26 for further details of this plan.

(c) Foreign currency translation reserve

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

NOTE 25 – 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 KMP personnel of the Company and the Group:

	2013 \$	2012 \$
Short-term employee benefits	4,963,192	6,783,845
Post-employment benefits	151,806	163,012
Share-based payments	2,434,527	1,596,543
Termination benefits	660,389	487,947
Total	8,209,914	9,031,347

Equity instrument disclosures relating to KMP

The number of shares in the Company held by each director and other KMP of the Group, including their related parties, together with the number of performance rights granted by the Group as compensation during the years 2013 and 2012, are shown in the tables below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED

NOTE 25 – KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES / CONTINUED

Equity instrument disclosures relating to key management personnel / continued

	BALANCE AT START OF YEAR	SHARES ACQUIRED DURING THE 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
2013						
Non-executive Directors						
P Rayner	35,000	—	—	20,500	—	55,500
ML Cattermole	61,214	644	—	18,848	—	80,706
WL Every-Burns	26,667	—	—	—	—	26,667
P Hearl	—	—	—	10,000	—	10,000
G Hounsell	—	—	—	30,000	10,000	40,000
E Chan	—	1,932	—	1,891	—	3,823
M Cheek	—	1,718	—	11,680	—	13,398
MG Ould	32,573	—	—	—	(32,573)	—
Director total	155,454	4,294	—	92,919	(22,573)	230,094
Executive KMP						
DCM Dearie	132,272	91,506	93,727	—	—	317,505
M Fleming	110,974	48,800	—	—	(36,991)	122,783
P Conroy	116,548	41,875	57,667	—	(57,667)	158,423
S McNab	62,183	47,168	25,391	—	—	134,742
M Collins	—	—	—	—	—	—
Key management personnel total	421,977	229,349	176,785	—	(94,658)	733,453
Grand total	577,431	233,643	176,785	92,919	(117,231)	963,547
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

Boyd Williams resigned 1 July 2012

The following are disclosed within 'other changes during the year'

– Garry Hounsell was appointed to the board 1 September 2012, at which point he held 10,000 shares

– Max Ould retired from the board at 1 September 2012, at which point he held 32,573 shares

Other transactions with KMP and their personally-related entities

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

Other transactions with KMP and their personally-related entities / continued

Some directors of the Company are also directors of public companies which have transactions with the Group. The relevant directors do not believe they have the individual capacity to control or significantly influence the financial policies of those companies. The companies are therefore not considered to be related parties for the purpose of the disclosure requirements of AASB 124 'Related Party Disclosures'.

NOTE 26 – EMPLOYEE EQUITY PLANS

As at 30 June 2013, 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 Group operates the following equity plans:

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

LTIP

Under the LTIP, eligible participants receive a grant of performance rights, which entitles participants to receive shares in the Company (Shares) at no cost 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.

For the 2013 and 2012 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 2011 awards, two offers of one-off Demerger Performance Rights were granted to participants to create immediate alignment with shareholder interests and drive performance during the period post-demerger. Dual performance measures with equal weighting apply (TSR CAGR and Return on Capital Employed (ROCE) CAGR).

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

In exceptional circumstances (such as death, disability or redundancy), the Board, 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).

Restricted Equity Plan

Under the Restricted Equity Plan, eligible participants receive a grant of Restricted Shares or Deferred Rights (Restricted Equity awards) at no cost that are subject to a restriction period. Restricted Equity awards are subject to forfeiture if the participant resigns from the Group prior to the conclusion of the restriction period applicable to the offer. Participants are entitled to dividends and to exercise their voting rights attached to the Restricted Shares during the restriction period.

Awards under the Restricted Equity Plan are in the form of the following:

- Demerger Restricted Shares

In 2011 two offers of one-off Demerger Restricted Shares were granted to eligible participants to create immediate alignment with shareholder interest, drive performance during the period post-demerger and for the purposes of retention.

- Restricted Equity awards

These awards (in the form of Restricted Shares or Deferred Rights) are made to compensate employees for foregoing equity compensation in their previous organisation, as a sign-on award and/or as a retention incentive.

Fair value of awards

The grant-date fair value of the LTIP Performance Rights granted during the year ended 30 June 2013 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED

NOTE 26 – 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.
2013						
STIP Deferred Share Plan						
STI	15-Sep-11	14-Sep-13	591,558	–	25,808	47,835
STI	14-Sep-12	14-Sep-14	–	396,191	–	57,217
LTIP						
ROCE	6-Jun-11	30-Sep-12	418,844	–	418,844	–
ROCE	6-Jun-11	30-Sep-13	403,446	–	45,231	–
TSR	6-Jun-11	30-Sep-12	418,844	–	8,117	410,727
TSR	6-Jun-11	30-Sep-13	403,446	–	49,294	–
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	3,250,734	–	675,975	–
TSR	13-Apr-12	30-Jun-14	3,250,734	–	656,999	–
EPS	22-Nov-12	30-Jun-15	–	1,752,675	183,602	–
TSR	22-Nov-12	30-Jun-15	–	1,752,675	183,602	–
EPS	28-Jun-13	30-Jun-14	–	54,813	–	–
TSR	28-Jun-13	30-Jun-14	–	54,813	–	–
Restricted Share Plans						
Demerger	3-Jun-11	5-May-14	702,828	–	–	405,386
Targeted	29-Aug-11	30-Jun-14	18,493	–	–	–
Targeted	3-Feb-12	3-Feb-14	92,178	–	–	46,089
Targeted	1-Jun-12	1-Jun-15	4,512	–	4,512	–
Targeted	23-Nov-12	23-Nov-15	–	11,942	–	–
Targeted	8-Mar-13	8-Mar-16	–	4,469	–	–
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	–	–

(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.

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⁾ %
517,915	3.36	N/A	N/A	N/A	N/A
338,974	4.78	N/A	N/A	N/A	N/A
–	3.46	3.33	3.5	20.0	4.8
358,215	3.46	3.22	3.5	20.0	4.9
–	3.46	1.09	3.5	20.0	4.8
354,152	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
2,574,759	4.35	4.06	3.1	30.0	3.3
2,593,735	4.35	3.21	3.1	30.0	3.3
1,569,073	5.16	4.75	3.2	28.0	2.7
1,569,073	5.16	3.35	3.2	28.0	2.7
54,813	5.82	5.66	2.8	25.0	2.8
54,813	5.82	5.33	2.8	25.0	2.8
297,442	3.42	N/A	N/A	N/A	N/A
18,493	3.24	N/A	N/A	N/A	N/A
46,089	3.48	N/A	N/A	N/A	N/A
–	4.43	N/A	N/A	N/A	N/A
11,942	5.02	N/A	N/A	N/A	N/A
4,469	5.59	N/A	N/A	N/A	N/A
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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED**

NOTE 27 – EMPLOYEE BENEFITS

	2013 \$M	2012 \$M
The aggregate amount of employee benefits is comprised of:		
Accrued wages, salaries and on-costs	12.8	43.0
Provisions (current)	37.3	40.1
Provisions (non-current)	3.7	4.2
Total employee benefits	53.8	87.3

The aggregate of employee entitlement provisions is \$41.0 million (2012: \$44.3 million). Employee benefits incurred during the year were \$283.3 million (2012: \$243.4 million).

NOTE 28 – REMUNERATION OF AUDITORS

	2013 \$'000	2012 \$'000
Amount received, or due and receivable, by the auditors for:		
Auditing and reviewing the financial statements		
auditors of TWE	1,298	830
associated firms of TWE auditors	814	770
Total audit and other assurance		
auditors of TWE	1,298	830
associated firms of TWE auditors	814	770
	2,112	1,600
Total other services		
auditors of TWE	90	80
associated firms of TWE auditors	10	–
	100	80
Total fees earned		
auditors of TWE	1,388	910
associated firms of TWE auditors	824	770
Total remuneration of auditors	2,212	1,680

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 2013, PricewaterhouseCoopers earned fees in respect to the provision of taxation and advisory services.

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

NOTE 29 – COMMITMENTS

	2013 \$M	2012 \$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	41.8	39.2
between 1 year and 5 years	90.1	73.6
over 5 years	69.0	62.3
Total lease commitments	200.9	175.1

NOTE 29 – COMMITMENTS / CONTINUED

Capital expenditure and other commitments

The following expenditure has been contracted but not provided for in the financial statements:

	2013 \$M	2012 \$M
Capital expenditure	7.2	13.8

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 30 – 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:

	2013 \$M	2012 \$M
Cash at bank and on hand (note 9)	10.8	28.6
Reconciliation of net cash flows from operating activities to profit/(loss) after income tax		
Profit for the year	42.7	89.7
Depreciation and amortisation	76.8	67.7
Contributions from associates	(1.0)	(0.8)
Profit on disposal of non-current assets	(0.5)	(1.2)
Valuation (increment)/decrement on agricultural assets	–	2.8
Revaluation assets held for sale and investments	(7.9)	(8.2)
Cash (receipts)/payments investing activities	0.9	(31.5)
Asset impairment charges – PPE/intangibles	–	42.8
Share-based payments expense	7.9	6.6
Change in working capital, net of effects from acquisition/disposal of controlled entities		
Receivables	(12.5)	5.4
Inventories	(85.5)	(108.8)
Derivative financial assets/liabilities	7.2	0.8
Payables	15.4	94.8
Net tax balances	(7.4)	2.5
Provisions	33.3	7.2
Foreign exchange in working capital	43.7	9.8
Net cash flows from operating activities	113.1	179.6

NOTE 31 – NON-DIRECTOR RELATED PARTY DISCLOSURES

Ownership interests in related parties

All material ownership interests in related parties are disclosed in note 33 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED**

NOTE 31 – NON-DIRECTOR RELATED PARTY DISCLOSURES / CONTINUED

Transactions with other related parties

Transactions between the Company and related parties to the Group during the current year included:

	2013 \$'000	2012 \$'000
Loans to related parties:		
Opening balance	–	–
Loans advanced	2,000	–
Interest charged	229	–
	2,229	–

All loans were made on normal commercial terms and conditions, except that there are no fixed terms for the repayment of loans between the parties. The average interest rate on loans during the year was 5.4%.

NOTE 32 – EVENTS SUBSEQUENT TO REPORTING DATE

Since 30 June 2013, the directors have declared a final dividend of 7.0 cents per ordinary share (2012: 7.0 cents). The total amount of the final dividend is \$45.3 million (2012: \$45.3 million). This has not been provided for in the 30 June 2013 financial statements (refer to note 8).

On 8 August 2013, the Group entered a new committed syndicated revolving term debt facility, totalling USD\$250.0 million, with USD\$170.0 million maturing in August 2016 and USD\$80.0 million maturing in August 2018.

On 21 May 2011, the Company and its wholly owned Australian resident subsidiaries formed an Australian tax consolidated group. Under the current tax consolidation rules, the tax costs of assets brought into the income tax consolidated group by members that join the consolidated group are required to be reset under the tax cost setting process. In the financial year ended 30 June 2011, the Company performed an estimate of the effect of the tax cost resetting process which resulted in an increase in deferred tax liabilities of approximately \$2 million.

During the financial year ended 30 June 2013, the Company has commenced additional analysis to confirm the original estimates on the impact of the tax consolidation reset cost base rules given that the Australian Federal Government's potential changes to Australian tax laws, to apply to demergers after 9 November 2010, have not been enacted since their original announcement date. As at the date of signing the accounts, this analysis is incomplete, however based on preliminary estimations, it is anticipated that the Company should be entitled to tax refunds relating to the 2011 to 2013 financial years. These tax refunds will be predominantly realised by the Company in the form of tax offsets that can be utilised against TWE's future tax liabilities. As a result of these anticipated tax refunds, the Company does not expect to be able to frank any future dividends for the next 2 years.

There are no other matters or circumstances which have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

NOTE 33 – 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	
			2013 %	2012 %
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

NOTE 33 – CONTROLLED ENTITIES / CONTINUED

ENTITY	NOTES	COUNTRY OF INCORPORATION	EQUITY HOLDING	
			2013 %	2012 %
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
Graymoor Estate Joint Venture		Australia	48.8	48.8
Graymoor Estate Pty. Ltd.		Australia	48.8	48.8
Graymoor Estate Unit Trust		Australia	48.8	48.8
Greg Norman Estates Joint Venture		Australia	70	70
Il Cavaliere del Castello di Gabbiano S.r.l.		Italy	100	100
Interbev Pty. Ltd.*		Australia	100	100
Invin Wines Pty. Ltd.		Australia	100	100
Island Cooler Pty. Ltd.		Australia	100	100
James Herrick Wines Limited		UK	100	100
Leo Buring Pty. Ltd.		Australia	100	100
Lindeman (Holdings) Limited*		Australia	100	100
Lindemans Wines Pty. Ltd.		Australia	100	100
Mag Wines Pty. Ltd		Australia	100	100
Majorca Pty. Ltd.*		Australia	100	100
MBL Packaging Pty. Ltd.		Australia	100	100
Mildara Holdings Pty. Ltd.*		Australia	100	100
North America Packaging (Pacific Rim) Corporation		USA	100	100
North Para Environment Control Pty. Ltd.		Australia	69.9	69.9
Penfolds Wines Pty Ltd		Australia	100	100
Premium Land, Inc.		USA	100	100
Rapuara Vintners Limited	(b)	New Zealand	100	–
Raust International Investments BV		Netherlands	100	100
RH Wines Pty. Ltd		Australia	100	100
Robertsons Well Pty. Ltd.		Australia	100	100
Robertsons Well Unit Trust		Australia	100	100
Rosemount Estates Pty. Ltd.		Australia	100	100
Rothbury Wines Pty. Ltd.*		Australia	100	100
Roxburgh Vineyards Pty. Ltd.		Australia	100	100
SCA 605 Pty. Ltd.		Australia	100	100
SCW 905 Limited*		Australia	100	100
Seaview Wynn Pty. Ltd.*		Australia	100	100
Selion Pty. Ltd.		Australia	100	100
Southcorp Australia Pty. Ltd.*		Australia	100	100
Southcorp Brands Pty. Ltd.*		Australia	100	100
Southcorp International Investments Pty. Ltd.*		Australia	100	100
Southcorp Limited*		Australia	100	100
Southcorp NZ Pty. Ltd.*		Australia	100	100
Southcorp Whitegoods Pty. Ltd.		Australia	100	100
Southcorp Wines Asia Pty. Ltd.		Australia	100	100
Southcorp Wines Europe Limited		UK	100	100
Southcorp Wines NZ Limited		New Zealand	100	100
Southcorp Wines Pty. Ltd.*		Australia	100	100
Southcorp XUK Limited		UK	100	100

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED**

NOTE 33 – CONTROLLED ENTITIES / CONTINUED

ENTITY	NOTES	COUNTRY OF INCORPORATION	EQUITY HOLDING	
			2013 %	2012 %
T'Gallant Winemakers Pty. Ltd.		Australia	100	100
The New Zealand Wine Club Limited		UK	100	100
The Rothbury Estate Pty. Ltd.*		Australia	100	100
Tolley Scott & Tolley Limited*		Australia	100	100
Treasury Americas Inc		USA	100	100
Treasury Wine Brands Pty Limited		Australia	100	100
Treasury Wine Estates (China) Holding Co Pty Ltd*		Australia	100	100
Treasury Wine Estates Shanghai Co Ltd		China	100	100
Treasury Wine Estates (Matua) Limited		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	(a)	USA	100	100
Treasury Wine Estates Asia Pty. Ltd.		Australia	100	100
Treasury Wine Estates Australia Limited*		Australia	100	100
Treasury Wine Estates Barossa Vineyards Pty. Ltd.		Australia	100	100
Treasury Wine Estates Canada, Inc.		Canada	100	100
Treasury Wine Estates Denmark ApS		Denmark	100	100
Treasury Wine Estates EMEA Limited		UK	100	100
Treasury Wine Estates Finland Oy		Finland	100	100
Treasury Wine Estates Group Pty Limited		Australia	100	100
Treasury Wine Estates HK Limited	(c)	China	100	–
Treasury Wine Estates Holdings Inc.		USA	100	100
Treasury Wine Estates Limited*		Australia	100	100
Treasury Wine Estates Netherlands B.V		Netherlands	100	100
Treasury Wine Estates Norway AS		Norway	100	100
Treasury Wine Estates Sweden AB		Sweden	100	100
Treasury Wine Estates UK Brands Limited		UK	100	100
Treasury Wine Estates Vintners Limited*		Australia	100	100
TWE Finance (Aust) Limited*		Australia	100	100
TWE Finance (UK) Limited		UK	100	100
TWE Insurance Company Pte. Ltd.		Singapore	100	100
TWE Share Plans Pty Ltd		Australia	100	100
TWE US Finance Co.		USA	100	100
VEA Pty. Ltd.		Australia	100	100
Wolf Blass Wines Pty. Ltd.*		Australia	100	100
Woodley Wines Pty. Ltd.		Australia	100	100
Wynn Winegrowers Pty. Ltd.		Australia	100	100
Wynns Coonawarra Estate Pty. Ltd		Australia	100	100

* Entity is a member of the Closed Group under the Deed of Cross Guarantee (refer to note 34) and relieved from the requirement to prepare audited financial statements by ASIC Class Order (98/1418).

Notes

- (a) Foster's Wine Estates Sales Company merged with Treasury Wine Estates Americas Company on 15 November 2012 under the name Treasury Wine Estates Americas Company.
- (b) On 1 November 2012, Treasury Wine Estates (Matua) Limited purchased the remaining 50% issued capital of Rapaura Vintners Limited previously equity accounted for.
- (c) Incorporated on 27 September 2012.

NOTE 34 – 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 33 'Controlled Entities'.

A summarised consolidated statement of profit or loss and other comprehensive income, retained earnings reconciliation and a consolidated statement of financial position, comprising the Company and those controlled entities which are a party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed, at 30 June 2013 are set out below.

	2013 \$M	2012 \$M
Extract of the statement of profit or loss and other comprehensive income		
Profit before tax	97.3	75.0
Income tax expense	(32.6)	(28.7)
Net profit after tax	64.7	46.3
Retained earnings at beginning of the year	172.1	(43.6)
Transfer from reserves	–	247.1
External dividends	(84.1)	(77.7)
Retained earnings at end of the year	152.7	172.1
Current assets		
Cash and cash equivalents	1.5	17.4
Receivables	1,336.4	1,426.3
Inventories	375.6	358.1
Current tax assets	3.8	13.5
Assets held for sale	2.5	3.5
Derivative financial assets	3.1	1.3
Total current assets	1,722.9	1,820.1
Non-current assets		
Receivables	3.9	1.2
Inventories	305.8	277.7
Other financial assets	2,852.1	2,852.3
Derivative financial assets	4.9	0.7
Property, plant and equipment	492.9	464.1
Agricultural assets	83.6	68.6
Intangible assets	437.2	420.9
Retirement benefit assets	0.5	0.5
Deferred tax assets	43.0	50.9
Total non-current assets	4,223.9	4,136.9
Total assets	5,946.8	5,957.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 / CONTINUED

NOTE 34 – DEED OF CROSS GUARANTEE / CONTINUED

	2013 \$M	2012 \$M
Current liabilities		
Payables	234.2	249.0
Borrowings	2,333.5	2,399.1
Provisions	38.8	43.8
Derivative financial liabilities	4.3	1.5
Total current liabilities	2,610.8	2,693.4
Non-current liabilities		
Borrowings	85.0	—
Deferred tax liabilities	32.4	32.3
Provisions	3.7	4.2
Derivative financial liabilities	4.9	0.7
Total non-current liabilities	126.0	37.2
Total liabilities	2,736.8	2,730.6
Net assets	3,210.0	3,226.4
Equity		
Contributed equity	3,047.5	3,047.5
Reserves	9.8	6.8
Retained earnings	152.7	172.1
Total equity	3,210.0	3,226.4

NOTE 35 – PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2013 \$'000	2012 \$'000
Balance sheet		
Current assets	5,633.6	5,591.4
Total assets	7,501.5	7,459.3
Current liabilities	4,391.0	4,338.7
Total liabilities	4,391.0	4,338.7
Net assets	3,110.5	3,120.6
Shareholders' equity		
Issued capital	3,047.5	3,047.5
Share-based payments reserve	9.8	6.8
Retained earnings	53.2	66.3
Total equity	3,110.5	3,120.6
Profit for the year	71.0	83.0
Total comprehensive income	71.0	83.0

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2013 (2012: nil).

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2013

In the Directors' opinion:

- (a) The financial statements and notes set out on pages 72 to 122 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 2013 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 33 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 34.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



Paul Rayner
Chairman



David Dearie
Chief Executive Officer

30 August 2013

INDEPENDENT AUDITOR'S REPORT



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

Report on the financial report

We have audited the accompanying financial report of Treasury Wine Estates Limited (the company), which comprises the Consolidated Statement of Financial Position as at 30 June 2013, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Treasury Wine Estates Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at 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. Those 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 consolidated 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.

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

Independence

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

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



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 2013 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*.
- (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 51 to 71 of the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers
PricewaterhouseCoopers

Andrew Mill
Andrew Mill
Partner

Melbourne
30 August 2013

DETAILS OF SHAREHOLDERS, SHAREHOLDINGS AND TOP 20 SHAREHOLDERS

Details of shareholders and shareholdings

Holding of securities

LISTED SECURITIES 21 AUGUST 2013	NO. OF HOLDERS	NO. OF SHARES	% HELD BY TOP 20
Fully paid ordinary shares	73,487	647,227,144	84.17

Distribution of holdings – 21 August 2013

SIZE OF HOLDING	NUMBER
1 – 1,000	22,860,512
1,001 – 5,000	40,879,995
5,001 – 10,000	12,557,818
10,001 – 100,000	17,028,399
100,001 and over	553,900,420
Total	647,227,144

Of these, 1949 shareholders held less than a marketable parcel of \$500 worth of shares (104 shares). In accordance with ASX Business Rules, the last sale price of the Company's shares on the ASX on 21 August 2013 was used to determine the number of shares in a marketable parcel.

Twenty largest shareholders – 21 August 2013

RANK	SHAREHOLDER	NO. OF FULLY PAID ORDINARY SHARES	% OF FULLY PAID ORDINARY SHARES
1.	HSBC Custody Nominees (Australia) Limited	177,334,926	27.40
2.	JP Morgan Nominees Australia Limited	154,159,700	23.82
3.	National Nominees Limited	114,650,695	17.71
4.	Citicorp Nominees Pty Limited	45,027,028	6.96
5.	BNP Paribas Noms Pty Ltd <DRP>	12,088,921	1.87
6.	UBS Nominees Pty Ltd	11,415,005	1.76
7.	RBC Global Services Australia Nominees Pty Limited	9,350,070	1.44
8.	AMP Life Limited	3,417,970	0.53
9.	QIC Limited	2,927,069	0.45
10.	Australian Foundation Investment Company Limited	2,875,501	0.44
11.	CS Fourth Nominees Pty Ltd	2,098,561	0.32
12.	Equity Trustees Limited <SGH20>	2,010,000	0.31
13.	HSBC Custody Nominees (Australia) Limited <NT-Commonwealth Super Corp A/C>	1,867,403	0.29
14.	Merrill Lynch (Australia) Nominees Pty Ltd	1,123,767	0.17
15.	Sandhurst Trustees Ltd <Harper Bernays Ltd A/C>	1,051,700	0.16
16.	Milton Corporation Limited	1,023,271	0.16
17.	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	634,939	0.10
18.	SBN Nominees Pty Limited <10004 Account>	600,000	0.09
19.	BNP Paribas Nominees Pty Ltd <Agency Lending Collateral>	580,000	0.09
20.	UBS Wealth Management Australia Nominees Pty Ltd	506,381	0.08
Total		544,742,907	84.17

Substantial shareholders – 21 August 2013

The following shareholders have declared a relevant interest in the number of voting shares at the date of giving the notice under Part 6C.1 of the Corporations Act.

INSTITUTION	INTEREST (% OF ISC)
The Capital Group Companies	6.72
Baillie Gifford	5.11
BlackRock Group	5.08
FMR LLC & FIL (Fidelity)	5.07

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday 23 October 2013, at 10.00 am at the National Wine Centre of Australia, Adelaide, South 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.investorcentre.com/contact

Please include your securityholder reference number (SRN) or holder identification number (HIN) in all correspondence to the share registry. For enquiries relating to the operations of the Company, please contact the Investor Relations team on:

Telephone: +61 3 8533 3000
Facsimile: +61 3 9685 8001
Email: investors@tweglobal.com
Website: www.tweglobal.com

58–82 Queensbridge Street,
Southbank 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.

SHAREHOLDER INFORMATION

CHANGE OF ADDRESS

It is important for shareholders to notify the share registry of any change of address. As a security measure, the old address should also be quoted as well as your securityholder reference number (SRN). Shareholders may access the online share registry to submit their details or download a personalised change of address form.

SHAREHOLDER WINE CLUB

Our shareholders have the opportunity to purchase a wide range of premium wines representing exceptional value from the TWE Vintrepreneur's Club.

Shareholders can register to receive information by visiting www.vintrepreneur.com or calling 1300 846 863.

TREASURY WINE ESTATES LIMITED

ACN 004 373 862

COMPANY SECRETARY

Paul Conroy

REGISTERED OFFICE

58–82 Queensbridge Street
Southbank Victoria 3006
Australia

Telephone: +61 3 8533 3000



